

YOU ARE INVITED TO ATTEND
A COCKTAIL RECEPTION AND DISCUSSION
FOR MEMBERS OF THE
EMERGING MARKETS INVESTMENT COMMUNITY

- ON -

FINANCIAL TRANSPARENCY IN OIL AND MINING
BENEFITS FOR INVESTORS, COMPANIES, AND GOVERNMENTS

- WITH -

IAN GARY
SENIOR POLICY MANAGER

OXFAM AMERICA

- ON -

MONDAY, OCTOBER 25, 2010
5:30 PM – 8:30 PM
SPEAKING PORTION OF THE PROGRAM BEGINS AT 6:30 PM

MAYER BROWN LLP
1675 BROADWAY, 19TH FLOOR
NEW YORK, NEW YORK

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\$20 DONATION REQUESTED TO SUPPORT OXFAM'S RELIEF EFFORTS IN PAKISTAN
ATTENDANCE WILL BE LIMITED TO THE FIRST 100 REGISTRANTS

THE ORGANIZERS WOULD LIKE TO THANK **MAYER • BROWN** FOR THEIR GENEROUS SUPPORT

Investor Brief: Financial Transparency in the Oil and Mining Sectors

Many resource-rich countries suffer from corruption, conflict, and under-development. Increased disclosure of information on payments made between natural resource companies and host governments can reduce risk premiums on financial assets, improve sovereign and corporate governance, reduce corruption, and help alleviate poverty by supporting more opportunities for citizen oversight of government spending. The [Cardin-Lugar Energy Security Through Transparency \(ESTT\)](#) provision of the Dodd-Frank Wall Street Reform Act will require SEC-registered companies to annually disclose this information on a country- and project-level basis.

Risks to corporate investments: Risks faced by the extractives sector include tax and regulatory risks, country-specific production obstacles, and reputational risk. The richest natural resource reserves are often located in countries with volatile political climates. High levels of conflict also increase the risk of variability in corporate tax and regulatory obligations. Increased transparency through audited disclosure of country-specific royalty charges and how companies manage them would aid investors in the assessment of and adjustment for the risk of disruptions in production.

Risks to sovereign investments: Inadequacies in financial transparency have contributed greatly to the high levels of corruption associated with the extractives industry. Africa, for example, loses \$148 billion annually to corruption¹, roughly 25% of the continent's GDP. This results in poor governance and missed opportunities for governments to provide services and promote development. Increased transparency at the country level would assist citizens in holding governments accountable for revenues received from oil, gas, and mining companies.

Suggested Action Items

Encourage emerging market governments and natural resource companies to sign on to the voluntary [Extractive Industries Transparency Initiative \(EITI\)](#). The EITI encourages extractive companies to disclose all payments made to governments and requires governments to publish audited reports of revenues received. The EITI was started in 2002 by Tony Blair and is being implemented in 30 countries.

Encourage the [International Accounting Standards Board \(IASB\)](#) to develop a standard to increase financial transparency in the natural resource sector. The IASB creates International Financial Reporting Standards (IFRSs) used by nearly 100 countries, including the EU. The current IFRSs do not adequately address the unique risks associated with the extractives industry; the IASB will determine in 2011 whether the sector requires a specific IFRS.

Encourage the UK to follow the US lead on the ESTT Provision by updating the existing [Statement of Recommended Practices \(SORP\)](#) regarding extractives accounting. The UK Accounting Standards Board (ASB) last updated the current SORP concerning the extractive industries in July 2001.

Submit [public comments](#) in support of the SEC rule enforcing the ESTT provision (Section 1504) of the Frank-Dodd Bill. The SEC has until April 2011 to draft the rule enforcing ESTT but will have a draft rule before year-end, after which point there is a 30-60 day public comment period.

¹ According to a 2002 report by the African Union in 2002

Note: This brief was prepared by Hamsini Sridharan and the event organizers with assistance from experts.

Transparency in Major Extractive Industry Countries

	Country	Extractives Transparency Status (1)	MSCI Indices	EMBI Global Diversified Index
Hydrocarbon-Rich	Algeria			
	Angola			
	Azerbaijan	EITI Compliant		
	Bahrain		Frontier Market: FM	
	Brunei Darussalam			
	Cameroon	EITI Candidate		
	Colombia			X
	Congo, Republic of	EITI Candidate		
	Ecuador			X
	Equatorial Guinea	EITI Signalled Intent		
	Gabon	EITI Candidate		X
	Iran			
	Iraq	EITI Candidate		X
	Kazakhstan	EITI Candidate	Frontier Market: FM	X
	Kuwait		Frontier Market: FM	
	Libya			
	Mexico			X
	Nigeria	EITI Candidate	Frontier Market: FM	
	Norway		Developed Market: EAFE	
	Oman		Frontier Market: FM	
	Qatar		Frontier Market: FM	
	Russia		Emerging Market: BRIC	X
	Saudi Arabia			
	Sudan			
	Syria			
	Trinidad and Tobago		Frontier Market: FM	
	Turkmenistan			
	United Arab Emirates		Frontier Market: FM	
	Uzbekistan			
	Venezuela			X
	Vietnam		Frontier Market: FM	X
Yemen	EITI Candidate			
Both	Bolivia			
	Chad	EITI Candidate		
	Sao Tome and Principe	EITI Signalled Intent		
	Timor-Leste	EITI Compliant		
	Indonesia	EITI Signalled Intent		X
Mineral-Rich	Mauritania	EITI Candidate		
	Uzbekistan			
	Botswana			
	Chile			X
	Dem. Republic of Congo	EITI Candidate		
	Ghana	EITI Candidate		X
	Guinea	EITI Candidate (Suspended)		
	Jordan		Frontier Market: FM	
	Kyrgyz Republic	EITI Candidate		
	Liberia	EITI Compliant		
	Mongolia	EITI Candidate		
	Namibia			
	Peru	EITI Candidate		X
	Papua New Guinea			
	Sierra Leone	EITI Candidate		
	South Africa			X
	Zambia	EITI Candidate		
Global & Gas Interest	Australia		Developed Market: EAFE	
	Brazil		Emerging Market: BRIC	X

	Canada		
	China	Emerging Market: BRIC	X
	France	Developed Market: EAFE	
	Italy	Developed Market: EAFE	
	Malaysia		X
	Netherlands	Developed Market: EAFE	
	Spain	Developed Market: EAFE	
	United Kingdom	Accounting Standards Board SORP	
		Dodd-Frank Wall Street Reform Act	
	United States	Developed Market: EAFE	

- (1) EITI Compliant - Completed an EITI Validation by the International Board within 2 years of becoming a Candidate
- EITI Candidate - Met 4 sign-up indicators (public statement, commitment to work with civil society and companies, appointment of leader, fully costed Work Plan)
- EITI Signalled Intent - Expressed interest in implementing EITI, has not yet met sign-up indicators
- Dodd-Frank Act - SEC considering rule to enforce Energy Security Through Transparency (ESTT) provision
- Accounting Standards Board SORP - UK's Accounting Standards Board (ASB) should update its Statement of Recommended Practices (SORP) concerning the extractives industry.