

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>Industry</u> Dr Patrick Foster- Mining Association of the UK /Camborne School of Mines-University of Exeter Stephen Blythe- Independent Consultant Andrew Enever- Shell John Bowater- Aggregate Industries</p> <p><u>Civil Society</u> Miles Litvinoff-Publish What You Pay UK Brendan O Donnell- Global Witness Eric Joyce- UK Civil Society Representative Danielle Foe- UK Civil Society Representative</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 Joe Williams- Natural Resource Governance Institute- Donovan Ingram- ExxonMobil Martin Brown- UK Civil Society Representative</p> <p><u>Nominated People</u> Claire Ralph-Oil & Gas UK Colin Tinto-Global Witness Eddie Holmes- UK Civil Society Representative</p> <p><u>Experts</u> Tim Woodward-Moore Stephens Radhouane Bouzaiane- Moore Stephens</p> <p><u>Apologies</u> Eddie Rich- International Secretariat Robert Le Clerc- CBI Minerals Group Jon Atkinson-Department for International Development Natalie Reeder- HM Treasury</p>
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Summary of proceedings

1. Following introductions the Chair highlighted for the benefit of new attendees that MSG meetings consist of an open discussion with decisions made through consensus.
2. It was confirmed that observers are able to fully participate at MSG meetings.

3. The Chair explained that this was the final MSG meeting ahead of templates being issued to companies therefore there were a number of decisions to be made.
4. The Chair went on to explain that hard charging had been introduced at BIS for photocopying therefore Secretariat would be unable to provide papers at future meetings other than the agenda and minutes for agreement.
5. MSG representatives were encouraged to bring their laptops to meetings and sign in via the Cloud or bring their own papers.
6. The minutes for the January MSG meeting were agreed with a minor amendment.

Reconciliation

7. HMRC thanked all members of the sub group for being so flexible in agreeing the range of recommendations for the MSG.

Interest & Penalties

8. HMRC explained that interest and penalties arise under certain circumstances (e.g. where returns are filed after the statutory deadlines or taxes are paid late) and the amounts can be significant.
9. The paper before the MSG states that as interest is not a distinct revenue stream the recommendation made to the MSG was for companies and HMRC to report interest payments as an element of the associated revenue stream to the Independent Administrator (IA).
10. This would mean that interest would be included in UK EITI reports and be part of the reconciliation process but would not feature in the report as a separate category of payment.
11. The same would apply to penalties, where payments would not be separated out.
12. The MSG agreed that companies and HMRC will include interest payments and penalty payments in the templates sent to the IA as part of the underlying revenue stream.

Thresholds

13. HMRC explained that the MSG had previously agreed to mirror the Accounting Directive and apply a materiality threshold of £86,000.
14. The MSG had a further discussion about how this would apply in practice.
15. The sub group recommended that the £86,000 threshold should apply to each payment type (e.g. PRT, licences) at a group level.

16. Therefore if a group of companies (parent and subsidiaries in scope of EITI) make payments over £86,000 for a specific payment type they will be required to report the total of all payments of that type.
17. Industry highlighted that this was a different approach to the Accounting Directive and this would need to be taken into account for future messaging.
18. HMRC advised that there are a few areas where EITI has taken a different approach to the Accounting Directive for pragmatic reasons to do with the reconciliation, which is required under EITI, but not the Accounting Directive.
19. The MSG agreed that the £86,000 threshold will be applied to each payment type at a group level.

Waiver

20. HMRC explained that they would be unable to release any information to the independent administrator until they had received the waiver back from companies.
21. The waiver was put to the MSG for agreement with authorisation to include a minor amendment to certify that the person signing the Waiver was authorised to do so on behalf of the companies listed in the Schedule to the Waiver. HMRC would provide a draft sentence to industry shortly for them to discuss.
22. The MSG agreed the waiver and authorised the subgroup to discuss and agree the additional sentence.

Licences

23. HMRC thanked the sub group who met at short notice the week before the MSG to discuss and agree how companies should report oil and gas licences.
24. In the UK it is commonplace for a number of companies to be jointly and severally liable for payments under a licence. However, the Oil & Gas Authority (OGA) receives the payment from a single company (usually the operator) who pays for the licence on behalf of all the licensees.
25. The OGA only receives one payment, so can only report this single payment from the company that pays it. HMRC explained the difficulties and added complexity to the reconciliation of asking all companies that operate under a single licence to state what they have paid to the operator as this could not be verified by government.
26. HMRC explained that for EITI, as a pragmatic measure related to the reconciliation (and not as a point of principle), the subgroup recommended that the company which pays the licence fee to the OGA should report what it pays. OGA will report what it receives.
27. HMRC confirmed this would also be applicable to coal licensees.

28. The MSG agreed that licences will be disclosed by the business that makes the payment to the OGA (usually the operator).
29. The MSG agreed that licence fees will be disclosed at operator level without prejudice to the Civil Society position on the treatment of joint venture payments under the Reports on Payments to Governments Regulations.

Templates

30. The MSG discussed the reporting templates which had been finalised for agreement.
31. Industry explained that the template for beneficial ownership would need to be included once it was agreed.
32. Moore Stephens queried whether the template could be used to collect further information for the contextual part of the report and reconcile as much information as possible e.g. employment figures.
33. The MSG confirmed that there was no requirement to provide and reconcile employment figures but an overview of employment in the UK extractives sector would be provided on the contextual section of the report using the figures produced by the Office for National Statistics.
34. Industry representatives confirmed that the reporting templates would only be requesting payment (and potentially beneficial ownership) information and that there was no expectation on companies to provide information for the contextual part of the report.
35. Government representatives endorsed this view and explained that avoiding additional burdens on companies was essential.
36. Government representatives also confirmed that there was sufficient information in the public domain to produce the contextual information.
37. Civil society explained that ahead of reporting templates going out, certain cells should be read only to restrict changes being made to the format.
38. Moore Stephens confirmed that they were in the process of developing a system through SharePoint which they hoped to use for EITI reporting. This would mean that companies in scope would be emailed with a link where they would be able to login and complete reporting templates.
39. Moore Stephens hoped for this system to be ready for the first report but if not it would definitely be ready for the second report.
40. Industry representatives raised concern about the security features of the SharePoint system especially with the sensitivity of the data which was being collected under EITI and asked for further information about who would be able to view the data. It was generally felt that in the first year the templates should be issued in Excel format.
41. Subject to adjustments to the template for presentational purposes, the payment reporting templates were agreed.

Decommissioning Relief Deed (DRD)

42. OGA confirmed that although the DRD will not be relevant for the first EITI report, it may require re-visiting in future reports.

Mining

43. HMRC thanked the mining sub group for their work on completing an initial scoping exercise of mining and quarrying companies that constitute over 90% of production in the UK.
44. Originally it was estimated only a dozen mining/quarrying companies would be in scope of EITI however, following the scoping exercise the initial list includes over 100 businesses.
45. Mining representatives confirmed that most of these 100 businesses were very small and could probably be excluded anyway under the materiality threshold.
46. Mining representatives also explained that activity in certain underground coal companies was ceasing, therefore it was questionable whether they would be sending returns for EITI.
47. The MSG discussed reducing the sample of companies in scope to 80% of production as this would capture approximately 30 companies and in reality would actually total 84% of production and include commodities such as Silica and Ball Clay.
48. Civil Society were in favour of bringing the production figure down to 80% but did stress that confirmation would be needed from the International Secretariat that this would not be classed as adapted implementation citing the example of an EITI country who almost failed validation for failing to reconcile their licence holders.
- The MSG agreed that mining/quarrying companies in scope of EITI in year one will be those that constitute 80% of production. The MSG agreed to revisit this in the second year.

Section 106

49. HMRC explained that Section 106 payments are made by businesses (including mining companies) to local planning authorities for the granting of planning permissions.
50. These payments usually take the form of monetary transfers or infrastructure works undertaken by the company outside the mining site, or on the site. There are also Community Infrastructure Levy (CIL) payments.
51. The Local Planning Authority will hold information about the sum of any monetary payment, but usually not about the cost of the works done by the company itself.

52. For the first EITI report it would not be possible to provide details of Government receipts therefore unilateral reporting by mining and quarrying companies was proposed.
53. Given the three different kinds of payments under Section 106, the sub group proposed that only off-site provisions (in cash or in kind) should be in scope of UK EITI reporting, as onsite provisions directly benefit only the company itself, not the Government or the local community.
54. The sub-group also proposed that CIL should be out of scope.
55. Following discussion, the MSG agreed that Section 106 payments for offsite infrastructure provision will be in scope of UK EITI
56. The MSG also agreed that CIL payments will be out of scope.
57. The first year will include unilateral company reporting, after the first year this will be reviewed.
58. The Chair explained that the contributions made by a specific sector to local communities could be included in the contextual section of the report, but this would not be company by company reporting.
59. Secretariat confirmed that payments to the Crown Estate will also be included in the first EITI report.
60. Mining representatives confirmed that they were in the process of drafting guidance for mining and quarrying companies.

Independent Administrator

61. Representatives from Moore Stephens gave a brief summary of the history of the company explaining that they entered the EITI sphere six years ago.
62. Moore Stephens confirmed that they have carried out reconciliation work for 21 EITI countries.
63. They explained that they have a wealth of experience in carrying out reconciliation exercises with more reconciliation undertaken by them than anyone else in the market.
64. In Liberia, Moore Stephens conducted a post award implementation audit of concessions given away by the Government and completed a pre scoping feasibility study in Guyana.
65. They confirmed they knew the International Secretariat well and were asked to give presentations and workshops about their EITI experience in Brussels, the Ivory Coast and Germany.
66. Moore Stephens highlighted that the contract for UK EITI was recently signed therefore they were very much getting up to speed looking through minutes of previous meetings as well as a range of other useful documents.

Timeline

67. Industry asked for further information about the timeline for implementation after the cancellation of the March MSG meeting.
68. Secretariat explained that templates were due to be issued on the w/c 22nd June after Moore Stephens had completed the inception report.
69. Secretariat highlighted that some form of communication would be necessary ahead of the templates going out and further discussion with Moore Stephens would be necessary about the workshops for companies.
70. Industry requested that the dates for the workshops be finalised as soon as possible to ensure high attendance.
71. The MSG discussed the time allowed for companies to return reporting templates. One month was proposed but MSG industry representatives felt this was not sufficient time for companies in scope of EITI.
72. Secretariat explained that the timeline had been adjusted to ensure nothing was being requested from companies during busy periods such as when companies undergo audits.
73. Industry's view was also that if more time was given to companies a higher quality of response would be received.
74. Industry representatives also raised concern that their constituency was at a disadvantage following the cancellation of the March MSG meeting as the timeline was now very tight.
75. They went on to explain that if companies could be given early sight of reporting templates in advance it would be beneficial.
76. Moore Stephens confirmed the SharePoint system was being developed for EITI reporting.
77. Regarding permissions Moore Stephens confirmed that different logins could be issued for data entry and approvers.
78. Additionally it was explained that electronic signatures could be used on the SharePoint System however, some companies may not have the facilities setup for this.
79. As the SharePoint system was not already up and running and would still require testing there was a risk that this would further delay the date for sending out templates to companies.
80. The MSG agreed that reporting templates for the first year will be emailed using Excel to companies, for Year 2 SharePoint may be used.
81. Some concern was expressed about the security of SharePoint but Moore Stephens confirmed that it was safer to use SharePoint than collecting information via email.
82. The MSG also agreed that companies in scope of EITI will be given 6 weeks to complete reporting templates which will be issued in June.
83. Mining representatives explained that they would finalise the list of the mining and quarrying companies in scope and gather contact details to pass to the IA.

84. The workshops for companies were discussed with the suggestions of having more than one workshop with a potential workshop in Aberdeen.
85. Moore Stephens suggested separate workshops could be held with oil and gas and mining and quarrying companies.
86. The MSG agreed that any future communications with Moore Stephens by heads of sub groups should be copied to the Secretariat.

Contextual Information

87. The Chair of the sub group thanked the members for their work to date and highlighted that the main objective of the contextual part of the report was to bring the figures to life.
88. The sub group proposed that the section would include a general narrative as well as more detailed information for readers including an executive summary and a foreword by the Champion.
89. Additionally the sub group explained that an overall edit and format of the entire EITI report was necessary especially as the information was being drafted by various sub group members.
90. This also applied to the presentation of graphs and charts to ensure consistency and user friendliness.
91. The Chair of the MSG explained that there was no further budget available for the formatting and editing of the report and therefore the MSG would need to consider and explore alternate options for funding.
92. The MSG discussed how the data in the EITI report could be presented and Moore Stephens explained that SharePoint did have the capacity to analyse the data collected. This was something which would need to be looked into for future reports.
93. It was confirmed that the contextual section would be produced by the MSG and Moore Stephens would not be required to verify or reconcile the contextual information.
94. Moore Stephens explained that as they would be signing off the report they would need to do a sense check to make sure the figures used in the contextual chapter were accurate.

Communications

95. Secretariat highlighted that the communications sub group would be concentrating on raising awareness with companies as reporting templates were due to go out in June.
96. The next meeting of the sub group was taking place on the 4th June.
97. The communications strategy on the website had been updated with a focus on the candidacy phase rather than pre candidacy.

98. Therefore the main priority was for the contact information for companies in scope to be collected for oil & gas, mining and quarrying companies so that they could be passed to Moore Stephens.
99. Mining representatives explained that EITI had been publicised with members.
100. Secretariat thanked Oil & Gas UK for securing a slot for EITI in their Wireline magazine which was being published in July.
101. Industry representatives asked what further communications were planned for the onshore industry groups and Secretariat confirmed they had been contacted but there had been no response.

Annual Activity Report (AAR)

102. Secretariat reminded the MSG that the deadline for comments on the AAR was the end of May 2015.
103. The AAR summarises the activities undertaken by the MSG in 2014 and explains how the UK is meeting its objectives and EITI requirements.

Beneficial Ownership

104. The Chair of the sub group thanked all members for attending the various sub group meetings and explained that the group were very close to agreeing a recommendation.

Current Recommendation

105. The disclosure of identities of all beneficial owners with a controlling share over 25%. This aligned with the legislation.
106. For Politically Exposed Persons (PEPs) disclosure would be for those 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.
107. Neither the company nor the independent reconciler is obliged to verify the information but instead both take on trust that the information on PEP owners is correct.
108. Industry representatives explained that company reporting would be based on current knowledge when the template was completed.
109. Publicly listed companies, including wholly-owned subsidiaries, are not required to disclose information on their beneficial owners.
110. For joint ventures, each entity within the venture should disclose its beneficial owners(s), unless it is publically listed or it is a wholly-owned subsidiary.

111. The Independent Administrator should collect beneficial ownership information via the EITI company form and ensure it has been signed off at the appropriate level in the company.

Definition

112. The UK EITI will use the EU's definition of PEP as described in the new EU anti-money laundering Directive, which does not distinguish between foreign and domestic PEPs.
113. The MSG discussed what information will be collected on the reporting template for beneficial owners and agreed that further work was needed to finalise/revise what information would be included on the template.
114. Industry representatives highlighted that further consultation was needed with privately owned companies in the oil and gas sector.
115. Mining representatives agreed that further consultation would be needed with their members however; as it was believed approximately 30 companies would be in scope this would be more manageable.
116. Industry explained that the sub group would have to be clear on what information they were asking companies to provide under beneficial ownership and if they were going further than the UK legislation, this would need to be justified.

Open Data Sub Group

117. The Chair of the sub group explained that a range of UK Government open data commitments exist including the G8 Open Data Charter and the National Action Plan.
118. As a result of UK EITI certain data will be produced and the MSG will need to ensure it is easily accessible rather than being presented in a pdf report.
119. The Chair highlighted that this was an area where further work would be needed with Moore Stephens especially in regards to the SharePoint system.
120. The Chair explained that Secretariat had spoken with their US counterparts about their data portal.
121. They confirmed that it had cost \$240,000 for 15 months and there were ongoing hosting costs as it was a stand-alone package which needed regular updating.
122. The US had also benefitted from internal IT expertise which did not exist in the UK Government.
123. Secretariat explained that Government departments were encouraged to use gov.uk but there were restrictions on how data was updated.

Actions agreed at the meeting

The MSG agreed:

- The reporting templates for oil, gas and mining companies (except beneficial ownership)
- The waiver for oil, gas and mining companies. (HMRC to add an additional line)
- Companies in scope of EITI will be given 6 weeks to complete reporting templates and the template will be issued in June.
- Reporting templates should be made available to companies as soon as possible.
- Reporting templates for the first year will be emailed using Excel to companies, for Year 2 SharePoint may be used.
The £86,000 threshold will be applied to each payment type at a group level.
- Companies will include interest payments and penalty payments as an element of the associated revenue stream in the templates sent to the IA. HMRC will disclose all money received.
- Licence fees will be disclosed at operator (as the party actually making the payment to the Oil & Gas Authority) level.
- The mining/quarrying companies in scope of EITI in year one will be those that constitute 80% of production.
- Section 106 payments and off site infrastructure provision will be in scope of UK EITI. The first year will include unilateral company reporting, after the first year this will be reviewed. CIL payments are out of scope.
- The MSG agreed that any future communications with Moore Stephens by heads of sub groups should be copied to the Secretariat.
- The MSG agreed the framework proposed for the contextual section.

Next Meeting- Tuesday 14 July 2015- BIS Conference Centre

Summary of Actions

<u>Action</u>	<u>Status</u>
Secretariat to slightly amend the minutes from the 10 th MSG meeting in January and publish.	Complete
Secretariat to circulate the MSG Terms of Reference and EITI Code of Conduct for members to read.	Complete

Moore Stephens to finalise dates for the company workshops on how to complete the templates so it can go down in diaries.	<u>Complete</u>
OGA to send out chaser emails for oil and gas contact information by the end of this week. OGA to also liaise with Oil & Gas UK about which companies are outstanding.	<u>Complete</u>
Mining/aggregate representatives to compile a list of contacts for those companies that will be caught under EITI to pass to Moore Stephens by Friday 29 May . Representatives to also think about further communications with these companies.	<u>Complete</u>
Contextual sub group to look into how the industry worked example can be used.	<u>Ongoing</u>
All MSG representatives to send comments on the Annual Activity Report to Vina by Friday 29 May	<u>Complete</u>
Beneficial Ownership (BO) sub group to arrange a further meeting and continue with consultation with their constituencies for both oil and gas companies and mining/aggregates.	<u>Complete</u>
BO sub group to make a recommendation to the MSG on beneficial ownership thresholds and PEPS. Additionally, sub group to finalise the reporting template tab on BO to circulate to the MSG by Monday 15th June	<u>Complete</u>
Eric Joyce to speak to and locate a contact for EITI in UKOOG.	<u>Complete</u>
MSG to consider how editing, graph origination and design of context section could be resourced.	<u>Ongoing</u>