

Attendance

<p><u>Ministerial</u> Jo Swinson-EITI Champion Joe Peacock- Private Secretary to the Minister</p> <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</p> <p><u>Industry</u> Dr Patrick Foster- Camborne School of Mines-University of Exeter Stephen Blythe- BP Donovan Ingram- ExxonMobil John Bowater- Aggregate Industries</p> <p><u>Civil Society</u> Miles Litvinoff-Publish What You Pay Eric Joyce MP Brendan O Donnell- Global Witness Yannick Vuylsteke-Transparency International</p>	<p><u>Government</u> Alan Tume- HM Revenue & Customs Jenna Williamson-Scottish Government Mike Earp- Department of Energy & Climate Change Carolinn Booth- HM Revenue & Customs</p> <p><u>Observers</u> Claire Ralph-Oil & Gas UK Jerry McLaughlin-Mineral Products Association Joe Williams- Natural Resource Governance Institute- Colin Tinto-Global Witness Natalie Reeder- HM Treasury Mark Jackson-BIS</p> <p><u>Nominated People</u> Robert Le Clerc- CBI Minerals Group Luke Balleny-ICMM Taras Fedirko- Durham University</p> <p><u>Apologies</u> Andrew Enever- Shell Eddie Rich-International Secretariat Justine de Davila- Department for International Development</p>
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Summary of proceedings

1. Following introductions the Chair welcomed the new mining full MSG member John Bowater.
2. Luke Balleny from the International Council for Mining and Metals was also welcomed and thanked for his work on chapter 10.
3. The minutes from the 8th MSG meeting were agreed.

Communications sub group

4. Secretariat highlighted the range of communications which were used for the UK candidacy announcement on the 15 October.
5. Some of the communications used included a blog by Jo Swinson, the UK EITI Champion on the business and human rights website plus a mention in their newsletter; use of twitter and a Government press release.
6. Secretariat explained that there was now a need to change emphasis of EITI messaging to target those companies that would be in scope of UK EITI.
7. The One Year on EITI event on the 18th November was discussed and MSG representatives were reminded to RSVP to the secretariat as spaces were limited.
8. The speakers for the event were confirmed as :

Jo Swinson – UK EITI-Champion and Minister for Employment and Consumer Affairs

Eddie Rich- EITI International Secretariat

Marie-Anne Mackenzie- MSG Chair for UK EITI, Department for Business, Innovation & Skills

Stephen Blythe- Tax Director BP and UK Multi Stakeholder Group Industry Representative

Miles Litvinoff-UK EITI Civil Society Network Coordinator

Edward Bickham- Strategic Adviser, International Council on Mining and Metals and former EITI International Board Member

9. Industry explained that there was still confusion between EITI and chapter 10 of the Accounting Directive and that further communications were needed to explain the differences between them.
10. Civil society highlighted that it may be useful to engage law firms who produce their own guidance notes to see if they could be encouraged to disseminate guidance on EITI and chapter 10.
11. It was agreed that oil, gas and mining representatives would give further thought to ways of communicating with companies on this issue.
12. Civil society added that they had participated in an EITI workshop in Germany who signed up to EITI in summer 2014 and a blog about the workshop was published on GOXI.
13. Secretariat confirmed that the next meeting of the communications sub group was due to take place on the 27 November.

Contextual Information sub group

14. Civil society representatives explained that work was underway on a draft contextual information chapter and Government official's confirmed this would be ready for circulation by the end of November 2014.
15. Mining representatives confirmed they were happy to feed into this first draft to provide useful information about the mining/quarrying sector.
16. It was confirmed that there was no requirement in the EITI standard to publish all licences online but it is encouraged.
17. Government officials confirmed that coordinates of licences and online maps do exist but questioned whether the precision of these would be in line with the 2013 EITI standard.
18. Government officials also suggested that the contextual section of the EITI report should be used to include a comprehensive narrative for the tax system in the UK, this would increase understanding as a whole and avoid any misunderstandings.
19. Industry representatives explained that a lot of information already exists about the extractives sector therefore it will be important not to swamp the contextual information chapter with too much information.
20. The MSG discussed onshore non-oil and gas payments to be included in the first EITI report.
21. Secretariat highlighted that they were still awaiting a response from the Crown Estates about their status (not owned by the Crown or Government), and whether they would be caught under UK EITI.
22. Secretariat explained they had met with the Crown Estates and if they were in scope, the payments they receive would be material for UK EITI.
23. Civil society stressed that if the Crown Estates were not defined as a Government entity, there could still be strong public interest for their payments to be reported.
24. Civil society explained that details about the Crown Estates will need to be included in the contextual information chapter.
25. Planning applications were also discussed and the need to include details on this within the contextual information chapter.
26. The British Geological Survey was mentioned as a good source of information.
27. Mining representatives mentioned that section 106 payments may also be caught under EITI and further work was needed on this especially if payments were improving infrastructure.
28. Shale gas was discussed and Government representatives confirmed that there was not a specific licence for shale.
29. Civil society explained that if future EITI reports included shale, this could increase interest from environmental organisations. It was suggested that the

- contextual chapter in the first report could explain that exploratory work was being done on shale and that this may grow in the future.
30. Industry highlighted that the UK EITI report would need to make clear that 90% of payments from extraction came from the offshore industry rather than onshore.
 31. Industry representatives raised concern about the contextual information chapter being too long and stressed that the main part of the report should be the reconciliation. They went on to explain that the report would cover a certain period; therefore there would be no need to include everything in the EITI report.
 32. Civil society stated that the EITI report should be an easily accessible expert source providing an upfront narrative through the contextual information.
 33. The contextual information sub group was asked to produce the first draft before the end of November and a project plan.
 34. The MSG discussed who would own the contextual information and contextual sub group members highlighted that this information would not originate with the independent administrator as it was being drafted within the sub group.
 35. Industry representatives explained that the Independent Administrator (IA) sub group had discussed who would have the intellectual property rights to the contextual information.
 36. MSG representatives highlighted that the IA would not own the information due to be included in the EITI report but instead have a verification role of the whole report.
 37. Industry representatives explained that while the scope for the IA could be increased, it is a decision for the MSG, who would need to clearly state the role of the IA in regards to contextual information. The contextual sub-group has decided to produce the contextual information, so the decision to be made is whether the IA should have limited or reasonable assurance over the contextual information.
 38. It was agreed that clarification would be needed from the International Secretariat about the level of assurance the IA could provide for the first report.

EITI Champion

39. Jo Swinson congratulated the MSG on reaching candidacy status and explained that this was a great achievement.
40. She then went on to explain that there was still a lot of work ahead to get the first UK EITI report published by April 2016 and for the UK to reach compliance.
41. Jo Swinson highlighted her meeting with Clare Short (Head of the UK International Board) focused on the real challenge for the UK in making the 1st

report succinct, concise and interesting rather than dense, dry and difficult to engage with.

42. She explained that there was a huge challenge ahead but was confident that the MSG was up to it.
43. John Bowater the new industry mining full MSG member was welcomed to his first MSG meeting and he gave a brief introduction about his current role at Aggregate Industries.
44. Jo Swinson welcomed him to his first MSG meeting and asked the MSG if they had any comments on next steps of implementation.
45. Civil society representatives who attended the Burma meeting in October explained that the successful candidacy outcome was a fantastic moment when the UK was bought into the EITI family.
46. They went on to explain that the speech by the ambassador Matthew Hedges was excellent and showed that the UK was serious about transparency.
47. They said the UK was showing real leadership globally, aspiring to a “gold standard” on EITI with project by project payment reporting and beneficial ownership disclosures. Civil society also explained they were pleased that the Chapter 10 regulations were going through the parliamentary process.
48. Civil society explained the importance of reports being machine readable.
49. Industry representatives thanked the Secretariat for their work and went on to explain that the next 18 months would be vital.
50. The commitment of time being offered by all members in the work of the sub groups was highlighted as a key to success.
51. Industry also stated that an informal timetable group met fortnightly to ensure that UK implementation was on track.
52. The importance of raising awareness and the importance of the extractives industry was highlighted.

Beneficial Ownership (BO) sub group

53. BIS Secretariat explained that the sub group first met in September and agreed the importance of beneficial ownership and the UK delivering this.
54. There was a presentation looking at how EITI pilot countries are implementing beneficial ownership - which highlighted the different ownership thresholds being applied.
55. The BIS policy lead for beneficial ownership who is working on the public register for beneficial ownership attended the meeting to provide a summary of the legislative work which is being undertaken.
56. The sub group agreed the need to ensure that the UK EITI effort supported the UK governments own disclosure regime. There was clear consensus to gather effective information in an efficient and light touch way.
57. The first meeting touched on some of the difficulties that need working through – for instance where private equity fund(s) own a company. The

company won't know who the investors in the fund are, and they will generally pass on requests for beneficial owner information, the private equity fund, will then provide a statement if needed of any investors that may constitute over 25% of that specific fund.

58. The representative from Fairfield Energy Limited who attended the meeting agreed to provide further information at future meetings.
59. Civil society explained the minutes from the first meeting would be circulated to the MSG once they were agreed by the sub group.
60. Secretariat highlighted that the UK were leading on beneficial ownership implementation, and good progress was necessary as other countries would be keen to learn from the UK.
61. Eleven countries were included in the beneficial ownership pilot which was being undertaken by the EITI international secretariat.
62. The BO sub group were asked to circulate future meeting dates.
63. Mining representatives explained they would be keen to get a MAUK member to the next beneficial ownership meeting.

Independent Administrator (IA) sub group

64. Secretariat explained that the IA sub group had met twice since the last MSG meeting in September.
65. The last meeting was on the 4 November; therefore minutes had still not been agreed.
66. The proposals put forward by civil society to increase the transparency of the procurement process were discussed and it was explained that there were 4 recommendations for the MSG to consider.
 - On how best to ensure that the supplier secured is committed to transparency. The sub group recommended that professional experience in advising on transparency should be given a heavy weighting when considering tenders.
 - When dealing with potential conflicts of interest, the sub group fully recognised that many potential suppliers would be providing services to both government and companies participating in the reconciliation. To deal with this, the sub group recommended that potential suppliers should explain in their tender how they would handle any conflict.
 - The sub group recommended that full tenders should not be published on the website. This was for 2 reasons; firstly the sub group were keen not to discourage firms from tendering for the role as there were only 9 firms in the framework. Secondly, there was a risk of increased administration should the losing companies ask for further information.

- The sub group recommended the MSG should be given a summary of who had tendered for the role and the success criteria that were used to appoint the successful firm.
67. The MSG accepted the four recommendations above. However, on the first recommendation, representatives explained that previous experience of advising on transparency would not be given a heavy weighting, but simply a weighting.
68. The MSG explained that any conflicts would have to be managed and explained within every constituency including Government, Civil Society and Industry.
69. Secretariat explained the sub group aimed to have the contract signed by the end of January, however, as the next MSG meeting was on the 27th January, three choices were presented to allow the MSG to approve the successful tender.
- Agreement via email
 - Telephone conference call to discuss; or
 - Call an extra-ordinary meeting of the MSG.
70. The MSG agreed that they were happy to review the draft Terms of Reference (ToR) via email once they were agreed by the sub group.
71. Secretariat explained that volunteers from the sub-group will put themselves forward to run the tendering exercise, with strong input from the Secretariat.
72. The MSG agreed that there should be 6 people on the selection sub group of the IA (2 from each of the constituencies).
73. It was highlighted that selection criteria were yet to be agreed by the sub group however, the intention was to have 8-10 criteria that companies will be judged on.
74. Government representatives explained that the ToR will need to clearly state what the companies will be judged on. They also stressed that unsuccessful bidders are entitled to feedback on their tender.
75. Government confirmed there is a points system used to score the companies that do apply. However, the top 2 or 3 companies with the highest scores can be interviewed to ensure that they are the correct supplier for the job.
76. Government explained that if a single bid was received it would still be necessary to go through the procurement process. However, receiving no applications was also possible.
77. They went on to explain that the procurement process is transparent and all the information relating to the existing framework is in the public domain. However, whatever the sub group decides about sharing the tender information will need to be detailed on the specification upfront.

78. Industry confirmed the sub group discussed a 3 year period for the contract (subject to performance) and a termination right for poor performance would be included. The MSG agreed this.

Reconciliation sub group

Oil & Gas

79. HMRC thanked all sub group members for their hard work on the reconciliation sub group.
80. They explained that the draft waiver and reporting template would need to be agreed at the next reconciliation sub group meeting and would be brought back to the MSG for approval in January but had been circulated to the MSG for information.
81. On Petroleum Revenue Tax (PRT), HMRC advised that they had looked into this and believe that PRT receipts can be broken down by company by field but would like to run a trial to ensure this works as expected. This will be more resource intensive than reporting at company level but HMRC are content to proceed with this given that it has been requested by the MSG. HMRC briefly summarised the complexities of the UK tax system where companies pay corporation tax in advance, 4 times a year. 2 of the payments are made in-year and are therefore based on estimates of the total liability.
82. These payments can be made at group level under a GPA and the first three may include both upstream and downstream payments (Supplementary Charge, Ring Fence Corporation Tax and Corporation Tax). The final payment should be downstream Corporation Tax only.
83. It is only one year later when allocations are received that payments can be allocated out to individual companies under a GPA.
84. HMRC explained that, following the September MSG meeting, the sub group were tasked with coming up with a reconciliation route which would not be classed as adapted implementation.
85. The sub group favoured the option where companies notify HMRC where a payment should be allocated (upstream or downstream) when made as part of the GPA. HMRC will notify the IA of the total tax received and confirm the estimate of the upstream tax within the total tax figure once checks have been carried out. The EITI report will show the upstream receipts. If HMRC does not receive an allocation from the nominated company, the published HMRC figure will be the total tax received under the GPA.
86. The checks that HMRC will undertake before providing upstream figures to the IA include a review of the relevant variables including oil & gas prices, volume of production by specific fields and planned expenditure. HMRC would also review the allocation based on their knowledge of the business generally.

87. If there are significant differences in the HMRC and nominated company figures provided to the IA a subsequent reconciliation will be carried out in the following year.
88. HMRC went on to explain that concerns had been raised by the International Secretariat that this option was not independent as the HMRC figures were reliant on the information the companies were providing.
89. HMRC suggested an alternative reconciliation option but stressed this was still in its early stages and further work on it would be needed by the sub group.
90. This option included a reconciliation of figures for May 2013 to April 2014 – allowing the report to be published in April 2016.
91. As this period includes receipts related to the 2013 SA Return it was suggested that most SA Returns and GPA allocations would be received in time for the first report being published in April 2016 (EITI reports can't be based on figures older than 2 years).
92. This would mean a move from payments made in the calendar year to payments made in respect of the calendar year (the majority of O&G companies use calendar financial years).
93. Concern was raised that the time period used for the reconciliation and contextual information would need to line up and this may not be the case if a non-calendar year is used.
94. Civil society representatives explained that one option would be to provide contextual information for 2 years in the first report if the May-April option was used.
95. It was agreed that further work was needed by the reconciliation sub group on this option and a paper should be prepared for the International Secretariat with the details to ensure that adapted implementation is avoided.

Mining

96. HMRC emphasised the difficulties of reconciling mining payments as there is no specific tax regime. Mining companies pay mainstream corporation tax on all their profits with no requirement to separately identify the tax paid on extractive activity.
97. One method could be to ask the top mining companies that cover 90% of production to submit a waiver and disclose their total payments.
98. This is the process used in some implementing countries where all mining payments are published with no separation of upstream and downstream payments.
99. Further engagement with mining companies was needed to ascertain whether a suitable methodology for payments could be developed.

100. Secretariat explained that planning was underway to visit the main mining companies to talk to them about EITI.
101. Civil society confirmed that getting a waiver from mining companies in scope will be essential, without this and without company cooperation; the UK would not pass validation.
102. Mining representatives requested a separate sub group be set up to look at the mining reconciliation; other constituencies would also be needed on this sub group. This group would feed into the main reconciliation sub group.
103. The mining sub group were tasked with producing a paper for the January MSG meeting.

104. Industry representatives raised concern that some of the sub groups didn't have a clear project plan that they were working to. The Chair confirmed that all sub groups (if not already in place) should develop a project plan and send to Secretariat for circulation.

AOB

105. The Chair of the Open Data sub group explained that a date for the first meeting would be circulated.

Actions agreed at the meeting

The MSG agreed:

- That professional experience in advising on transparency should be given a weighting when considering tenders for the Independent Administrator.
- The potential tender applicants will need to explain in their tender how they will handle any conflict. This will also apply to Government, Industry and Civil Society representatives if appropriate.
- Full tenders will not be published on the website.
- The MSG will be given a summary of who had tendered for the role and the success criteria that were used to appoint the successful firm.
- They were happy to review the draft Terms of Reference (ToR) via email once they were agreed by the sub group.
- There should be 6 people on the selection sub group of the IA (2 from each of the constituencies).
- A 3 year contract would be used for the IA.

Next Meeting- Tuesday 27 January-BIS Conference Centre

Summary of Actions

Action	Status
Secretariat to publish the minutes from the 8 th MSG meeting in September	Complete
MSG representatives to confirm their attendance at the One Year on EITI event on the 18 th November if they have not done so already.	Complete
All industry representatives including oil, gas and mining to think about best ways to communicate with companies about EITI and chapter 10 e.g. update guidance documents	Ongoing
Contextual information sub group to produce the first draft of the contextual information chapter by Friday 21 November and a project plan.	Ongoing
Secretariat to confirm with Eddie Rich the verification role of the independent administrator.	Complete
Beneficial ownership sub group to agree the minutes from their first meeting and send to secretariat for circulation.	Complete
Chairs of all sub group to provide secretariat with dates of future meetings and implementation timetables/project plans to circulate to all MSG representatives.	Ongoing
Independent administrator sub group to agree the draft Terms of reference and circulate to the MSG for comments. (Secretariat to circulate the budget range for the IA)	Complete
Reconciliation sub group to produce a paper on the suggested reconciliation route, which will also need clearance	Complete

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by Eddie Rich. Sub group to also invite Eddie to their next meeting	
Mining sub group formed which will include all of the mining representatives and feed back to the reconciliation sub group. Further volunteers to provide names to secretariat.	Complete
Mining sub group to produce a paper on the mining reconciliation route for the January MSG	Complete