

UK Extractive Industries Transparency Initiative Multi-Stakeholder Group
Minutes of the 15th Meeting- 26 January 2016 – BIS Conference Centre,
SW1H 0ET (10-2pm)

Attendance

<p><u>Chair</u> Maureen Beresford- Department for Business Innovation & Skills</p> <p>Baroness Neville-Rolfe DBE, CMG- EITI Champion Charlie Merritt- Assistant private Secretary to Baroness Neville-Rolfe</p> <p><u>Secretariat</u> Margaret Sutherland- Department for Business Innovation & Skills Vina Krishnarajah - Department for Business Innovation & Skills Joe Turtle - Department for Business Innovation & Skills</p> <p><u>Industry</u> Dr Patrick Foster- Mining Association of the UK /Camborne School of Mines-University of Exeter- John Bowater- Aggregate Industries Stephen Blythe- Independent Consultant-Teleconference Andrew Enever- Shell</p> <p><u>Civil society</u> Miles Litvinoff-Publish What You Pay UK Joe Williams- Natural Resource Governance Institute Eric Joyce- Extractive Industries Civil Society Martin Brown- UK Civil society Representative</p>	<p><u>Government</u> Mike Earp- Oil & Gas Authority Alan Tume- HMRC Carolinn Booth- HMRC</p> <p><u>Observers</u> Claire Ralph-Oil & Gas UK Jerry McLaughlin-Mineral Products Association Colin Tinto- Global Witness</p> <p><u>Nominated People</u> Roger Salomone- Exxon Mobil</p> <p><u>Experts</u> Tim Woodward-Moore Stephens Dora Chambers- Moore Stephens Ermedin Selmanovic-Moore Stephens</p> <p><u>Apologies</u> Eddie Rich-International Secretariat Brendan O'Donnell- Global Witness Robert Le Clerc- CBI Minerals Group Natalie Reeder- HM Treasury Stephen Martin- Scottish Government Danielle Foe- Extractive Industries Civil Society Eddie Holmes- Extractive Industries Civil Society</p>
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Summary of proceedings

Address by the EITI Champion

1. Following introductions Baroness Neville-Rolfe explained that she was delighted to be the EITI Champion as EITI sat in the wider government agenda to increase corporate governance, reduce corruption and promote trust in business.
2. The MSG's sense of joint purpose was impressive and would be essential to gaining compliance.
3. The EITI commitment was restated in the Conservative manifesto which was important. The UK's commitment to encourage other countries to sign up, recognising that corruption cannot be tackled alone.
4. Baroness Neville-Rolfe thanked the MSG for all of their hard work and commitment and explained that the MSG offers more than transparency. Industry and civil society on the MSG are representing their constituencies when working on implementation. This would increase public confidence as well as understanding.
5. As the 14 April deadline for the publication of the first report draws closer the MSG has a lot to be proud of, including:
 - Gaining candidacy status within 18 months
 - Agreeing a methodology for reconciliation by navigating a very complex tax system
 - Bringing the data in the reconciliation to life through the contextual chapter which was drafted by MSG members. Baroness Neville-Rolfe thanked members for making this chapter clear, concise and informative which would be essential when it was communicated.
6. Baroness Neville-Rolfe concluded by highlighting that the first report would be published in three months and there would be a lot to learn from this report to see what worked well and what needed improving.

Changes in personnel

7. Maureen Beresford explained that the previous Chair (Marie-Anne Mackenzie) would not be returning to the EITI agenda; therefore Maureen would take over responsibility as Chair for the time being.
8. EITI sits under the Business Environment directorate, where a new Director Ben Rimmington had also been appointed in the interim until the end of March 2016.
9. Ben would be happy to meet EITI colleagues on request.

10. It was also confirmed that Bob Le Clerc from the CBI Minerals Group would be retiring and stepping down from the EITI agenda.

Minutes

11. There was a brief discussion on the minutes from the last MSG meeting and subject to minor changes they were agreed for publication.

Update from Moore Stephens

12. Representatives from Moore Stephens confirmed they had received final figures for Petroleum Revenue Tax and updated figures for Ring Fence Corporation Tax and Supplementary Charge from HMRC.
13. Moore Stephens would aim to send all queries to companies by Friday 29th January.
14. Summary of compliance:

Out of a total of 220 companies
148 were in scope (assuming the 64 who had not completed a template were in scope)
8 had no contact details
1 company had chosen not to respond
75 reporting templates had been received
Out of the 75, 30 had been reconciled and 45 were left to reconcile

Mining & Quarrying

Out of 39 companies
34 were in scope:
21 companies had failed to respond
13 templates had been received (3 fully reconciled and 10 outstanding)

Oil & Gas

Out of 181 companies
114 were in scope
43 companies had failed to respond
8 companies had no contact details
1 company had chosen not to respond
62 templates had been received (27 had been fully reconciled and 35 were outstanding)

15. Government official's queried what was meant by out of scope, did it mean that companies were below the materiality threshold.
16. Moore Stephens explained that the majority of companies who were out of scope were not making material payments, however four oil & gas companies were not involved in extraction.
17. Moore Stephens highlighted that it was too early to say how difficult it would be to resolve differences, however they had used the following categorisation:
 - Very high- above £100million (2)
 - High- £1-£10million (21)
 - Medium- £100,000- £1million (16)
 - Low- below £100,000 (6)
18. Moore Stephens explained that they were working on the figures they had received and would be sending all queries to companies no later than Friday 29th January with a deadline to respond of Friday 5th February.
19. Between 8-19 February they would approach Government agencies with the aim of circulating the draft report to the MSG on 29th February. However, if significant material differences remained, Moore Stephens could hold the report back by a week to continue with the reconciliation.
20. Moore Stephens recognised that the deadline for companies to respond was short. Therefore, if companies failed to respond by the 5th February their data wouldn't be included in the draft report but there was a possibility to include it in the final report.
21. There was a brief discussion about companies who had reported payments which were out of scope. The MSG agreed for year one to focus only on the payments that were previously agreed as being in scope.
22. These would need to be considered under the lessons learned for year two.
23. Oil & gas representatives were concerned that this was a very busy time for companies who were dealing with their year-end audits. It was suggested that companies who had not been reconciled should be notified that queries were pending. The success of EITI was reliant on companies turning around these requests at very short notice. Moore Stephens committed to notify those companies not yet reconciled.
24. Moore Stephens confirmed they were happy to email companies if they failed to get all queries out by the 29th January, to forewarn them that there were unreconciled differences.
25. Oil & gas representatives raised concern about the amount of work which Moore Stephens had to complete in order to get the report out in April and asked how the outstanding companies would be prioritised.

26. Moore Stephens explained that there could only be a maximum of five differences as there were five revenue streams, however for some companies there was just one difference.
27. HMRC confirmed that for Petroleum Revenue Tax out of 11 businesses there were approximately 35-40 differences and half of these were tied to four companies.
28. HMRC confirmed that they have access to tax information for mining and quarrying companies and would also work with Moore Stephens if additional information was required for the unreconciled companies.
29. Aggregate representatives highlighted that many of the large companies had several subsidiaries which would make the reconciliation more difficult.
30. Representatives from the oil & gas authority queried why there was an 11% difference for licence fees. Moore Stephens confirmed that they intended to resolve these queries once data was received from the companies and stressed that government departments/agencies would be contacted between the 8-19th February.
31. The MSG discussed what would be published in the report for those companies who had failed to return templates.
32. The MSG had previously agreed that companies who failed to participate would not be named in the first year. However, the MSG suggested the inclusion of some narrative to provide some context to the aggregate figures. This could include the percentage of the companies who failed to participate.
33. Representatives from the oil & gas authority confirmed that all licence payments would be published as this did not require a waiver.
34. Secretariat agreed to draft a narrative to be published in the report to highlight some of the particular issues that the MSG had dealt with. This included sending templates to all oil & gas companies on the licence register even though many do not make material payments to get around taxpayers' confidentiality issues.

Contextual chapter

35. Moore Stephens also confirmed that they had harmonised the contextual information and this had been passed to Secretariat.

Beneficial Ownership

36. Civil society representatives queried what information had been received for beneficial ownership and what the split was between private and public companies. Moore Stephens explained that they would provide this information in due course.

Lessons learned

37. A representative from the Oil & Gas sector explained that although lessons learned were not the highest priority at this point, these discussions had commenced on the industry side. Some of the preliminary views were:
- Communications had to have the right pitch- be detailed and clearer to make a difference.
 - Timing- sending out the templates during the summer holidays was a mistake. In addition, the delay with the reconciliation now meant that companies were going to be asked queries during their busiest period (January).
 - On the government side resources was the biggest issue- the lack of resources in government departments meant more work for stakeholders.
 - Civil society- It was unclear what interest there would be in the first report and whether it would stimulate debate within the civil society constituency.
38. Strategic planning- A long term view was needed for year two and it was important not to repeat the same mistakes of year one. The Chair explained that Secretariat would give some further thought on how to take lessons learned forward.
39. Aggregate representatives explained that the compliance rate for their sector was disappointing and it was clear that some companies were not prepared to go beyond their legal requirements.
40. Therefore, further thought should be given to aligning EITI with the Reports on Payments to Governments Regulations 2014 (the Regulations) to increase compliance.
41. Secretariat explained that a meeting to discuss compliance in the sector had taken place and two distinct streams of work were identified for further consideration:
- Whether the scope of mining and quarrying could be closer aligned to the Regulations; and
 - To review communications from last year - ascertain the differences between communications directed at oil and gas versus mining and quarrying. For instance, the use of the direct tax forum that oil and gas companies participate in ensured that the key individuals in a company were aware of EITI. There is no equivalent forum for the tax professionals in the mining and quarrying sector - so it may be that we need to do more to target communications to tax professionals.

42. At this stage there were no recommendations to the MSG as further evidence needed to be collected.
43. Civil society representatives explained that although the UK's first report may not be perfect it could include messaging to cover how the UK had gone beyond the minimum standard to include project level reporting and beneficial ownership.
44. Additionally the UK reconciliation exercise was a huge operation with templates sent to 220 companies. In some countries templates were only sent to 40 companies.
45. Civil society representatives recommended integrating the reporting for EITI and the Regulations to make reporting easier for companies.
46. An oil & gas representative raised that it was important to maintain the momentum of EITI, especially between reporting periods. This could help maintain awareness of the scheme and relevant contacts within reporting companies.
47. HMRC representatives explained that once the first EITI report was finalised it would be easier to consider the challenges and methodology used. One difficulty encountered was that companies do not pay PRT by field. They suggested it would be good for the reconciliation sub group to get together to discuss lessons learned.
48. A representative from the oil & gas authority explained that very different lessons were learned between the oil/gas and mining/quarrying sector. Therefore these discussions should take place separately. Additionally it was difficult to sell EITI to the mining & quarrying sector as there was no extractive tax in the UK.
49. Civil society representatives suggested the global argument could be used to bring these companies on board.
50. Moore Stephens explained that they would also be including a list of recommendations in the first report.

Sub group feedback-Reconciliation

51. HMRC explained that two meetings had taken place since the last MSG where the group looked at revised PRT data on an anonymised basis.
52. There was a delay in data being sent to Moore Stephens for reconciliation.
53. A margin of error of £10k had been agreed which is what Moore Stephens were working to.
54. HMRC thanked Moore Stephens for their flexibility and explained that they were working closely together to ensure the first report would be produced by April 2016.

55. The draft report was due to be circulated to the MSG on the 29 February and the MSG discussed whether the report should be anonymised.
56. HMRC representatives explained that the MSG would need to see the report at some point and the end of February was late enough so it made sense not to anonymise the report.
57. Oil & gas representatives were concerned about not anonymising the report, especially if there were several un-reconcilable differences as this could shift perspectives about companies if they were listed.
58. After some discussion it was agreed that Moore Stephens would aim to circulate the draft report to the MSG by 29 February but if significant material differences remained, Moore Stephens could hold the report back by a week to continue with the reconciliation. The Report would not be anonymised. It would be encrypted and password protected and only sent to MSG members. The final deadline for MSG comments on the draft report is Friday 18th March (if the report is submitted on 29 February, this date will change if necessary, to ensure the MSG has 2 weeks to respond).

Contextual Information

59. Secretariat confirmed that the contextual information chapter was finalised and submitted to Moore Stephens by their deadline of 11 December. Members of the sub group were thanked for all of their work on the chapter.
60. The intention was to circulate a copy before submission however; this was not possible as contributions were coming in on the day of the deadline.
61. It was proposed that in the future this sub group would be co-chaired by Secretariat and a member of the civil society constituency. The MSG agreed this proposal.
62. Moore Stephens confirmed that they had completed the formatting of the chapter, but there were still a few placeholders for information which would need to be added.

Communications

63. The Chair summarised that the last sub group meeting focussed on the EITI Conference in Lima.
64. UKTI Lima would run the UK's EITI stall and the sub group had drafted a pack of information.
This included:
 - A Q&A: designed to provide UKTI colleagues with a core script to dip into if they get any questions that they can't answer.

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- A slide pack that can be run throughout the expo on the plasma screen providing key information about the UK's EITI.

65. There were also a selection of papers for attendees at the expo to pick up and take away which covered:

- An update on implementation;
- Beneficial ownership;
- Reconciliation methodology; and
- Project reporting- which was produced by civil society

66. Secretariat had committed to draft an additional paper on the extractive sectors in the UK.

67. The MSG was asked for comments and whether this was the right selection of papers for Lima.

68. Oil & gas representatives said the package looked good but asked for something to be added on data protection and data confidentiality laws to the beneficial ownership paper.

69. The MSG was asked for final comments to the Secretariat by 2 February.

70. In addition to the papers, the Chair went on to explain that further information was received about the stall and there was a lot of white wall space.

71. It was suggested that UKTI posters covering the "Britain is great" campaign would be a good idea to showcase, the MSG were content with this. Some MSG representatives offered other posters which they could provide to the Secretariat.

Launch Event

72. The Chair of the sub-group gave a brief update on the launch event for the first report. The communications sub group were recommending the event be held shortly after the first report was published on the 19th April.

73. All companies who had participated under EITI would be sent invites as well as anyone on the EITI distribution lists.

74. Further information including the agenda for the event and invitations would be discussed at the next communications sub group meeting.

75. The sub-group Chair also confirmed that they had liaised with government departments about publicising the launch of the first report and had secured commitments in this area.

76. The MSG also discussed and reconfirmed that they were content for all companies who had participated in the EITI process to be sent an

embargoed copy of the report 24 hours ahead of publication along with the press.

Open data

77. The chair of the sub group explained that one of the actions from the previous MSG meeting was for a mock-up site showing the EITI data to be developed. This would make the EITI data in the first report more interactive allowing the information to be drilled down.
78. A mock-up had been developed by Moore Stephens; this was presented to the MSG using dummy data. The site allowed the user to drill down into the data by company.
79. Moore Stephens explained that they had used Tableau, to develop the mock up site and if the MSG agreed to use this software for the first report, it would have no cost for the first year, but would incur a cost after that.
80. MSG representatives highlighted the risks of using Tableau for year one if excessive costs would prevent its use in subsequent years. UK EITI could suffer reputational damage should it set expectations regarding data availability in year one that it was not able to meet in subsequent years. Moore Stephens agreed to find out the costs and report back to the Secretariat as responsibility for payment would fall to the government. Ultimately, it will be a government decision whether it has the budget to pay for the use of this software.
81. The chair of the sub group confirmed that if the MSG chose not to use Tableau in year one there would be no alternative.
82. Government representatives stressed that if the data was to be used on the Tableau site, the MSG must still own the intellectual property. This needed to be checked
83. Moore Stephens highlighted that disclaimers would need to be used for the Tableau website, this was mainly to cover human error when transferring data to the software.
84. After some discussion, the MSG agreed, in principle, to use tableau software for the first year. However, this relied on the outcome of further work confirming the subsequent costs of the software and who would own the intellectual property of the data.

Presenting data in the first report

85. Oil & gas representatives asked whether companies would be warned if they had a difference which would be published in the first report which was not reconcilable.

86. Moore Stephens explained communications regarding this would be important to make companies aware that this information would be made public.
87. HMRC representatives highlighted that if companies wanted to speak with them about any differences once the reconciliation was finalised it might give some clarity.
88. Civil society representatives explained that it was those companies who had engaged whose information would be put into the public domain therefore it is essential to manage this fairly so that companies were on board for year two.

The MSG agreed:

- To continue with the payments originally agreed as being in scope and not to extend to additional payments which companies had disclosed for year 1.
- To cancel the MSG meeting scheduled for the 16 February.
- Moore Stephens would aim to circulate the draft report to the MSG by 29 February but if significant material differences remained, Moore Stephens could hold the report back by a week to continue with the reconciliation. The Report would not be anonymised. It will be encrypted and password protected and only sent to MSG members.
- The final deadline for MSG comments on the draft report is Friday 18th March (if the report is submitted on 29 February, this date will change if necessary, to ensure the MSG has 2 weeks to respond).
- MSG reiterated that all companies who have reported under EITI should be sent an embargoed copy of the first report.
- Pending further work on costs of the tableau software, who would own the data and inserting disclaimers the MSG agreed in principle to use this software for the first report.
- The contextual sub group would be co-chaired.
- To use UKTI posters at the Lima EXPO.

Update on Tableau electronically- Wednesday 10th February

- Moore Stephens confirmed that the costs of the Tableau service beyond year 1 would be extremely high and given the excessive cost, Moore Stephens stopped their work on Tableau. This means that there will not be an interactive online data portal upon publication of the first report. The raw reconciliation data set will still be available on data.gov.uk.

Next meeting- Tuesday 15 March 2016- BIS conference centre

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<u>Action</u>	<u>Status</u>
Secretariat to make some minor changes to the minutes from the 14 th MSG meeting in November and publish.	Complete
Moore Stephens to pass the names of the four companies who have said they are out of scope to Secretariat	<u>Complete</u>
Moore Stephens confirmed their timetable for reconciliation: <ul style="list-style-type: none"> • Queries will be sent to companies where there are unreconciled differences by Friday 29 January (if there is any delay – an email will be sent forewarning companies that queries are pending). • Companies will be given a deadline of 5th February to respond. • If companies do not respond within the timeframe, their data won't be included in the draft report but would be included in the final report. • Government departments/agencies to be contacted with reconciliation queries between 8-19th February 	
Secretariat to work with digital team to ensure formatting of the context chapter meets digital guidelines and is fully accessible	<u>Ongoing</u>
Moore Stephens to provide further information on beneficial ownership reporting to Secretariat.	<u>Ongoing</u>
Secretariat to draft a narrative to be published in the report to highlight some of the particular issues that the MSG has dealt with and has impacted on the data. For instance, to get around taxpayers' confidentiality issues, we had to send templates to all oil & gas companies on the licence register even though many do not make material payments. The narrative will also include further useful information about the methodology used, limits of	<u>Complete</u>

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implementation and how the MSG works.	
Secretariat to give further thought to a strategic plan for lessons learned in the first year and how this can be built on ahead of year two, taking into account how to involve the various sub groups in this.	<u>Ongoing</u>
Secretariat to draft a paper for Lima which covers what the extractive sectors in the UK include.	<u>Complete</u>
Secretariat to talk with mining reps about posters for Lima and ask UKTI staff to make the mining prospectus available.	<u>Complete</u>
Communications sub group to develop the agenda for the 19 th April launch event and a communications strategy for the first report.	<u>Ongoing</u>
Open data sub group to inform the MSG how much the tableau software will cost after year 1, to develop the relevant disclaimers for the site and to check whether the software company would own the data if the MSG uses the site.	<u>Complete</u>
Secretariat to check with International secretariat about the potential to harmonise figures below the error threshold of £10k.	<u>Complete</u>
Secretariat to find out if there would be an opportunity to invite MSG members to the anti-corruption conference taking place in May 2016.	<u>Complete</u>
Moore Stephens to consider how to inform companies of un-reconciled differences once they have completed the reconciliation work.	
Moore to report back on the ongoing	<u>Complete</u>

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cost of Tableau and clarify ownership of intellectual property of Tableau data.	
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