

Institution: Robert Gordon University		
Unit of Assessment: 17 Business and Management Studies		
Title of case study: The Efficacy of the EU Law concerning Reports on Payments to Governments by Companies in Extractive Industries		
Period when the underpinning research was undertaken: 2016-2019		
Details of staff conducting the underpinning research from the submitting unit:		
Name(s): Crawford, Louise Gordon, Martyn	Role(s) (e.g. job title): Professor Lecturer	Period(s) employed by submitting HEI: 2016-2018 2016 - Present
Period when the claimed impact occurred: 2017-Present		
Is this case study continued from a case study submitted in 2014? No		
1. Summary of the impact (indicative maximum 100 words)		
<p>This research was undertaken to provide evidence on the efficacy of Chapter 10 of the EU Accounting Directive (2013/34/EU) and equivalent provisions in the Transparency Directive (collectively 'the Directives'), and has influenced civil society views, campaign material, interactions with policy makers, and a European Commission (EC) report.</p> <p>The Directives require large and listed extractive companies to publish payments made to governments on a country-by-country and project-by-project basis. This research suggests improvements which were used by the EC as part of their fitness check of the legislation and recommendations from the research are included in the EC's fitness check final report.</p>		
2. Underpinning research (indicative maximum 500 words)		
<p>The European Union (EU) introduced the Directives to enable civil society to hold governments to account for their use of revenue from extractive industries. This was in response to calls to end the 'resource curse'- relatively resource rich countries failing to achieve sustainable growth and improvement of socio-economic conditions, despite their mineral wealth. The Directives require extractive companies to publish tax payments on a country-by-country and project-by-project basis; in the UK, they apply from January 2015. The Directives are distinct from most financial reporting as they provide information to serve the public good rather than serving investors.</p> <p>The research team Haslam (Sheffield), Crawford, Gordon (RGU), Chatzivgeri (Westminster) were engaged by Publish What You Pay (PWYP), a coalition of charities aiming to eradicate the 'resource curse', for a study measuring the efficacy of the transposition of the Directives into UK law. This study informed PWYP's response to the UK government's consultation on the law (2017). Crawford and Gordon were involved in all stages of the research process.</p> <p>The team examined the relevant UK law written in response to the Directives, identifying areas where transposition from the Directives had required interpretation. Interviews were conducted with a civil servant involved with the transposition into UK law, a government minister, a specialist QC and representatives of industry and civil society. Their views were sought on the wording of the Directives, their transposition to UK law, the stakeholder consultation process at EU and UK level and the efficacy of the law in practice.</p>		

The research team undertook detailed examination and analysis of 50 company reports published in accordance with UK law for the 2015 fiscal year. A disclosure checklist determined whether companies met the minimum legal requirements. The analysis also identified instances of emerging best practice by analysing reports from eight companies, who had exceeded the mandatory requirements by providing additional narrative and graphical detail to enhance usability of their reports.

In 2017, PWYP and a coalition of their allies* ('Steering Group') provided £16,000 for the research team to replicate the research for the wider EU context. This was commissioned to inform the steering group's participation in the EC's Fitness Check of the Directives (2018). The research team created the STAR collective (SOCIAL well-being through TRANSPARENCY and ACCOUNTABILITY RESEARCH) of academics from institutions in 19 EU member states to replicate the investigation across those 19 states (stakeholder report RR2). Findings from this report were shared with the steering group to inform their campaigns.

Recommendations for improvement centred on ambiguities in the wording of the Directives which may weaken disclosure, the lack of an audit requirement and the paucity of institutional monitoring at nation state and EU level. Stakeholder report (RR1) and research monograph (RM1) have been used in advocacy campaigns and been cited by the EC as informing their fitness of the legislation. Article (AP1) provides a critical reflection on the law.

*Steering group members: Publish What you Pay, Transparency International EU & UK, OXFAM, Public Eye, ONE, Global Witness, The Natural Resource Governance Institute.

3. References to the research (indicative maximum of six references)

Academic Publications

(AP1) Chatzivgeri, E., Chew, L. **Crawford, L., Gordon, M.** & Haslam, J. (2020). Transparency and accountability for the global good? The UK's implementation of EU law requiring country-by-country reporting of payments to governments by extractives. *Critical Perspectives on Accounting*, <https://doi.org/10.1016/j.cpa.2019.02.001> [Peer reviewed journal, 3* CABS list]

Research Reports

(RR1) Chatzivgeri, Chew, **Crawford, Gordon** & Haslam, Reports on Payments to Governments: A Report on Early Developments and Experiences, report for Publish What You Pay International Secretariat and Publish What You Pay UK, June 2017. <http://www.publishwhatyoupay.org/wp-content/uploads/2017/06/REPORTS-ON-PAYMENTS-TO-GOVERNMENTS-A-REPORT-ON-EARLY-DEVELOPMENTS-AND-EXPERIENCES-1-2.pdf> [Peer reviewed by the Steering Group]

(RR2) The STAR Collective (2018) Exploring the Efficacy of the EU Law Concerning Reports on Payments to Governments: Reflections from the EU. Available from: <https://www.pwyp.org/wp-content/uploads/2018/11/The-STAR-Collective-EU-Report.pdf>

Research Monographs

(RM1) Chatzivgeri, E., Chew, L., **Crawford, L., Gordon, M.** & Haslam, J. 2017. Reports on payments to governments: a critical review of early developments and experiences. ISBN: 978-1-907349-13-3

(RM2) The STAR Collective (including Crawford, **Gordon**) *Accounting and the mitigation of the resource curse: Exploring the efficacy of the EU Law concerning Reports on Payments to Governments in country-specific contexts across the EU*. Association for Accountancy and Business Affairs (AABA). <http://visar.csustan.edu/aaba/Haslamstarcollective2020.pdf>

4. Details of the impact (indicative maximum 750 words)**Influencing civil society views and advocacy**

The research was commissioned by the steering group to inform their advocacy and provide evidence-backed recommendations on how the efficacy of the Directives could be improved. RR1 and RR2 influenced the steering group's policy discussions and advocacy strategy (Email 1). Several recommendations from the research were also included in the steering group's policy paper on the progress achieved through the Directives (Policy Paper).

The research was presented at an event hosted by Transparency International (an NGO) in Brussels (2018) which was attended by MEPs, EU civil servants and representatives from extractive companies and industry bodies (Event 1). The research team were also invited to post a guest blog about the research on PWYP's website (PWYP Blog).

The research team was consulted by the steering group when responding as invited constituents to the EC's fitness check of the directives, and offered advice based upon the research findings (Email 1).

Consultation with the EC

The EC's consultants for carrying out the mandatory fitness check of the Directives, Valdani Vicari & Associati Srl (VVA) and Deloitte LLP, contacted the research team to discuss the research findings (RR1). As part of the legislative review, the consultants conducted a group interview with the research team to discuss the findings of RR1. Follow up telephone interviews were also conducted with **Gordon** and **Crawford** to discuss limited assurance audit, a key recommendation of RR1 (Email 2). The consultants were tasked by the EC with organising stakeholder workshops to discuss potential improvements to the legislation. One of these workshops specifically discussed the potential of limited assurance audit as suggested in RR1 and discussed with the research team (Workshop Briefing).

Inclusion of recommendations in the EC's policy recommendations

The fitness check resulted in an EC Report (2018) designed to suggest amendments and improvements to policy makers. The EC Report (see page refs) directly references the findings of RR1 with regard to: clarification of legislative terms such as joint venture and subcontractor (pg. 29, 84); the format of company disclosure (pg. 17, 26, 31, 40) and difficulties in reconciling the reports to other sources (pg. 74). Key recommendations made by the research team are also included as recommendations in the EC Report and the Executive Summary to the Report (EC Executive Summary).

The first recommendation made in RR1(p34) concerns assurance:

"The first striking feature of the legislation is the lack of an audit requirement.[...] We have formed the strong opinion that limited assurance is much more likely to be found acceptable by the legislators than a full audit (based on expressed industry concerns)."

This recommendation was discussed with both civil society advocates (Email 1) and the EC consultants (Email 2) as a way forward to improve reliability of the reports produced under the Directives and is included in the EC Report (p.14) as follows:

"To strike a balance between the current absence of formal verification and a full audit, introducing limited assurance is more likely to be found acceptable by the industry, and could also improve the reliability of reports as advocated by NGOs."

The EC also took note of recommendations in RR1 directed at companies to improve ease of use of their reports:

“The more useful RPG [reports of payments to governments] were those which contained explanations on how terms within The Regulations had been interpreted, for example definitions of payment types within the specific company context. This information gives users a better insight into how the reports have been prepared and the nature of companies’ contributions” (RR1 p.37)

Referencing findings of RR1, the following recommendation is included in the EC Report:

“Since the lack of clarity of the Accounting Directive was not mitigated by the national transpositions or by any national guidelines, users find it useful when companies clearly detail their methodological approach (e.g. in a ‘basis for preparation’) or add explanatory notes in their payment reports.” (EC Report pg. 39)

UK EITI Steering Group

As a result of carrying out the research, **Gordon** was invited to become a civil society representative on the Extractive Industries Transparency Initiative (EITI) Multi Stakeholder Steering Group (MSG) and was elected as a full MSG representative in 2020 (EITI MSG).

This role involves debating transparency issues in the extractives sectors with representatives from industry and government and agreeing reporting parameters for companies in the UK reporting under EITI. In this role, **Gordon** has shared RR2 (Email 3) with the MSG and drawn on the findings of the research to represent civil society interests in the EITI.

5. Sources to corroborate the impact (indicative maximum of 10 references)

(EC Executive Summary) European Commission (2018) Review of country-by-country reporting requirements for extractive and logging industries. European Commission. Brussels ISBN: 978-92-79-97013-9

(EC Report) European Commission (2018) Review of country-by-country reporting requirements for extractive and logging industries. European Commission. Brussels ISBN: 978-92-79-97001-6

(EITI MSG) Link to UK EITI website with Martyn Gordon listed as MSG member <https://www.ukeiti.org/node/8>

(Email 1) Email from Publish What You Pay UK, National Resource Governance Institute and Transparency International EU citing the influence of research output on policy and interaction with EC.

(Email 2) Confirmation of interviews conducted with the research team by EC consultants reviewing the Legislation

(Email 3) RR2 shared with UK EITI multi stakeholder group.

(Event 1) Link to event page, Transparency International event at the European Parliament, hosted by an S&D MEP at which the research findings were presented.

(Policy Paper) Civil Society Coalition* (2018) Improving transparency in the oil, gas and mining sectors: The European Union’s payments to governments legislation.

(PWYP Blog) Chatzivgeri et al (2017) Raising Global Standards of Transparency in the Extractives Sector. PWYP. <https://www.pwyp.org/pwyp-news/raising-global-standards-of-transparency-in-the-extractives-sector/>

Impact case study (REF3)

(Workshop Briefing) VVA, Deloitte (2018) Review of country-by-country reporting requirements for extractive and logging industries: Workshop for reports users 19 September 2018, Briefing Paper.