**UK Extractive Industries Transparency Initiative Multi-Stakeholder Group (MSG)**

**Minutes of the 44th Meeting – 16th March 2021 – Via Microsoft Teams**

**(10.00am-12.45pm)**

**Attendance**

|  |  |
| --- | --- |
| **Chair**  Matt Ray - Department for Business, Energy and Industrial Strategy (BEIS)  **Secretariat**  Monica Draycott – Department for Business, Energy and Industrial Strategy  Mike Nash - Department for Business, Energy and Industrial Strategy  **Industry**  Jacqui Akinlosotu – ENI  John Bowater – Aggregate Industries  Aurelie Delannoy - Mineral Products Association  David Evans - OGUK  Dan Espie – Total  Dr Patrick Foster – University of Exeter  **Civil Society**  Miles Litvinoff – Publish What You Pay UK  Joe Williams – NRGI | **Government**  Mike Earp - Oil & Gas Authority  Nick Everington – The Crown Estate  Claire Higgins – Department for the Economy Northern Ireland  Nicola Garrod – HMRC  Richard Griffiths – Welsh Government  **Others/observers**  Hugh Dorey - HMRC  Sam Bartlett – EITI International Secretariat  Justyna Herbut – CSN Coordinator  Boris Raeder – German EITI Secretariat  Chris Tollady - BEIS  Tim Woodward – BDO  Hedi Zaghouani - BDO  Karim Limam – BDO  **Apologies**  Martyn Gordon – Aberdeen Business School |

**1 – Welcome and Introductions:**

1. The Chair welcomed all to the 44th meeting of the UK EITI MSG.
2. The Chair welcomed:
   * Nick Everington, a new Government member, who will represent The Crown Estate.
   * Claire Higgins, who has replaced Martin Quinn and will represent the Department for the Economy Northern Ireland.
   * Hugh Dorey, who will be representing HMRC when Nicola Garrod is unavailable due to other work commitments.
   * Monica Draycott, who is the new UK EITI National Coordinator.
   * Boris Raeder from the German EITI Secretariat, who will be providing an overview on the recent German reconciliation pilot.
   * Chris Tollady from BEIS, who will be providing an overview on the of the work of the Taskforce on Climate-related Financial Disclosures (TCFD).

**2 – Agreement of minutes and action points of 14th January 2021 meeting:**

1. The minutes of the 14thJanuary 2021 meeting were agreed.
2. The MSG were updated on the main action points from the 14thJanuary meeting.

* Reconciliation subgroup to consider recommendations and timeframe for 2020 process in their meeting on 28th January 2021 and agree updates for guidance and templates for 2020 process. **BDO have gauged reaction from companies and government agencies on an accelerated process for 2020, the overwhelmingly majority are in favour of the new timetable. The guidance and templates have now been updated and circulated. BDO will updating the MSG at agenda item 3.**
* Secretariat to clarify start date for revalidation with the International Secretariat and report back to MSG. **Secretariat met with International Secretariat on 29th January 2021. Agreed to ask for an extension to 1st July 2021. The letter and plan were circulated to the MSG on 23rd February 2021 for approval. Letter from Chair requesting extension until 1st July 2021 sent to International Secretariat on 1st March 2021. We await the Board’s decision on approval.**
* Secretariat to draft letters from Lord Callanan to government agencies regarding the requirement for full disclosure of contracts and licences from 1 January 2021, as required by the 2019 EITI Standard. **Meetings were arranged with government agencies and devolved administrations to warm them up before sending letter from Lord Callanan. Letters sent out by Lord Callanan's office on 2nd March 2021.**

**3 - UK EITI Reconciliation process 2020 – update:**

1. All 54 companies that had taken part in the 2019 process were informed of the accelerated timetable for the 2020 Reconciliation process. More than 80% of companies replied that they were happy with the new timetable. It was agreed that BDO would send tailored emails agreeing to an extension of the deadline to those companies that were unable to meet the revised deadline. The new timetable should enable the report to be produced several months earlier than normal.
2. The templates and guidance have been updated to include a new column under Corporation Tax, Ring Fence Corporation Tax/Supplementary Charge and Petroleum Revenue Tax requesting companies to report the amount of Research and Development Expenditure Credit (RDEC) offset during the calendar year 2020.
3. It was agreed that it should be made clear in the guidance to companies that the RDEC column is not a new request for data publication and is purely for reconciliation purposes.
4. A request for Companies House number and Group name have also been added to the template. It was agreed that the example of company number should be replaced in the guidance by a request to report their GPA header.
5. A new, more detailed form is being introduced to capture Beneficial Ownership information. The Reconciliation subgroup have agreed that the requirements can be discussed in more detail in time for the 2021 reconciliation process.

**4 - UK EITI Validation:**

**New validation model and next steps for the MSG:**

1. A new validation model was agreed by the EITI Board in October 2020, building on lessons learned over the last ten years. The validation process is valued by stakeholders and is an assurance-based procedure that provides credence to EITI, however it can be a laborious exercise.
2. The new model moves away from the pass/fail narrative and has three components that focus on shareholder engagement, transparency and outcomes and impact.
3. Scoring criteria is based on 0-100. Each individual component will be scored and then an overall score awarded.
4. The first step for the MSG is to complete the preparation templates, focusing on the corrective actions and new requirements of the 2019 EITI Standard and any other issues raised by stakeholders.
5. The EITI International Secretariat will assist in the preparation of the pre-validation templates that need to be completed in readiness for the 12th May MSG.
6. The UK will be one of the first countries to be validated under the new model. The validation will start on 1st July and it is hoped that the final outcome will be decided at the EITI Board meeting in October 2021.

**Progress on corrective actions and preparations for validation:**

1. The Secretariat will be meeting the CSN coordinator to discuss next steps in securing local representation on the civil society constituency. Any ideas for possible candidates from MSG members would be welcome.
2. There are still a number of issues to address on licence disclosure, particularly around disclosure by TCE under requirement 2.2, which seems to be missing and not all disclosures under requirement 2.3 have been met. TCE are currently working to address these issues.
3. The secretariat had held a number of catch-up meetings with Devolved Administrations and government agencies to discuss and clarify progress on the disclosure of contract and licence information required by the 2019 EITI Standard. The Secretariat will follow-up again in late April.
4. A number of questions that arose from the meetings have been sent to the International Secretariat for clarification.
5. A follow-up letter has been sent by Lord Callanan to the Welsh and Scottish Government’s, the Department for the Economy Northern Ireland as well as The Crown Estate and Crown Estate Scotland encouraging them to take the necessary action to comply with the new requirement.
6. The MSG meeting on 12th May will be used to carry out a pre-validation exercise on where the UK is in addressing the corrective actions and complying to the new requirements of the 2019 EITI Standard.
7. The Secretariat will be working closely with the International Secretariat to identify the validation templates that need to be completed. The Compliance subgroup will then meet to discuss an action plan going forward. It is likely that other MSG representatives and BDO will be asked to contribute to the completion of the pre-validation templates.
8. The International Secretariat said that a lot of the work had already been done. It now just needs to be summarised with references to supporting documentation. Any gaps can be explored at the May MSG.
9. Mining and quarrying colleagues agreed to meet and discuss environmental reporting and the practicalities of including the Aggregates Levy in future reconciliations.

**2019 EITI Standard requirement for contract transparency from 1st January 2021 (including coal) – update on progress:**

1. In 2018 the UK EITI MSG decided that extractive-related payments to the Coal Authority would be excluded. This was due to these payments no longer being material relative to the overall government revenues, and the MSG’s assessment that their exclusion did not affect the comprehensiveness of UK EITI reporting.
2. The MSG needs to decide its approach to interpreting contract and licence transparency requirements under the new 2019 EITI standard for coal.
3. A paper was tabled that provided three options going forward:
   1. Broad approach: to take a broad approach to interpretation of the Standard and declare that coal is **in scope of all** contract and licence transparency (full compliance with requirements 2.2, 2.3 and 2.4 of the 2019 EITI Standard).
   2. Narrow/delay approach: to take a narrow approach to interpretation of the Standard EITI Standard and declare that coal is at present **not in scope of any** contract or licence transparency requirements (due to coal payments no longer being material). **Revisit the position in 6 months’ time** when there is greater clarity on interpretation of the Standard.
   3. Hybrid approach: to take a hybrid approach to interpretation of the Standard and declare that coal is **in scope of some contract** **and transparency requirements** (2.2 and 2.4), but not others (2.3).
4. The International Secretariat encouraged a proportionate and realistic approach. Is there a wider public demand for this information? The sector may not be material now, but will it be material in the future?
5. The MSG were largely in favour of the broad approach where coal should be in-scope of contract and licence transparency requirements. The Secretariat agreed to update the coal paper and to further discuss requirements with the Coal Authority, in particular the practical challenges around disclosing information, which CA are already taking steps to rectify.

**5 - Mainstreaming update:**

**German Pilot:**

1. Despite two successful annual reconciliations, the German government and companies found the process very demanding in terms of time and money. This was exacerbated by the German Federal model which added complexity to the reconciliation process and offered no opportunities for mainstreaming. The German MSG were therefore approached by EITI international to pilot alternatives to the usual reconciliation procedure.
2. Under the pilot, the Independent Administrator (IA) still collects the data from companies. They publish a report with the same level of company information, but the pilot has the government payments data missing and instead provides detail on the administrative processes and controls. The IA provides an overview of processes, explanation of internal controls e.g. security measures on tax processes (collection and assessment) - this all forms the basis for the IA's assessment that the figures are reliable.
3. The IA audit is based on international accounting standards.Positive statement of IA on quality of payment information is and has to be based on previous years reconciliations due to EITI Standards general assumption concerning risks in the payment process. Any reconciliation (full or sample based) can only be avoided if the MSG considers the presumption included in the EITI standard of a risk of material misstatement of payment flows to be rebutted for Germany - a general risk assessment based on comprehensive information.
4. Initial findings indicate that the reporting burden is reduced but IA costs are not reduced initially. This will happen over time. The pilot process was very technical and difficult for the German MSG to follow.
5. There were discussions regarding the international relevance of the pilot and what message this sends to other countries where transparency is a greater issue and where reconciliation is a major part of the EITI Standard. The German MSG are involved in ongoing discussions and will discuss further in mid-April.

**Way forward for UK EITI mainstreaming:**

1. The mainstreaming subgroup have been looking at options for mainstreaming/systematic disclosure of payments and repayments as well as alternative reconciliation options. These all need to be allied with the need to continue to report meaningful accurate data in as timely a manner as possible whilst fully adhering to the requirements of the 2019 standard.
2. From the company perspective, it is clear that only requiring companies to disclose payments they make to government without government doing the same is insufficient for EITI purposes, as borne out by the German pilot. There is no significant saving for companies other than reconciliation tweaks. A longer-term aspiration could focus around closer alignment with payments companies already need to provide under the Reports on Payments to Governments Regulations 2014, so that only one set of data needs to be published.
3. From the perspective of government agencies, initially focussing on tax data, initial systematic analysis of process and controls would have significant resource implications, although this would reduce in subsequent years. This would also require input from corporate finance teams at HMRC and all other affected government agencies. Consideration would also need to be given to interaction with NAO audits. As HMRC already produce annual accounts, they are more likely to meet audit against international accounting standard, however this would still require further investigation and clarification for them and all of the other affected government agencies.
4. The overwhelming assessment from the mainstreaming subgroup was that the current reconciliation exercise has value, although there was also a recognition that the German pilot approach had some advantages.
5. Although a final decision was not required at this meeting, it was agreed that a direction of travel was required by the start of the validation in July.
6. Civil society were keen to explore the potential of linking the reconciliation with Payments to Governments reporting with the possibility of a mini-reconciliation between these reports and government agency figures.
7. Industry agreed that reconciliation was a robust and internationally recognised discipline, which is relatively straightforward for most companies. Any additional burden on companies would unlikely to be welcomed.
8. Discussions clearly indicated that both the MSG and stakeholders valued the reconciliation process. The MSG was wary of placing extra burdens on industry and losing buy-in as a result. There was also a collective awareness of the UK’s responsibility to continue to demonstrate leadership and good practice by valuing the annual reconciliation. The mainstreaming subgroup agreed to further reflect and refine the MSG thinking in time for the validation. They also agreed to update the draft mainstreaming paper.

**6 - Work of the Task Force on Climate-Related Financial Disclosures (TFCD):**

1. The Task Force on Climate-Related Financial Disclosures (TCFD) was set up as a part of the Government’s ‘pricing’ of climate into the economy via disclosures by organisations of its impacts, risks and opportunities for them.  Their climate ‘risks’ could be ‘physical’ and/or ‘transitional’.
2. TCFD structure is based on four key pillars for companies to report on -governance, strategy, risk management and targets/metrics.
3. The Government’s Green Finance Strategy has ambitions to drive up TCFD aligned disclosures with the UK moving towards mandatory TCFD-aligned disclosures across major segments of the UK economy by 2025, with a significant portion of requirements to be introduced by 2023.
4. The TFCD have published a report and Roadmaps.  This covers disclosures from certain large UK-registered companies, regulations by the Department for Work and Pensions (DWP) for occupational pension schemes; and regulatory measures (changes to the listings rules) from the Financial Conduct Authority (FCA) covering listed companies, life insurers and asset managers.
5. The Roadmap committed to consult on new mandatory financial reporting requirements for companies above certain size thresholds. There are proposed regulations (using the Companies Act and other powers) to require certain companies to disclosure information in line with the 4 pillars of the TCFD framework.
6. Subject to the outcome of the consultation and further work, it is hoped that regulations to take effect during 2022 will shortly be introduced. This approach would complement the moves to implement TCFD by DWP and the FCA. The key issues for both the policy and consultation are: scope/thresholds, location and depth of reporting; and enforcement and guidance.
7. It is hoped that the consultation will commence shortly and the views of the MSG would be very welcome.

**7- Comms update:**

1. A brainstorming session by the Comms subgroup in February had led to a number of ideas for UK EITI awareness raising. These include:
   1. Offshore Europe 2021 is planned to take place in Aberdeen, 6-10 September – a possible UK EITI presence at the conference.
   2. Possible Academic Conferences – Martyn Gordon to consider possible opportunities.
   3. Mineral Products Today – Aurelie agreed to contact Nigel Jackson (MPA, CEO) to see if there could be an opportunity for an EITI article in a future edition.

<https://www.mineralproducts.org/Publications/Mineral-Products-Today.aspx>

* 1. MPA Annual Conference (virtual) taking place 27th May 2021.
  2. Updated article in Wireline, the OGA online magazine. Secretariat did provide an article a couple of years ago.
  3. Energy Voice insert into Aberdeen papers.
  4. COP26 – Secretariat and International Secretariat considering early proposals for involvement.
  5. Set up EITI LinkedIn Account.
  6. Use of UK EITI YouTube channel.

1. It was agreed that the UK EITI Comms strategy needs to be updated.

**8 - AOB**

1. The next meeting will take place on Wednesday 12th May 2021.

**Action points:**

* Templates and guidance for 2020 reconciliation to be updated to include agreed updates and made available to companies and the website. by 1st April 2021 or earlier. **(Action: Reconciliation subgroup, BDO and Secretariat)**
* Secretariat and International Secretariat to meet to discuss pre-validation templates and agree next steps. **(Action: Secretariat and International Secretariat).**
* Secretariat to arrange further meeting of Compliance subgroup (plus any others identified) take forward the work of completing the templates. **(Action: Secretariat and Compliance subgroup).**
* If MSG members have possible candidates for local representatives send the names to the Secretariat. **(Action: MSG).**
* Secretariat to arrange follow-up meetings with government agencies and Devolved Administrations in April 2021 to follow-up on contract and licence disclosure arrangements. Also include Marine Management Organisation. **(Action: Secretariat).**
* Mining and Quarrying representatives to discuss environmental reporting and the practicalities of including the Aggregates Levy in future reconciliations. **(Action: Mining and Quarrying subgroup).**
* Coal paper to be updated to reflect the decision of the MSG to retain coal as in-scope for the purposes of contract and licence disclosure. **(Action: Secretariat).**
* Secretariat to arrange further meeting with Coal Authority to discuss requirements for contract and licence disclosure. **(Action: Secretariat).**
* Update mainstreaming paper and consider direction of travel for UK mainstreaming in time for start of validation in July 2021. **(Action: Mainstreaming subgroup).**
* TCFD consultation document to be circulated to MSG for comment by 5th May 2021. **(Action: Secretariat and MSG).**
* Update the UK EITI Comms strategy. **(Action: Secretariat).**