**Reconciliation subgroup meeting, Thursday 6th February 2025 via Microsoft Teams**

**Attendees:**

Jacqui Akinlosotu Mike Earp Pat Foster

Leo Kellaway Mark Henderson Helmi Ben Rhouma

Hedi Zaghouani Mike Nash (Chair)

**UK EITI Payments Report 2024 Timetable**

The draft timetable for the 2024 process was presented to the subgroup. It was agreed that once the MSG have approved the process to write out to companies on 28th March with a deadline for returns of 25th April. The timetable is flexible to allow time to chase late returns and follow-up with companies on any discrepancies. The plan is to publish during the Summer.

**Scope for 2024 process**

The subgroup discussed and considered additions to the scope of the 2024 process.

**Social and Environmental payments**

The objective of [EITI Requirement 6.1](https://eiti.org/sites/default/files/2024-04/2023%20EITI%20Standard_Parts1-2-3.pdf) Social expenditures and environmental payments is to enable public understanding of extractive companies’ social and environmental contributions, and to provide a basis for assessing extractive companies’ compliance with their legal and contractual obligations to undertake social and environmental expenditures.

**Point a**

* Where material social expenditures by companies are mandated by law or the contract with the government that governs the extractive investment, implementing countries (ICs) are required to disclose these transactions.
* Where such benefits are provided in kind, ICs must disclose the nature and the deemed value of the in-kind transaction.
* Where the beneficiary of the mandated social expenditure is a third party (i.e. not a government agency), it is required that the name and function of the beneficiary be disclosed.
* ICs are required to disclose gender disaggregated data on the beneficiaries, where available.
* Where reconciliation is not feasible, ICs must provide unilateral company and/or government disclosures of these transactions.
* ICs are expected to disclose the contracts, and any other documents required by law, that describe the level and allocation of material mandatory social expenditures.

**Point b**

* Where material payments by companies to the government related to the environment are mandated by law, regulation or contract that governs the extractive investment, ICs are required to disclose such payments.
* Where environmental payments are mandated by contracts, ICs are expected to disclose these contracts.

The subgroup agreed that these payments should be requested to ensure compliance with the Standard.

*(Action: It was agreed that the templates and guidance should be updated to request any other material social or environmental payments as well as S.106 (or equivalent) payments).*

**Fines & Penalties**

The objective of EITI Requirement 4.1 Comprehensive disclosure of taxes and revenues is to ensure comprehensive disclosures of company payments and/or government revenues from oil, gas and mining as the basis for detailed public understanding of the contribution of the extractive industries to government revenues.

**Point a**

* ICs are required1 to disclose all material payments by oil, gas and mining companies to governments (“payments”) and/or all material revenues received by or on behalf of governments from oil, gas and mining companies (“revenues”) to a wide audience in a publicly accessible, comprehensive and comprehensible manner.
* ICs and/or companies are expected2 to routinely disclose the requisite information through government and corporate reporting (e.g. websites, annual reports), and to collate this information and address any concerns about gaps and data quality in EITI Reports.

**Point b**

* Unless there are significant practical barriers, the government is required to disclose the amount of total revenues received from oil, gas and mining companies, disaggregated by revenue stream.

**Point c**

* The MSG is required to agree which payments and revenues are material and must therefore be disaggregated in accordance with Requirement 4.7. The MSG must agree appropriate materiality definitions and thresholds for revenue streams and reporting entities. Payments and revenues are considered material if their omission or misstatement could significantly affect the comprehensiveness of the disclosures. All revenue streams and one-off payments by oil, gas and mining companies must be included in the materiality consideration.
* The MSG must document the options considered and the rationale for establishing the definitions and thresholds.

**Point d**

* ICs are required to ensure that all government entities receiving material revenues from oil, gas and mining companies comprehensively disclose these revenues in accordance with the agreed scope.
* All oil, gas and mining companies making material payments to the government are required to comprehensively disclose material payments in accordance with the agreed scope.
* A company or a government entity should only be exempted from disclosing material payments or revenues if the MSG has agreed to unilateral disclosure by the government or companies in accordance with Requirement 4.9.

**Point e**

* Companies are expected to publicly disclose their audited FS, or the main items (i.e. balance sheet, profit/loss statement, cash flows and effective tax rates) where financial statements are not available at country level.
* Companies are encouraged to disclose tax deductions and incentives in the period under review.

The subgroup considered that fines and penalties were irrelevant to this requirement but agreed that clarification was required from the EITI international Secretariat before the next meeting.

*(Action: UK Secretariat to write to colleagues in the EITI international Secretariat to get clarification on whether fines and penalties are included in this requirement).*

**Templates and Guidance for 2024 process**

It was agreed that the UK Secretariat and BDO would update the guidance, templates and covering email to companies to reflect any changes in the 2024 process and present them at the next meeting for discussion.

*(Action: UK Secretariat and BDO to update templates and guidance in time for the next UK EITI Reconciliation subgroup meeting on 20th February).*

**AOB**

Consider whether the UK should ask companies to provide employment data as part of the 2024 process at the meeting on 20th February.