Iraq EITI Beneficial Ownership Transparency

Draft Final Report

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Table of Contents

[Abbreviations and acronyms 2](#_gjdgxs)

[Introduction 4](#_30j0zll)

[Context 4](#_1fob9te)

[Objectives 5](#_3znysh7)

[Scope 5](#_2et92p0)

[Project Activities 7](#_tyjcwt)

[Inception Report 7](#_3dy6vkm)

[Review of Reporting Template 8](#_1t3h5sf)

[Briefing of NTRC team 8](#_4d34og8)

[Roadmap update 9](#_2s8eyo1)

[Note on sub-contractors 10](#_17dp8vu)

[Data Collection and response to queries 10](#_3rdcrjn)

[Workshop 11](#_26in1rg)

[Findings 12](#_lnxbz9)

[Recommendations 15](#_35nkun2)

[For IEITI 15](#_1ksv4uv)

[For companies 16](#_44sinio)

[For government 16](#_2jxsxqh)

[For civil society 16](#_z337ya)

[Appendices 17](#_3j2qqm3)

# Abbreviations and acronyms

AMLD Anti-Money Laundering Directive

BO Beneficial ownership

BODS Beneficial ownership data standard

BOT Beneficial ownership transparency

EITI Extractive Industries Transparency Initiative

EU European Union

FATF Financial Action Task Force

IEITI Iraq Extractive Industries Transparency Initiative

KRG Kurdish Regional Government

MENAFATF Middle East and North Africa Financial Action Taskforce, affiliate of FATF

MER Mutual Evaluation Report

MSG Multi-stakeholder group

NRTC Natural Resources Transparency Commission

PEP Politically-exposed person

***Disclaimer***

*This is a draft report that, at this stage, only reflects the Consultant's views on the topic. It will be submitted for comments to the Iraqi Government and relevant IEITI stakeholders, as well as to the EITI International Secretariat. The final version of the report, after the comments received are incorporated, will be subject to peer review by the World Bank.*

# Introduction

## Context

Iraq became an implementing country of the Extractive Industries Transparency Initiative (EITI) in 2008. EITI, established in 2003, provides an international standard for improving governance and accountability in the oil, gas and mining industries. Iraq is one of the world’s leading oil and gas producers with the fourth largest reserves globally. The industry is the bedrock of the economy. High standards of governance and accountability are therefore vital to ensure that Iraq’s citizens gain maximum benefit from the country’s natural resources.

The World Bank has provided financial support to Iraq EITI (IEITI) since the country became an implementing country. In 2024, that support continues through the Extractives Global Programmatic Support (EGPS) Multi Donor Trust Fund, which comprises a recipient executed grant given to the Ministry of Oil with the IEITI National Secretariat as the implementation agency. The aim is to make IEITI implementation more sustainable and mainstreamed as a part of the broader governance reform efforts in Iraq.

EITI implementation includes meeting all the requirements of the EITI Standard 2023. Requirement 2.5 on beneficial ownership transparency (BOT) includes mandatory provisions on collecting and publishing information on the ultimate beneficial owners of all companies that hold licences to explore for or produce oil, gas and minerals in a country. BOT makes a vital contribution to good governance and accountability in the extractive industries. It allows all stakeholders, government, the business sector, civil society and ordinary citizens to understand who is really investing in and benefiting from exploration and production activities. BOT facilitates the strengthening of open and competitive economies. It also contributes to preventing and countering illegal financial flows from money laundering, tax evasion, corruption and other crimes.

IEITI has already undertaken considerable efforts to meet Requirement 2.5. In January 2017 IEITI published a BOT roadmap in line with EITI Requirements in place at that time. In October 2022, with World Bank funding, IEITI commissioned independent consultants Michael Barron and Tim Law to provide support on meeting Requirement 2.5. This support included reviewing the IEITI Roadmap in light of updates to Requirement 2.5 since 2017, undertaking stakeholder engagement, providing training to company representatives and the members of the IEITI multi-stakeholder group, reviewing relevant documents, developing a BO reporting template, supporting the collection of BO information, the establishment of a BO register for the Iraqi extractive sector and making recommendations to maintain and strengthen IEITI’s compliance with Requirement 2.5. The project ended on 31 March 2023. Since that time there have been changes of personnel at the IEITI Secretariat and IEITI has embarked on the next round of Validation against the EITI Standard.

This Report is a follow up to the 2022-23 support on Requirement 2.5. It will assist IEITI continue its journey of meeting Requirement 2.5. This Report sets out the objectives, scope, project activities, key findings and key recommendations. The TOR for this project is set out in Appendix 1.

The Consultants would like to acknowledge the support of the World Bank in funding this project, the support of the Board of Trustees and the Secretariat of the Natural Resources Transparency Commission (NRTC), which implements EITI in Iraq.

## Objectives

The project’s overall objective is to support the NRTC meet Requirement 2.5 of the 2023 EITI Standard and put in place processes to allow it to continue meeting the Requirement for companies reporting as part of the annual EITI process.

The deliverables to meet this objective are:

* Inception Report,
* Review of Reporting Template,
* Briefing of NRTC Secretariat Team,
* Update of the IEITI BOT Roadmap,
* Producing a note on expanding the companies in scope for reporting to include sub-contractors,
* Collection of BO data,
* A two-day training workshop for stakeholders,
* A final project report.

## Scope

Requirement 2.5 of the EITI Standard 2023 provides the scope for this project. The full text of the Requirement is provided below in Appendix 2. Under this Requirement, Iraq as an implementing country, is required to making publicly available information on the beneficial owners of:

1. All companies that hold licences to explore for and produce oil, gas and minerals in Iraq, and
2. All companies that apply for licences to explore for and produce oil, gas and minerals.

To identify companies in scope for reporting beneficial ownership, the Consultant used the following sources:

* The most recent IEITI report, covering 2021 and published in December 2023 (see pages 31-24 of the Report),
* A list of licence holders as a result of the 1st-4th licence rounds, provided by IEITI,
* A list of winners of the 5th licence round, provided by IEITI.

In addition to companies that hold licences for exploration and production, IEITI included the following types of company in scope for reporting in its 2021 report:

* Crude oil buyers, and
* Petroleum product buyer.

All the companies identified from the sources cited above that are in scope for reporting their beneficial ownership under this project. Appendix 3 contains an initial list of all companies that the Consultant believes are in scope for reporting their beneficial ownership. In some cases the companies referenced in one or more of the above sources was listed only by initials or a generic name e.g. “SOC” or “Shell”. Unique identification of the reporting company is an essential part of beneficial ownership as companies may share similar names or change their name e.g. in the list of licence holders, the British company Premier is listed but this company is now known as Harbour Energy and this is how it is listed in Appendix 3.

In line with Iraq’s EITI reporting, companies that meet the criteria above that are operating in the Kurdistan Regional Government will not be in scope for this project.

While this Report will focus on reporting BO for the purposes of EITI implementation, the Consultant will also consider the implications for the wider Iraqi economy and make relevant recommendations. Iraq can use its experience implementing EITI Requirement 2.5 to learn lessons for reforming its legislative framework in relation to BOT and meeting international expectations on BOT e.g. as part of a FATF mutual evaluation (see below Findings).

# Project Activities

## Inception Report

The Inception Report set out the detailed approach to the project. It included findings on the Consultants’ initial review of the pre-validation process and other developments since the original project. The Inception Report also sets out the objectives, scope, methodology, deliverables and project schedule. The Inception Report was submitted on 21 October 2024. It is attached as Appendix 4. In summary, the key observations and findings made in the Inception Report are:

**MENAFATF Mutual Evaluation.** MENAFATF conducted it mutual evaluation of Iraq between August 2023 and May 2024. The May 2024 MENAFATF plenary approved the mutual evaluation report (MER). The MER was published on 25 December 2024. The implications for IEITI are set out below (see Findings).

**Pre-validation workshop.** In April 2024, the World Bank facilitated a pre-validation workshop for IEITI in Amman, Jordan. The workshop included representatives of IEITI and the EITI International Secretariat based in Oslo, Norway. This workshop was part of the preparation for Iraq undergoing validation against the EITI Standard. The key action from the workshop in relation to beneficial ownership was: “Refine the template for the cases of publicly listed companies and foreign SOEs. Provide links to the major shareholder of the SOE and the Stock Exchange where the IOC is listed”. The Inception Report included a commitment that the relevant sections would be, “reviewed, and clear guidance will be given to publicly listed and state-owned companies on how to complete the template and provide the relevant information”.

**Company Register collection of beneficial ownership data.** During the course of the original project, MSG members and Consultants became aware that the Iraqi Company Register in February 2023 started the process of collecting BO data from all companies that were not 100% government owned. The Company Register sent a letter and a BO reporting form to all companies registered in Iraq requesting BO information. The letter appears to have been sent under existing anti-money laundering regulations. The MENAFATF MER included an update on these efforts. The implications for IEITI are set out below (see Findings).

**Publication of EITI Standard 2023.** Since the end of the original project in March 2023, EITI has published an updated version of its Standard. This was published in June 2023. For this project, this is the version of the Standard that will be used. Requirement 2.5 was updated to introduce some new encouraged elements. There were no new mandatory elements introduced. The key updates were the encouragement to use a 10% threshold for identifying beneficial owners and to use no threshold for beneficial owners who are politically-exposed persons (PEPs). IEITI has set a 5% threshold for beneficial owners.

**Implementation of the original project recommendations.** The final report for the original project made 20 recommendations. These included publishing the data collected during the course of the project, using the reporting template for future annual data collection processes and adopting a revised beneficial ownership definition. Few of these recommendations appear to have been acted on. In December 2023, IEITI published its report for 2021. This did not contain any BO data but did make reference to the original project and made a recommendation that the report be published and the recommendations implemented. The 2021 report did contain a revised beneficial ownership definition that includes a 5% threshold. In the event that IEITI had published the original report and published the data collected, this would have made a significant contribution to meeting Requirement 2.5.

## Review of Reporting Template

In response to the action from the Pre-Validation Workshop and the commitment in the Inception Report, the Consultants reviewed the Reporting Template used in the original project. The review identified the need for the following amendments:

* All questions and tables were numbered for ease of reference,
* References to the threshold were amended to 5% to reflect the threshold adopted by IEITI since the original project,
* In the Introduction, more specific instructions were added e.g. please answer all questions, and specific instructions for SOEs and for listed companies to reflect the feedback from the Pre-Validation Workshop. A reference date was added to clarify the point time to be considered for reporting beneficial ownership. The BO definition and a glossary of terms were added,
* Sections 1 and 2 were put on separate tabs for greater clarity,
* In Section 2, the wording of questions was amended to aid clarity,
* In Section 3, more guidance on identifying beneficial owners was added, including a diagram,
* In Section 4, notes were added to highlight which data would not to be published,
* In Section 5, a question was added on participation in the previous project.

The revised Reporting Template is attached as Appendix 5.

## Briefing of NTRC team

Many of members of the NRTC Secretariat team have joined since the original project. Also the team would be responsible for collecting data for IEITI. The Consultants held an online briefing for the team to raise awareness of the EITI Standard Requirements and to familiarise them with the reporting templates, including the beneficial ownership reporting template.

## Roadmap update

In line with the TOR consultants proposed a suggested update to the IEITI BOT Roadmap. The updated was submitted on 21 October 2024. The original roadmap was created under the 2017 version of the Standard. While the 2023 Standard no longer requires a roadmap, there are benefits to updating the Roadmap, including:

* Documenting the actions needed to maintain and strengthen implementation of Requirement 2.5,
* Provide a strategy to drive progress towards mainstreaming beneficial ownership transparency in Iraq,
* Demonstrate to stakeholders a commitment to BOT.

The proposed update uses the BO6 framework as a basis in order to provide a logical structure to the Roadmap. BO6 is a six-stage framework for BOT implementation.[[1]](#footnote-0) The Consultants developed the BO6 framework based on their experience of delivering BOT projects in more than 20 countries (both EITI and non-EITI countries).

The updated Roadmap sets out a summary of the proposed Roadmap update with a timeframe and then provides further detail on the actions to be implemented at each stage. The detailed actions cover both those actions that IEITI can undertake to strengthen implementation of Requirement 2.5 and those actions to drive progress towards mainstreaming beneficial ownership transparency through a national register. This Roadmap is intended to be a dynamic document and that IEITI will update it on a regular basis or when new developments come to light.

**Table 1: Summary of updated Roadmap**

| **Stage** | **Key Actions** | **Timeframe** |
| --- | --- | --- |
| 1. Understand
 | Assess current BOT practice in IraqAssess legal framework for BOT in Iraq | 6 months |
| 1. Decide
 | Develop criteria for companies in scope for reporting BODevelop strategy for advocating for national BO register in Iraq | 6 months – 1 year |
| 1. Design
 | Provide input to ensure Iraq’s BO register is aligned with international norms on public registers | 1 – 1.5 years |
| 1. Legislate
 | Contribute to draft legislation and regulations to implement BOT in IraqMonitor passage of legislation | 1.5 to 2 years |
| 1. Implement
 | Monitor implementation progress to ensure meets international norms | 2-3 years |
| 1. Benefit
 | Conduct awareness raising events to encourage use of the registerUse register to develop understanding of BOT in the extractive sector | +2 years |

## Note on sub-contractors

During the course of the project, the Consultants became aware of requests (particularly from civil society) for the inclusion of sub-contractors in scope for reporting beneficial ownership. The EITI Standard does not require or expect the inclusion of sub-contractors but it does encourage SOEs to disclose the beneficial ownership of their suppliers. However, implementing countries are free to innovate to ensure that implementation meets their needs. Sub-contractors in the Iraqi case are companies that supply goods and services to companies in Iraq that are a party to either:

* A licence to explore for oil, gas or minerals,
* A service agreement to produce oil, gas or minerals.

There are challenges with including sub-contractors in scope, such as how to define the companies in scope, who is responsible for reporting the beneficial ownership information (the sub-contractor or the contracting company) and raising awareness of sub-contractor companies of the need to comply with this reporting requirement and how to comply. Many of these companies will have had little or no engagement with IEITI and will have no other reporting requirements.

The Consultants produced a note on the implications of including sub-contractors for beneficial reporting and submitted this on 21 October 2024. The key recommendations included:

* Taking a phased approach,
* Setting a threshold of contract value for identifying companies in scope e.g. in the range $100-500 million,
* Produce a strategy for increasing the scope of sub-contractor beneficial ownership reporting over the next 3-5 years,
* Conduct an awareness raising and capacity building campaign with those sub-contractors that will be in scope for beneficial ownership reporting,
* NRTC documents its decisions and its rationale regarding the inclusion of sub-contractors in beneficial ownership reporting.

The note is attached as Appendix 6.

## Data Collection and response to queries

The Consultants provided the NRTC Secretariat with a list of 102 companies they assessed as in scope for reporting beneficial ownership information. The list is attached as Appendix 3.

The NRTC Secretariat started the beneficial ownership data collection process on 24 November 2024 by issuing the reporting template to the companies in scope for reporting. The NRTC team received a number of queries in response to the initial request for beneficial ownership information. The most common query was from crude oil buyers who questioned the need to provide the information since they are not required to under the EITI Standard 2023. The Consultants aided the NRTC team in drafting responses to these queries, noting the decision by NRTC to include crude oil buyers and they had been in scope for previous data collection processes.

Some companies also cited confidentiality requirements that hindered them from providing beneficial ownership information. This included subsidiaries of international oil companies listed on a stock exchange and whose parent companies are long term supporters of EITI. Such companies have made public commitments to support EITI including support for BOT.

Beneficial ownership was collected from 13 companies comprising 8 IOCs and 5 crude oil buyers. The information collected is provided in Appendix 7. Most of the templates returned contained errors. The most common were incomplete information especially details on stock exchange listing and government ownership. Also some companies returned the template as a PDF rather than an Excel which makes collating the information more challenging. None of the companies who returned templates declared any PEPs in their ownership structure.

## Workshop

On 17-18 December 2024, Michael Barron delivered a two-day workshop on beneficial ownership in Istanbul. The workshop participants were members of the NRTC Board of Trustees, representatives of government agencies, state-owned oil companies and civil society organisation. The agenda and list of participants is attached as Appendix 8.

The workshop’s purpose was to enhance participants:

* Familiarity with Requirement 2.5 of the EITI Standard on reporting beneficial ownership,
* Understanding of BO issues and identifying beneficial owners,
* Familiarity with Iraq EITI’s BO Reporting Template,
* Ability to deliver BOT training.

The slides and exercises used during the workshop are attached as Appendix 9.

# Findings

**Strong ambitions hampered by significant obstacles**

The NRTC has strong ambitions regarding the implementation of Requirement 2.5. It is determined to go beyond the scope of the Requirement and include a broader range of companies in scope for reporting beneficial ownership e.g. crude oil buyers and sub-contractors. This reflects the nature and importance of the country’s extractive sector, especially its oil and gas industry. However, this ambition is hampered by significant obstacles including low levels of understanding amongst some companies potentially in scope for reporting, the need to build capacity, the need for more consistent engagement on the issue and the need to align with recent national developments on beneficial ownership and understand the implications for IEITI. These obstacles are discussed in more detail below.

**Low levels of understanding amongst companies in scope**

There appears to be a low level of understanding of Requirement 2.5 and the approach the NRTC has taken to implementing this Requirement. There also seems to be inadequate understanding in some international companies of the wider support for EITI and commitments and actions the company has taken elsewhere. The nature of the queries in response to the request to provide beneficial ownership highlights these gaps in understanding.

**Missed opportunity**

The lack of publication of the report from the original beneficial ownership project nor of the data collected is a missed opportunity. Publication of the report and the data would have moved Iraq closer to meeting Requirement 2.5. It would have demonstrated a high level of commitment. It would also have highlighted to stakeholders, including companies in scope for reporting (both those that provided information and those that did not) the importance attached to meeting this Requirement.

**Need for engagement and communications with all stakeholders**

The gaps in understanding and the nature of queries about reporting beneficial owners shows the need for more extensive and consistent engagement and communication with stakeholders, especially representatives of companies in scope. This includes the need to communicate with those inside the company who are responsible for compiling beneficial ownership and approving its reporting. These may be different representatives to those that the NRTC engages with on a more regular basis.

**MENFATF MER shows potential for mainstreaming beneficial ownership information**

MENAFATF’s Iraq MER rates the country on Recommendation 24 and 25 (those concerned with beneficial ownership) as “partially compliant”. For effectiveness in implementing these two Recommendations (Immediate Outcome 5), Iraq is rated as “moderate”. The MER makes a number of findings and recommendations that are relevant to IEITI’s implementation of BOT. These are:

* All companies registered with the Companies Register Department (CRD) are now obliged to identify their beneficial owners, maintain records of those beneficial owners and submit that information to the CRD. The MER also noted that to undertake commercial activities in Iraq, a company must be registered with the CRD,
* Iraq uses a 20% threshold for identifying beneficial ownership,

* Iraq now has a register of beneficial ownership information. The CRD collected beneficial ownership information in early 2023 (as noted in the original project report and the Inception Report for this project). Since July 2023, this information has been made available to government agencies and law enforcement agencies. It is not publicly available. The information in this register is not verified and the CRD has not put in place verification mechanisms,
* Iraq needs to amend the beneficial ownership definition to include ownership through chains of companies and other means of control,
* There is inadequate understanding of beneficial ownership and its uses in some government agencies, financial institutions and professional advisors such as lawyers and accountants,
* The penalties for non-compliance with the obligation to identify beneficial owners, maintain records and report the information to the CRD are inadequate as they are not dissuasive.

MENAFATF recommends the following priority actions related to beneficial ownership:

* Enhance the understanding of beneficial ownership,
* Amend the definition of beneficial ownership to include ownership through chains of companies and other means of control,
* Amend legal provisions related to penalties to allow dissuasive sanctions.

The implications for IEITI and the implementation of Requirement 2.5 on beneficial ownership are:

* The definition and threshold used by CRD are not in line with Requirement 2.5 nor are they in line with those currently used by IEITI,
* The requirement on all companies registered in Iraq to identify, record and report their beneficial ownership should result in all companies that are in scope for EITI reporting should have this information available and be able to supply it to IEITI on request,
* The existence of the CRD’s beneficial ownership register creates the potential for mainstreaming the public availability of beneficial ownership information on the companies active in Iraq’s extractive industries and could facilitate broadening the scope of reporting companies to include sub-contractors (see below, Recommendations),
* There is an opportunity for IEITI to engage with CRD to advance BOT in Iraq (see below, Recommendations).

# Recommendations

## For IEITI

**Publish this report, the previous report and all BO data collected to date.** The reports should be available on the IEITI website. The data should be published both on its website and in the next annual IEITI report. Publication of these documents will advance the NRTC’s efforts to meet Requirement 2.5. They can also form the basis for engagement with stakeholders.

**Publish the updated roadmap.** Publication will support the NRTC’s commitment to meeting Requirement 2.5 and will also act as a basis for engagement with stakeholders. NRTC can publish this as a separate document or incorporate into its next workplan.

**Integrate BO data collection with annual EITI data collection.** NRTC should include collection of beneficial ownership data in all future annual data collection processes (until BOT becomes mainstreamed). It has already made progress in this regard by issuing the beneficial ownership reporting template along with its other reporting templates as part of its data collection process for 2022 and 2023. NRTC can embed this in the data collection process by including in the contract with the Independent Administrator provisions requiring the collection and publication of beneficial ownership information.

**Engage with CRD.** NRTC should engage with the CRD as a matter of priority to understand the challenges and opportunities to mainstream BOT in Iraq. This should include gaining an understanding of what BO data is currently collected, especially on companies active in the extractive sector, what reforms CRD is planning (particularly in response to the MER) and the potential for making BO information publicly available.

**Implement an engagement campaign with BOT as key focus.** The main audience for this campaign would be companies that are potentially in scope for reporting including crude oil buyers and sub-contractors (see below). The campaign should build awareness of Requirement 2.5, the benefits of EITI implementation, how to comply with the Requirement and how to use BO information. The campaign should also build support for the NRTC’s approach with government and civil society stakeholders.

**Implement the recommendations in the sub-contractors note.** In particular, adopt a phased approach to including sub-contractors in BO reporting.

**Hold regular refresher training (at least annually).** This training should be primarily aimed at representatives of companies, including state-owned and listed companies. It should include representatives who engage with the NRTC on a regular basis and those responsible for compiling and approving the submission of BO data. The training can be conducted by members of the NRTC Secretariat team and should be held regularly to accommodate changes in company personal and new developments in BOT.

**Develop list of “recognised stock exchanges”.** The NRTC Board of Trustees should adopt a list of “recognised” stock exchanges for the purpose of BO reporting. Companies listed on those stock exchanges who are in scope for reporting will only have to provide the details of their stock exchange listing. The list should include reputable stock exchanges that are known to have high levels of governance and provide up to date information on listed companies. The list should include the Baghdad Stock Exchange, those from neighbouring countries with which Iraq has strong economic links, stock exchanges in OECD countries and any other country with which Iraq has strong economic ties.

## For companies

**Familiarise yourself with EITI Requirement 2.5** and Iraqi regulatory requirements on beneficial ownership reporting.

**Comply with requests from the NRTC to supply BO data.** Where data has previously been supplied as part of the EITI reporting process, provide updates on any changes or confirm the data remains accurate and up to date.

**Company representatives on the NRTC Board of Trustees (MSG) should persuade all companies in scope to comply** with the BO data collection process.

## For government

**Collect BO data as part of processes** e.g. licence bids, selecting crude buyers and make BO information available to IEITI.

**Undertake a scoping study on legislating for and implementing a national public BO register.**

**Encourage companies to comply with BO data collection.**

## For civil society

**Engage with companies to encourage compliance with BO data collection and understand any obstacles.**

**Analyse data to understand who is active in Iraqi extractive industries and identify any risks.**

**Advocate for establishment of national public BO register.**

# Appendices

1. See www.bo6.global [↑](#footnote-ref-0)