



THEMATIC DIALOGUE ON COMMODITY TRADING TRANSPARENCY:

ON-LINE MAPPING TOOL OF DIRECTLY STATE-OWNED ENTERPRISES AND THEIR SUBSIDIARIES

DRAFT METHODOLOGY

Background

Since 2013, the [OECD Policy Dialogue on Natural Resource-based Development](#) hosted by the OECD Development Centre, has offered a platform for peer learning and knowledge sharing where OECD and non-OECD natural resource-rich countries, all participating on equal footing, work with extractive industries, civil society organisations, and think tanks, to craft innovative solutions for resource-based sustainable development.

The 2016 OECD Development Centre's report on [Corruption in the Extractive Value Chain: Typology of Risks, Mitigation Measures and Incentives](#) reviews corruption schemes in commodity trading and offers mitigation measures that home countries, host countries and companies involved in commodity trading can adopt to mitigate corruption risks.

As a follow-up to this work and building on the political momentum generated by the 2016 UK Anti-Corruption Summit, the **Thematic Dialogue on Commodity Trading Transparency** was successfully launched in June 2017 as an integral part of the OECD Policy Dialogue on Natural Resource-based Development. Through a multi-stakeholder process involving OECD and partner countries, representatives of state-owned enterprises (SOEs) and companies involved in commodity trading, the Thematic Dialogue provides a multi-stakeholder platform for collaboration on how the global and multifaceted challenges of corruption in commodity trading can be addressed from both the supply and demand side. Under the co-chairmanship of Nigeria and the United Kingdom, the Thematic Dialogue aims to drive collective global action for enhanced transparency and improved accountability in commodity trading, and ultimately lead to improved governance of the sector.

Consequently, the Thematic Dialogue is working towards the development complementary and mutually supportive tools that home countries, trading companies and producing countries, including state-owned enterprises, can use to reduce drivers of corruption and associated illicit financial flows and articulate complementary interventions in both producing countries and trading hubs. The Thematic Dialogue's outputs, collectively identified to fill existing gaps, include: Policy papers on the role of trading hubs and the corruption risks in commodity trading; a Mapping of SOEs and their subsidiaries – to address the challenge that many buyers face in determining which entities are state-owned; and Guidance to support SOEs in selecting buyers.

The present note focuses on the second output – the development of an On-line Mapping Tool of directly State-Owned Enterprises and their Subsidiaries.

Rationale for the development of the SOE Mapping Tool

Participants in the Eleventh Plenary Meeting of the Policy Dialogue in December 2018 acknowledged the challenges faced by companies involved in commodity trading in determining whether the seller they are dealing with is a state-owned enterprise (SOE), despite undertaking an extensive and resource intensive due diligence process.

Establishing a global mapping tool of directly SOEs and their subsidiaries, hosted by the OECD Development Centre, could assist trading companies in their due diligence efforts to correctly identify when they are engaging with state-

owned entities. The OECD has extensive in-house expertise in the field of SOE governance through its Corporate Affairs Division of the Directorate for Financial and Enterprise Affairs (DAF). The OECD Guidelines on Corporate Governance of State-Owned Enterprises contains a definition of SOEs that can be used for this purpose.

Participants in the Eleventh Plenary Meeting of the Policy Dialogue have agreed to fill this knowledge gap to develop a SOE Mapping Tool to address the challenge that many buyers face in determining which entities are state-owned.

Scope

The SOE Mapping Tool will encompass directly state-owned SOEs and their subsidiary entities from OECD and non-OECD countries. The SOE Mapping Tool will rely on the definition of SOEs contained in the 2015 edition of the OECD Guidelines on Corporate Governance of State-Owned Enterprises:¹

“...any corporate entity recognised by national law as an enterprise, and in which the state exercises ownership, should be considered as an SOE. This includes joint stock companies, limited liability companies and partnerships limited by shares. Moreover statutory corporations, with their legal personality established through specific legislation, should be considered as SOEs if their purpose and activities, or parts of their activities, are of a largely economic nature.”

The SOE Mapping Tool will focus identifying SOEs that *sell* oil, gas and minerals rather than the role of SOEs who *buy* these commodities. Through the development of this SOE Mapping Tool, the OECD will act as a repository of information to identify entities that are state-owned that are involved in selling the governments share of oil, gas and minerals. The SOE Mapping Tool will be an on-line living tool, combining data extrapolated from databases to which the OECD has access, and information from the OECD Working Party on State Ownership and Privatisation Practices (including the Working Party's regional partners in Asia and Latin America) relevant Members of the OECD Development Centre, as well as EITI countries and those participating in the Policy Dialogue on Natural Resource-based Development.

In order to provide clarity and usability for stakeholders, the SOE Mapping Tool will seek to map both the parent SOE and its subsidiary entities that sell oil, gas and minerals. However, it should be noted that subsidiary entities themselves fall under the definition of “SOEs” in the OECD Guidelines on Corporate Governance of State-Owned Enterprises.

Methodology

Initially, the OECD Development Centre will compile a list of SOEs that sell oil, gas and minerals from publicly available information.

The OECD Development Centre in collaboration with the Corporate Governance and Corporate Finance Division (CGCF located in the DAF directorate) will select ten SOEs to be included in the pilot of the SOE Mapping Tool, and will seek to balance the sale of different commodities (i.e. oil, gas and minerals) and the region where the SOEs are located. The OECD Development Centre proposes to include the following five SOEs: Debswana (Botswana), Empresa Nacional de Hidrocarbonetos (ENH) (Mozambique), Ghana National Petroleum Corporation (GNPC) (Ghana), Nigerian National Petroleum Corporation (NNPC) (Nigeria), and Okavango Diamond Corporation (ODC) (Botswana). The CGCF will select a further five SOEs, who are members or participate actively in the OECD Working Party on State Ownership and Privatisation Practices. These SOEs may include: Codelco (Chile), Ecopetrol (Colombia), Equinor (Norway), PEMEX (Mexico).

The next stage will involve a mapping of the subsidiary entities of those SOEs. This mapping process will include: accessing publicly available information (SOE annual reports, stock-exchange filings etc.), running searches on the *Orbis* database, and reaching out directly to SOEs. In respect of each subsidiary entity, the OECD will seek to obtain the following information: the entity's legal name, trading name, jurisdiction of registration/incorporation, and corporate identity number.

The subsequent stage of the development of the SOE Mapping Tool will focus on the verification of the compiled data. The OECD will identify a set of ‘peer reviewers’ to undertake a review of sections of the SOE Mapping Tool to ensure that the information collected in respect of each subsidiary entity is correct and that no other relevant subsidiaries are

missing. These peer reviewers may include (but not limited to): the SOEs themselves, OECD Working Party, multi-stakeholder groups (MSG) of the EITI, business associations, foreign embassies.

The development of this SOE Mapping Tool will be led by the OECD Development Centre (DEV) in close coordination with the CGCF. DEV will be responsible for compiling the initial list of SOEs, reaching out to members of the DEV, PD-NR and EITI MSGs. DAF will be responsible for procuring access to the *Orbis* database, and using that service to map SOE subsidiaries, and reaching out to members of the Working Party on State Ownership and Privatisation Practices for input and verification.

Milestones

30 November – 4 December 2020 (Fifteenth Plenary Meeting): Presentation of the draft methodology and questionnaire to elicit information on SOEs.

December 2020 –January 2021: initial mapping of parent SOEs and their subsidiary entities of those SOEs (entity's legal name, trading name, jurisdiction of registration/incorporation, and corporate identity number). This mapping process will include: accessing publicly available information (SOE annual reports, stock-exchange filings etc.), running searches on the *Orbis* database, and reaching out directly to SOEs, identification of Peer Reviewers (SOEs themselves, multi-stakeholder groups (MSG) of the EITI, business associations, foreign embassies) to crosscheck the accuracy of the information.

February 2021: Live demo of the beta-version of the SOE Mapping Tool and feedback sought to collect input on the beta version's design with the mapping of State-Owned Enterprises and their subsidiaries in 10 selected countries; completion of subsidiary entity mapping and peer review process; beta-version preview on-line mapping tool created and tested.

March 2021: Expected launch of the SOE Mapping Tool.

ⁱ OECD (2015), *OECD Guidelines on Corporate Governance of State-Owned Enterprises*, 2015 Edition, OECD Publishing, Paris, <https://doi.org/10.1787/9789264244160-en>.