

Attendance

<p><u>Chair</u> Marie-Anne Mackenzie- Department for Business Innovation & Skills</p> <p><u>Secretariat</u> Margaret Sutherland- Department for Business Innovation & Skills Vina Krishnarajah - Department for Business Innovation & Skills Taras Fedirko- Department for Business Innovation & Skills/ Durham University</p> <p><u>International Secretariat</u> Eddie Rich-International Secretariat</p> <p><u>Industry</u> Stephen Blythe- Independent Consultant-Teleconference Andrew Enever- Shell Claire Ralph-Oil & Gas UK</p> <p><u>Civil society</u> Miles Litvinoff-Publish What You Pay UK Colin Tinto-Global Witness Danielle Foe- UK Civil society Representative Eddie Holmes- UK Civil society Representative-Teleconference</p>	<p><u>Government</u> Alan Tume- HM Revenue & Customs Carolinn Booth - HM Revenue & Customs Mike Earp- Oil & Gas Authority</p> <p><u>Observers</u> Jerry McLaughlin-Mineral Products Association Roger Salomone- Exxon Mobil</p> <p><u>Nominated People</u> Luke Balleny- International Council on Mining & Metals</p> <p><u>Representatives from Germany EITI</u> Ms. Sonja Eisenberg Mr. Ludger Radermacher Ms. Johanna Beate Wysluch Walter Palmetshofer</p> <p><u>Representatives from the Netherlands</u> Eelco de Groot Omer van Renterghem</p> <p><u>Experts</u> Tim Woodward-Moore Stephens Ermedin Selmanovic- Moore Stephens Dora Chambers- Moore Stephens</p> <p><u>Apologies</u> John Bowater- Aggregate Industries Dr Patrick Foster- Mining Association of the UK /Camborne School of Mines-University of Exeter Joe Williams- Natural Resource Governance Institute Martin Brown- UK Civil society Representative Brendan O Donnell- Global Witness Eric Joyce- UK Civil society Representative Natalie Reeder- HM Treasury Robert Le Clerc- CBI Minerals Group</p>
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Summary of proceedings

1. Following introductions the minutes for the May MSG meeting were agreed and industry representatives confirmed they would send some minor comments to Secretariat ahead of publication.
2. The Chair thanked Taras Fedirko (academic from Durham University) for all of his work on EITI implementation and especially his work on the contextual chapter for EITI. Taras was coming to the end of his work experience with the BIS EITI Secretariat.

Update from the Netherlands and Germany

3. The Chair welcomed colleagues from the Netherlands to the meeting and members of Germany's MSG.
4. Representatives from the Netherlands were currently in the process of discussions with the relevant Government ministries on future EITI implementation. However, there was still a lot of work to do.
5. Representatives from Germany summarised the progress made to date following their announcement to seek candidacy in July 2014.
6. The MSG in Germany had met twice and the objectives had been agreed which would feed into their work plan.
7. A website had been developed which included a translation into English.
8. Germany was working on their candidacy application with the intention of applying for candidacy in due course.
9. The Chair thanked colleagues for attending the MSG meeting and highlighted the importance of learning from other countries no matter what stage of EITI implementation they were at.

Update from Moore Stephens

10. Moore Stephens (MS) confirmed two workshops were held in Aberdeen and London for oil and gas companies which were both very well attended.
11. There was good engagement from companies who asked a range of questions. There were some areas where companies had raised concern and MS provided a summary of concerns which included:
 - Some companies had queried MS confidentiality provisions in their contract. As there was a copy of the contract template in the public domain, these provisions were emailed to companies.
 - Who would provide the waiver for a company if they moved groups?
 - MS requested that all companies should return waivers regardless of whether they make material payments as this would allow MS to complete some basic checks with the assistance of HMRC.
 - Companies requested that the date for companies to submit their reporting templates becomes a fixed date every year to assist the companies with their

internal planning. MS explained that in the first few years it will be difficult to set standard timelines, but this may be possible in future years.

- Companies had raised concern about not knowing how the data they would be providing for EITI would be disclosed in the report. They were unsure whether the reconciliation report would disclose the initial figures provided by the companies and governments as well as the final position. Companies were worried that their initial submissions would be criticised for inaccuracies, especially in first year of reporting.
- There were specific queries on the beneficial ownership template about adding a box for state owned organisations. MS confirmed that this would be added to future templates.

12. Industry representatives who attended the London workshop explained that for some companies this was their first time hearing about EITI, and they attempted to answer as many of the queries as possible.
13. To assist companies further in completing the waivers and templates, industry representatives explained that they would compile a Frequently Asked Questions (FAQs) document. This document would be updated on the EITI webpage and shared with companies.
14. Industry went on to explain that in some cases there would be scenarios that were unique to one company therefore additional examples to those raised during the workshop would be beneficial.
15. MS supported this approach and were content if the common issues raised by the companies could be dealt with through a FAQs document. However, they highlighted that this would need to be published online quickly.
16. MS explained that on the advice of MSG representatives a webinar for mining and quarrying companies would be held on the 22 July. This would be an interactive session for the 40 companies who had been sent reporting templates.
17. Civil society highlighted that if there were specific questions from companies relating to the beneficial ownership template these should be passed on to the beneficial ownership sub group.
18. Civil society went on to explain that at a recent constituency meeting the accountability to citizens under EITI was highlighted as being very significant. Therefore, the constituency requested to see a full list of the companies who had been sent the templates and the covering message sent by MS.
19. Industry representatives raised concern about making this information available as some companies may have not returned the reporting templates as they may have not made material payments in 2014.
20. MS explained that they had advised all companies to return waivers whether they had made material payments or not. This would then allow HMRC to provide some basic details to MS, who would have no other way of checking if companies had made material payments in 2014.

21. Concern was raised by HMRC and industry representatives that this had not previously been agreed or been made clear to companies, they were not aware that they had to return waivers if they had not made material payments.
22. The MSG then discussed the issue of non-compliance, there was a possibility that some companies would choose not to engage with EITI and further consideration was needed to which companies would be named in the report if they had not returned templates.
23. The reconciliation sub group agreed to look into these issues in more detail at a sub group meeting which would be called imminently. The sub group would aim to get a recommendation to the MSG via email for agreement but if this failed to be agreed an extraordinary meeting would be called.

Inception Report

24. MS explained that the inception report was being finalised and would be shared with the MSG very shortly.
25. Some of the recommendations from the inception report were highlighted as:
 - Mining sector methodology-The methodology used for selecting companies in the mining sector in the UK had focussed on the production volumes. MS explained that the MSG could have missed companies through this method if the focus was solely on production.
 - Government sign off on the reporting templates- MS explained that there was currently no independent verification of the Government templates by a body such as the National Audit Office (NAO).
26. HMRC explained that a senior representative would be signing off all oil and gas templates before they are returned to MS.
27. As the MSG had not previously considered it necessary for HMRC to ask NAO to sign the figures off, having to arrange this now would seriously delay the submission of government templates for year one, therefore this should be a discussion for future reports. HMRC would be content to share their processes and procedures for arriving at the EITI figures with the MSG and MS.
28. The Chair confirmed that UK legislation was in place to ensure that companies complied with international audit requirements and that this could be detailed in the first EITI report.
29. The International Secretariat explained that other EITI countries had failed validation based on government sign off. However, the MSG could agree an adequate government assurance process such as government agencies' data could be signed off by a senior government office as a complete and accurate record. This agreement by the MSG would need to be minuted.

30. The reconciliation sub group agreed to look into this area further ahead of the next MSG meeting.

Reconciliation

31. HMRC opened by acknowledging the good progress which had been made with UK implementation as reporting templates and waivers had now been issued.
32. The members of the sub group were thanked for taking part in the teleconference which was held at short notice to discuss some of the queries which were raised by companies at the workshop.

Level of disaggregation

33. HMRC reiterated that, as previously agreed by the MSG; Petroleum Revenue Tax will be published by company by field.
34. Due to the Group Payment Arrangement structure in the UK, Ring Fence Corporation Tax and Supplementary Charge will be published at the group level. Therefore only one figure will be reported per group. This was agreed by the MSG.

Reconciliation differences

35. HMRC explained that as this is the first year of EITI reporting, both government and companies may make mistakes when completing templates. Therefore only the final reconciled figures should be published otherwise there could be a published difference which would not be a real difference.
36. International Secretariat agreed with this approach and explained that there is no requirement for the EITI report to show the original figures provided in the template. The aim of the reconciliation exercise is to provide disclosure of any unreconciled figures – not to expose easily-sorted-out issues.
37. However, the International Secretariat explained that the process used for the published figures would need to be explained in the report and that any differences should be explained.
38. MS asserted that when the reconciliation is conducted, if the figures from both government and companies do not agree, MS will ask for more detailed information on the payments.
39. International Secretariat explained that if the figures do not reconcile MS should avoid going back to HMRC for a second set of figures to avoid any perception of collusion.
40. Industry representatives explained that the figures which would be valuable in the EITI report were those where there were unreconciled differences. They

also highlighted that there would be value in MS flagging any common errors with completing the templates to make future EITI reporting rounds easier.

41. The MSG agreed that the EITI report will publish the unreconciled figures rather than the initial figures submitted by companies and the EITI report will need to explain any differences and the process used for the published figures.

Margin of error

42. Civil society asked if there was a threshold in determining which discrepancies should be further investigated by MS.
43. HMRC explained the importance of ensuring that any threshold should not be set too low (e.g. £500- £10,000) when the payments being discussed ran into the billions.
44. Civil society suggested that the £86,000 materiality threshold could be used as a starting point for any discrepancy.
45. After some discussion the MSG agreed that MS would make a recommendation to the MSG once all templates were received about a suitable margin of error for discrepancies to be investigated further.
46. Civil society highlighted that it was the big and unexplained discrepancies that the constituency would be interested in.

Waiver

47. HMRC explained that their approach would be that where a participating company in a GPA leaves the group in the year when a payment is made, this payment would be revealed as long as HMRC holds a Waiver signed on behalf of the nominated company which made the cash payment.
48. If a singleton company makes a payment and leaves a group, it is likely that an authorised person from the new group would sign a Waiver. It is up to the authorised person to determine whether or not they can sign a Waiver on a company's behalf for all or part of a year. HMRC will release information where they hold a Waiver.
49. HMRC explained that where individual queries may arise about releasing information they are happy to sort these out with MS directly. Additionally if MS asked for further information on a breakdown of payments from companies HMRC would also be to provide this where there was a Waiver in place.
50. MS explained that some of the wording used on the waiver had caused concern for some companies who had asked to see the confidentiality provisions included in the contract. These provisions were shared with companies as the information was in the public domain.

51. HMRC explained that the wording of the Waiver had been drafted quite tightly and HMRC would only release payment data under EITI. If anything further was required, HMRC would discuss this at the subgroup and come back to the MSG.
52. HMRC explained that they had commenced the process of gathering their EITI data and would discuss with MS the best way to pass this data onto them once waivers were received.

EITI Companies

53. HMRC confirmed that the mining and quarrying templates had been issued to 40 companies.
54. Secretariat confirmed that oil and gas templates had been sent to approximately 130 companies.
55. Industry raised that restructuring was taking place in the oil and gas sector therefore it was likely that some emails would be missed, therefore it was important for MS to chase non respondents using a range of communications.
56. Moore Stephens confirmed that they would be sending reminders to companies and where there was no response they would use other means of communication.

Contextual Information

57. The Chair of the sub group thanked members for all of their work and highlighted that good progress was being made on the contextual chapter of the EITI report.
58. The sub group had been working on a revised draft of the chapter which they had shortened to ensure it was as concise as possible.
59. The contextual chapter would include four sections:
 - Sector overview
 - Oil & Gas
 - Mining & Quarrying
 - Beneficial Ownership
60. Following the MSG meeting the chapter would be open to comment from MSG members until the end of August.
61. International Secretariat commended the sub group for their work on the draft contextual chapter.
62. The Chair of the sub group explained that MSG input would be needed on a few areas which included:

- Whether the first report should include a longer and more detailed contextual section.
- The process for MSG members commenting on the current contextual chapter.
- Whether the draft contextual section could be circulated to the wider civil society constituency for comment.

63. On the length of the contextual section, industry representatives suggested that a longer contextual section for the first year might be desirable, but this may not be necessary in future years as the information would simply be updated.
64. Industry representatives also explained that the EITI reports should be standalone documents.
65. International Secretariat highlighted that the aim of the EITI report was to inform public debate and strengthen government systems. Therefore the focus needed to shift away from making EITI reports standalone documents to finding the best way and a smarter way to make the information in the report available to people online.
66. The sub group agreed to make a recommendation on the length of the contextual chapter at the next MSG meeting.
67. International Secretariat stressed there should be more emphasis on being creative, therefore, for year four the UK should strive for maps of the UK with real time data.
68. Representatives from Germany suggested that it might be a good idea for the UK and Germany to combine efforts to work on the “back end” of their respective data portals to save costs.
69. The MSG agreed that the contextual sub group would create a google doc version of the contextual chapter with full access given to sub group members for amendments. In parallel, all MSG members would be asked to send their comments to the chair of the sub group.
70. The MSG also agreed that it was too early to share the contextual chapter with the wider civil society constituency.
71. The Chair of the sub group asked the MSG if there was any internal resource which could be used to provide a professional edit of the final EITI report.
72. MS offered to conduct a professional edit of the EITI report as the contextual chapter would be added to their report template. This would include graphic design input for graphs, tables and text for the context chapter.
73. The MSG agreed to share the contextual chapter with colleagues in Germany and the Netherlands for their views.

Communications

74. Secretariat provided a summary of recent communications activities which concentrated on raising awareness of EITI among those companies due to report under the UK EITI.
75. Secretariat thanked Stephen Blythe for drafting the guidance for EITI which was now available on gov.uk. The guidance included:
- A narrative explaining EITI as a general introduction. - There are two versions of this document – one for the oil and gas sector and another for the mining and aggregates sector. These have been updated to reflect the decisions made in the last MSG.
 - In addition, two step by step guides which go through the individual boxes on the template and explain how to fill them in – again, there is one for each of the sectors.
76. Secretariat confirmed that the step-by-step guides were also circulated to companies alongside the templates.
77. Secretariat also thanked Oil & Gas UK for all of the EITI communications they had completed which included providing 500 leaflets for the oil and gas conference in Aberdeen, securing a room for the workshop, including updates on EITI in Wireline and their Newsletter, advertising the workshops on twitter and LinkedIn and circulating guidance to all members.
78. Secretariat explained that the guidance documents had been circulated to onshore industry groups to circulate to their members.
79. In addition to the oil and gas workshops, a webinar had been organised by Moore Stephens for mining and quarrying companies on the 22 July.
80. Secretariat confirmed that this reflected feedback from mining and quarrying members of the MSG that companies may not find it easy to travel across the country to attend a workshop – so a webinar would be a better option.
81. Finally, Secretariat highlighted that the Annual Activity Report for 2014 was published on the EITI webpages and sent to the International Secretariat.
82. Secretariat explained that there were only four MSG meetings remaining until the publication of the first report, therefore the communications sub group agreed to start considering how to promote EITI to civil society once the report is published at their next sub group meeting.
83. Raising awareness within the civil society network was essential. Secretariat explained they delivered a talk at Durham University and were asked to go back once the first report was published to give a seminar/interactive session to their Durham Energy Institute. This would be a good opportunity to gain academic feedback on the first EITI report.
84. Secretariat also confirmed that a talk had been organised with students at Dundee University in November.

85. Industry representatives asked whether a communications strategy would be developed for the run up to the publication of the first report. Secretariat confirmed this was a task for the sub group.
86. Industry representatives asked civil society members what communications and outreach they were currently doing with their constituencies.
87. Civil society confirmed that member organisations of their constituency had done their own communications on areas such as beneficial ownership.
88. In addition they confirmed that there was a broad spread of UK NGOs on their network which included 10-15 member organisations in addition to the 24 Publish What You Pay UK member organisations, all with their own networks and supporters. There were also UK Open Government Partnership civil society channels to connect with.
89. Civil society also explained that there were other academic avenues to explore as well as local authorities.

Open Data

90. Civil society representatives provided a summary of the previous open data sub group meeting which MS attended.
91. The meeting primarily focussed on presentational changes to the reporting templates such as options for signature/attestation ahead of issue.
92. Civil society confirmed that templates would be issued using Excel spreadsheets as the SharePoint system was not yet ready.
93. The sub group also discussed the mapping of licence numbers to ensure that licence numbers are recorded in a way which sets a level of consistency.
94. In terms of making the EITI data machine readable, Secretariat confirmed that there will be a dedicated page on the Government's data.gov.uk website to allow the public to access the data. This will be in addition to the report being published in pdf on the EITI gov.uk webpage.
95. MS explained that once SharePoint was up and running, they would be able to perform custom searches using a range of different variables using the EITI data.
96. The sub group agreed that they would need to do more work in this area and to have further discussions about an open data portal with colleagues in Germany.

Security of Information

97. MS highlighted that they did have a number of options for companies to submit their completed templates in a secure way, if they did have concerns about data being lost.
98. Details of this had been added to the industry guidance.

99. The MSG agreed that MS would send further information to companies about these options on request.

Beneficial Ownership

100. Civil society thanked all members of the sub group for their hard work on agreeing a recommendation on beneficial ownership. The MSG agreed the recommendation via email on the 10th June 2015.

101. The recommendation was:

- The disclosure of identities of all beneficial owners with a controlling share over 25%.
- The disclosure of Politically Exposed Persons (PEPs) that hold over 5% of the shares of the disclosing entity. Reporting would be based on actual knowledge available to the company and would not require any further due diligence.

AOB

Terms of Reference (ToR)

102. The Chair explained that the EITI Code of Conduct was not in place when the MSG adopted the ToR in 2013.

103. Therefore a slight amendment was made to the ToR to directly reference the international code of conduct within the ToR.

104. Secretariat agreed to re circulate the ToR with a slight amendment for agreement.

Collective Governance

105. Eddie Rich, was pleased to introduce his new book 'Beyond governments: lessons on multi-stakeholder governance from the Extractive Industries Transparency Initiative (EITI)', which he had co-authored with Jonas Moberg.

106. The book covered the story of collective governance from a practitioner's point of view and Eddie hoped that the UK MSG would find it useful.

107. It was confirmed that free copies would be provided to the UK Secretariat and all MSG members.

Actions agreed at the meeting.

Reconciliation

- Petroleum Revenue Tax will be published by company by field.
- Ring Fence Corporation Tax and Supplementary Charge will be published at the group level.
- The EITI report will publish company and government figures alongside any unreconciled differences. The company figures may be corrected (with the company's permission) during the process to account for errors and misunderstandings. It is the corrected figures that will be published and the EITI report will need to explain any differences and the process used for the published figures.
- If companies have any queries on the beneficial ownership templates these should be passed to civil society.
- MS will send information to companies about submitting reporting templates in a secure way if it is specifically requested by companies.
- MS to make a recommendation to the MSG once all templates are received about a suitable margin of error for discrepancies to be investigated further.
- MS will need to chase companies who fail to respond.

Contextual Information

- MS will conduct a professional edit – for style not substance – and provide graphic design input for graphs, tables and text for the context chapter of the complete EITI report.
- The contextual chapter will be shared with the wider civil society constituency and potentially other UK constituencies (industry, government) at a future date, potentially after the September MSG.
- Contextual chapter will be shared with colleagues in Germany and the Netherlands for views/comments.

Open Data

- Open data sub group to have a further discussion about potential open data outputs with colleagues from Germany about potentially collaborating on the “back end” development of an open data portal.

Next meeting- Tuesday 15 September- BIS Conference Centre

Summary of Actions

<u>Action</u>	<u>Status</u>
Secretariat to slightly amend the minutes from the 11th MSG meeting in May and publish.	Complete
Secretariat to amend the Terms of Reference to reflect discussion at MSG (attached). MSG members to provide any feedback to Secretariat by 22 July. Secretariat will update Terms of Reference on the website following the receipt of comments.	Complete
Reconciliation sub group to do some further work on the Government assurance process and whether this is adequate in the UK for year 2. For discussion at the September MSG.	Complete
<p>Reconciliation sub group to arrange a teleconference on the w/c 20th July to discuss :</p> <ul style="list-style-type: none"> • MS request that all companies should return waivers regardless of whether they make material payments. This would enable HMRC to provide some basic details to MS, who have no other way of checking if those companies are making material payments (or not) • Whether companies who do not return templates will be named on the report and how non-compliance will be handled. • Whether the full list of companies that templates were sent to can be shared with MSG members and with the larger CSO network and if so at which stage(s). 	Complete
Industry colleagues will produce an FAQ document to answer some of the queries from companies which were raised in the workshops and circulate this around the reconciliation sub group. This document will be published on the	Complete

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EITI webpages and MS will send a link to all workshop attendees.	
Secretariat to circulate the wording that was issued to companies with the reporting templates.	Complete
MS to finalise the inception report for circulation.	Ongoing
All MSG members to provide comments on the contextual chapter by the end of August.	Ongoing
Contextual sub group to create a google doc version of the contextual chapter with full access given to sub group members.	Complete
Secretariat to confirm date of EITI talk arranged to take place at the University of Dundee.	Complete
Secretariat to include in the minutes when the MSG agreed the recommendation from the sub group for the inclusion of beneficial ownership in the first report.	Complete