

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</p> <p><u>International Secretariat</u> Eddie Rich</p> <p><u>Industry</u> Dr Patrick Foster- Camborne School of Mines-University of Exeter Andrew Enever- Shell Stephen Blythe- BP Howard Forti- ExxonMobil</p> <p><u>Civil Society</u> Miles Litvinoff-Publish What You Pay Gavin Hayman- Global Witness Yannick Vuylsteke-Transparency International</p>	<p><u>Government</u> Alan Tume- HM Revenue & Customs Jenna Williamson-Scottish Government</p> <p><u>Observers</u> Ashley Shackleton-Oil & Gas UK Robert Le Clerc- CBI Minerals Group Jerry McLaughlin-Mineral Products Association Joe Williams- Natural Resource Governance Institute- Colin Tinto-Global Witness Justine de Davila- Department for International Development Carolinn Booth- HM Revenue & Customs</p> <p><u>Experts</u> Tom Mayne-Global Witness</p> <p><u>Nominated People</u> Claire Ralph-Oil & Gas UK Asmara Klein- Publish What You Pay International</p> <p><u>Apologies</u> Eric Joyce MP Mike Earp- Department of Energy & Climate Change Muriel Roberts- Chevron</p>
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Summary of proceedings

1. The Chair opened the meeting and thanked Global Witness for hosting the meeting at their offices.
2. The minutes from the 7th MSG were agreed with minor amendments.
3. The Chair welcomed a new mining representative from the CBI Minerals Group and explained that it would be beneficial to have a mining company attend meetings of the Multi Stakeholder Group.

Roles of the MSG

4. The Chair explained there had been some confusion about MSG roles and clarified the differences between the various roles as detailed in the Terms of Reference.
5. Full members and observers: these roles allow full engagement in discussions at MSG meetings. Should a decision go to a vote a full member can vote but an observer cannot. The MSG aims to reach decisions by consensus and works hard to avoid going to a vote. To date, the MSG has not voted on any issue.
6. The Chair explained that full members are listed on the EITI website but observers are not. This was originally to allow flexibility for observers to be changed from one MSG to the next.
7. The Chair explained that regular observers now attended MSG meetings and also participated in the work of the MSG. While we should maintain the flexibility to have different observers at each meeting, it was suggested that regular observers be noted on the website.
8. The MSG agreed that the names of observers will be added to the EITI website
9. Nominated person – Can attend to watch but cannot engage in the discussion. This status was created to allow additional attendees, which could be from the industry/civil society constituencies, members of other MSGs or academics.
10. The Chair explained that she had asked nominated people in previous meetings to contribute, especially if they are attending from other EITI countries
11. The MSG agreed that the Terms of Reference should be updated to reflect that nominated people can participate at MSG meetings should the Chair request them to
12. Experts are nominated by MSG members before each meeting. There is no restriction on numbers.
13. Alternates- There can also be up to 12 alternate members who may attend MSG meetings as a replacement for a full member. They are also listed on the EITI website and are copied into all emails.

Capacity Building-Beneficial Ownership

14. Tom Mayne from Global Witness gave a presentation on the EITI beneficial ownership pilot which is currently being undertaken with over a dozen EITI implementing countries. He serves on the advisory group.
15. National company registers and registers of extractive licence holders in the UK do not currently hold complete beneficial ownership information.

16. The pilot is looking at approaching companies for their beneficial ownership information to be revealed as part of the EITI reporting process.
17. Beneficial ownership is recommended under the updated EITI standard and the UK MSG has already agreed that they will include beneficial ownership under UK EITI.
18. The UK Government is committed to establishing a publicly accessible central registry of UK company beneficial ownership information. Civil Society explained that the leadership provided by the UK was important in influencing other countries to also follow suit.
19. The pilot is currently looking at obstacles such as legislation that may prevent disclosure of who the beneficial owners are in certain countries.
20. Civil Society representatives explained that every company will know its beneficial owners – and should be required to disclose them. This should not be a difficult or time-consuming task.
21. They also mentioned that companies would be expected to report once a year but if there were major changes of ownership throughout the year, these would also need to be reported.
22. International Secretariat explained that beneficial ownership was not a requirement currently as more information was needed and it was not straightforward. There was a risk that if this was a requirement it would mean the number of EITI compliant countries would decrease.
23. Industry representatives explained that the process in the UK would not be easy and would take time, there was also a need to understand the context in the UK.
24. The chair explained that BIS was responsible for leading on beneficial ownership in the UK and every effort will be made to align with the legislation. However the first EITI report may be published ahead of the legislation being in force therefore further thought is needed about how beneficial ownership would be included in the first report.
25. Civil Society agreed to lead a sub group on beneficial ownership and asked for volunteers.
26. Industry representatives explained they would consult their members to find a representative for the sub group.

Next steps UK Candidacy Application

27. The International Secretariat praised the MSG and UK Secretariat for their work on submitting a comprehensive candidacy application.
28. The application is due to go in front of the Outreach and Candidature Committee on the 17th September who may either schedule a further meeting or make a recommendation to the EITI Board by the end of September.

29. The outcome of the UK's application will be announced at the International Board meeting which is taking place on the 14-15 October in Myanmar.
30. If the UK is declared a candidate country on the 14th October the MSG will have 18 months to produce their first EITI report and will need to undergo validation within 30 months.
31. Validation will be arranged and paid for by the International Secretariat.
32. By the time the UK goes for validation the MSG should have published two EITI reports; therefore validation can be undertaken on the second EITI report.
33. The first report can be used to learn lessons about how the process works in practice to ensure the second report builds on this.
34. International Secretariat expressed that they will be happy to review draft versions of the UK's first EITI report.

Timeline

Candidacy	October 2014
1 st EITI Report	April 2016
Validation	April 2017

Feedback from sub groups-Communications

35. Secretariat gave an update from the last communications meeting in July and explained that the group is currently concentrating on the potential announcement of candidacy status in October.
36. The Communications group were keen that all MSG members be engaged and involved on EITI communications rather than all domestic press coming from Government.
37. A communications grid was circulated to MSG members in early September and will be discussed in further detail at the next sub group meeting on the 23rd September.

The main communication ideas for the October candidacy announcement include:

- The Business and Human Rights Resource Centre have offered to host a blog by Jo Swinson and a short piece in their weekly newsletter.
- BIS will issue a press release with supporting quotes from industry and civil society.
- Use of social media

- The Secretariat is discussing opportunities to raise awareness while in Burma for the EITI Board in October. Discussions with DfID and UKTI continue.
- BIS press office considering potential press coverage

38. International Secretariat explained that they will also issue a press release.
39. Secretariat reminded the MSG that the annual outreach event is taking place on the 18th November and members should start thinking about who they would like to speak from the various constituencies (oil & gas, mining and civil society).
40. This will be an open invitation where press will also be invited, similar to the launch event.
41. Mining representatives explained that their Living with Minerals event is taking place on the 17th November and this might be a good way to publicise the EITI annual event. Further information would be provided to the secretariat.
42. MSG members also explained that there was still some confusion around EITI and Chapter 10 of the Accounting Directive and how these two initiatives fit together. In particular messaging will have to be clear about what the scope of EITI and chapter 10 is and why different reporting periods will be used for both (1st EITI report= 2014/Accounting Directive= 2015)
43. Secretariat agreed to draft further briefing on both of these initiatives including a more detailed paper for MSG members and lines to take.

Independent Administrator sub group

44. Secretariat gave a summary of the first meeting of the Independent Administrator (IA) sub group which met in late July. The second meeting of the sub group was due to take place in early October.
45. They explained that there are two options available for procuring the IA a) use an existing framework b) conduct a new open competition.
46. An established framework is where a procurement exercise has already been run centrally and advertised in the Official Journal of the European Union (OJEU).
47. Under this route various suppliers have competed to provide certain services. There's usually a choice of about 8 or 9 companies within a framework to choose from.
48. Secretariat explained this was the preferred route as it's quick, less resource-intensive and there are fewer risks associated with it. However it is less flexible for instance, the terms and conditions of the contract are already in place and cannot be amended. There will be fewer potential suppliers.

49. Alternatively, an open competition can be run where an advert would first be made in the OJEU for 45 days. This route potentially increases the range of firms bidding but it is more time consuming, resource intensive and open to additional risks.
50. The Chair explained that her experience of using the open competition route was very resource intensive and led to the appointment of additional resource.
51. Secretariat confirmed that the procurement experts had strongly recommended the framework route.
52. Secretariat explained that the Consultancy One framework, LOT 5.2 (Other assurance and advice) would be appropriate for the appointment of the independent administrator.
53. The firms included in LOT 5.2 include:
 - Baker Tilly
 - BDO
 - Deloitte
 - Ernst & Young
 - KPMG
 - Moore Stephens
 - NTT Data
 - PA Consulting Services
 - PWC
54. Civil Society representatives explained that they were keen to add some additional recruitment criteria to the terms and conditions of the IA such as a commitment to tax transparency.
55. Industry representatives expressed that it would be unreasonable to have additional criteria for the IA and there was a concern these criteria would fall beyond the remit of EITI.
56. Secretariat confirmed that if the MSG chose to use an existing framework it would not be possible to amend the terms and conditions.
57. Industry representatives explained that the terms and conditions were fairly high level and the detailed draft specification would still need to be developed by the sub group which would include the detailed job description.
58. Civil society enquired further about the procurement process and what the further steps would be to select a supplier from the 9 companies listed. They also requested background information about how the Consultancy One framework was formed as they did not want it to be open to criticism.
59. Civil society stressed that any conflicts of interest will need to be addressed.
60. International Secretariat confirmed that the sub group will need to draft a job description for the IA which will need to explain exactly what they will be required to do.

61. Secretariat confirmed that the existing Consultancy One framework was originally advertised through the OJEU and it was renewed every two years.
62. The start date of the current framework is 16 May 2013 and the end date is 15 May 2015, therefore if the MSG wanted to use this framework, they would have to appoint a supplier before this date.
63. Secretariat confirmed that the timeline the sub group was working to was to agree the procurement route by the end of October 2014 and conduct the procurement between November and January 2015.
64. The chair confirmed that BIS would award and pay for the contract.
65. The MSG agreed to use the existing framework option for UK EITI.

Reconciliation sub group

66. The Chair of the sub group thanked all members for the time invested to date and gave an update to the MSG on reconciliation and explained that recommendations would be made at the November MSG meeting.
67. It was confirmed that payments would include any penalties or interest as these are impossible to separate at the payment stage.
68. The reconciliation sub group explained that HMRC would disclose the total tax paid by the nominated company under the Group Payment Arrangement (GPA) which would include Ring Fence Corporation Tax (RFCT) and Supplementary Charge (SC). On Corporation Tax (CT) which consists of both upstream and downstream payments, further work was needed to identify how this could be dealt with.
69. Companies would report the total tax paid under the GPA and separately a combined total of RFCT and SC and any downstream CT.
70. The independent administrator would then conduct the reconciliation and if discrepancies are found they would have the option to work with companies and seek further information from HMRC. A later reconciliation could also be carried out in the next year if information could not be provided in a disaggregated form until later in the process.

Petroleum Revenue Tax (PRT)

71. PRT is a tax on the profits from oil and gas production and is a field based tax.
72. HMRC issues determinations and assessments to participators which determine the amount to be paid at field level for PRT purposes.
73. Companies then make a single payment in respect of all fields.
74. It was suggested that HMRC would inform the Independent Administrator of the payments received and that the company would advise of the total

payments including a breakdown by field. The sub-group advised that there would be further discussions on the detail of this approach. Civil Society representatives explained that disaggregation by field was important.

Mining

75. The reconciliation of mining payments was discussed, in particular the fact that corporation tax is not split between upstream and downstream payments.
76. The reconciliation sub group explained that a methodology for mining companies could be developed but that further work was needed with mining representatives and mining companies in scope of EITI to discuss how they will report under EITI.
77. The Chair explained that it would be useful if mining companies could join the work of the reconciliation sub group to ensure the methodology that is used for EITI is workable for them.

Crown Estates

78. Secretariat explained that they had met with the Crown Estates and ongoing work was still needed with them as they have a special status, not owned by the Crown or Government.
79. Therefore further work is needed to determine if they would be classed as Government for the purposes of EITI.
80. HM Treasury receives a surplus of all revenue raised under the Crown Estates.

Licences

81. The Department for Energy & Climate Change (DECC) is responsible for issuing licences for oil and gas and receives payments by operators.
82. Licences can be held by a single company or by several working together; therefore one operator can pay on behalf of other participators.
83. Industry representatives explained that for joint venture companies additional administrative procedures will need to be followed, but if they sign the waiver this should not present a problem.

Waiver

84. Government representatives explained that they would produce the initial draft of the waiver agreement and look into adding words to include other Government departments such as DECC.

Materiality Thresholds

85. There was some discussion about materiality thresholds with the MSG confirming their earlier commitment to mirror the £86,000 threshold under Chapter 10 of the Accounting Directive.

Further Discussion on Reconciliation Methodology

86. Civil Society representatives raised questions about whether the reconciliation will be public and the MSG further discussed what figures will be published in the EITI report.
87. Government representatives explained that HMRC would disclose all payments to the independent administrator. This would include downstream payments relating to corporation tax if not itemised separately.
88. Industry representatives raised concern about downstream payments for oil and gas companies being made public as this would be extending the scope of EITI which was concerned with upstream payments only.
89. Civil society raised questions about how the information on payments would be presented in the report as HMRC would be providing a whole figure relating to upstream and downstream activities and the companies would be providing separate figures for upstream and downstream activity.
90. In other EITI reports two columns are presented with these details as well as a third column with the reconciliation.
91. Government representatives explained there are difficulties in separating their payments out by upstream and downstream.
92. The international secretariat highlighted that raw information from HMRC would need to be published. If the independent administrator just relied on the company's figures for upstream payments, the UK would have to seek adapted implementation.
93. There will be an expectation for companies and Government to independently populate their templates.
94. The Chair clarified that the reconciliation sub group would have to give this further thought. The reconciliation sub group agreed to continue work on the reconciliation process and liaise with the International Secretariat to ensure that adapted implementation is avoided.

Contextual information sub group

- 95. An update was given from the Chair of the sub group.
- 96. Secretariat confirmed that further work was being done with DECC to ensure the current register of licences is adequately accessible.
- 97. The Chair of the sub group confirmed that the independent administrator would not be required to write any part of the contextual section of the report as this would come from mainly DECC, HMRC and mining representatives.
- 98. The Chair of the sub group agreed to update the context sub group paper to add further details on the Crown Estates and further information on the mining overview to include the CBI Minerals Group and the Mineral Products Association.
- 99. Civil Society questioned the machine readability of the current license information.
- 100. Secretariat confirmed that DECC were working on a draft chapter for the contextual information section of the report which was due by the 8th October, this could then be used to see what other information would be needed.
- 101. Industry colleagues explained that a wealth of data already exists to include in the contextual section of the report, the task will be in how to present it.

AOB

- 102. MSG members were asked check the provisional MSG dates for 2015 and inform secretariat if there are any clashes.

Actions agreed at this meeting

- The MSG agreed to use the existing framework option for procurement of the independent administrator for UK EITI.

Next Meeting- Tuesday 11th November-BIS Conference Centre

Summary of Actions

Action	Status
1. Secretariat to make minor amendments to the minutes from the 7 th MSG meeting and publish.	Complete
2. Secretariat to add names of observers to website and MSG members to consider whether they would like to nominate additional names of alternates. The names of alternates are	Complete

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published on the UK EITI website.	
3. Secretariat to update the Terms of Reference to allow the Chair to ask nominated people to contribute to MSG meetings. The Secretariat will circulate the updated ToR to the MSG for agreement.	Complete
4. Mining representatives to share the details of NGOs who participate in the UK Minerals forum.	<u>Complete</u>
5. Secretariat to circulate the hand outs from the beneficial ownership presentation.	Complete
6. Volunteers needed for the beneficial ownership sub group. Names to be given to Gavin Hayman who is leading the sub group.	<u>Complete</u>
7. Mining representatives to provide more information about the Living with Minerals event taking place on the 17 November. They will confirm if there is a speaking slot available and consider whether any of those speakers may also be able to speak on behalf of the mining sector at the EITI event on 18 November. Bob Le Clerk to see whether EITI event can be publicised.	<u>Complete</u>
8. Secretariat to circulate: <ul style="list-style-type: none"> • A beginners guide on EITI and the Accounting Directive • Update on both EITI and Accounting Directive for MSG members with lines 	

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<p>to take.</p> <ul style="list-style-type: none"> Updated table with the differences between EITI and the Accounting Directive. 	
<p>9. Communications sub group to consider during their 23rd September meeting whether to arrange a further teleconference of the MSG in advance of the EITI Board in October.</p>	<p><u>Complete</u></p>
<p>10. Secretariat to circulate further background information about the framework option which the MSG has agreed to use for procurement of the Independent Administrator as well as the Terms & Conditions.</p>	<p>Complete</p>
<p>11. Secretariat to check further details with procurement team about selection of the successful applicant.</p>	<p><u>Ongoing</u></p>
<p>12. Reconciliation sub group to continue work and make recommendations at the November MSG meeting.</p>	<p><u>Ongoing</u></p>
<p>13. Contextual sub group to update the recommendation list and email the Secretariat. Dr Foster to liaise with CBI on providing the mining overview.</p>	<p><u>Ongoing</u></p>
<p>14. MSG members to let Secretariat know if there are any clashes with the 2015 MSG provisional dates.</p>	<p><u>Complete</u></p>

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