**Reconciliation subgroup meeting, Thursday 20th February 2025 via Microsoft Teams**

**Attendees:**

Jacqui Akinlosotu Chara de Lacey Mike Earp

Leo Kellaway Mark Henderson Helmi Ben Rhouma

Hedi Zaghouani Mike Nash (Chair)

**Updates from 6th February 2025 meeting**

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.

*(Action: It was agreed that the templates and guidance should include requests for any other material social or environmental payments as well as S.106 (or equivalent) payments).* ***Completed and circulated with papers.***

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).* ***Response from EITI International Secretariat circulated on Tuesday (18th). The response was:***

***“I recommend looking at the scope for UK reporting not only from a compliance but also from a strategic perspective. The subgroup could discuss whether there is clear public interest in information on fines and penalties, in which case the MSG may want to disclose this information.***

***Consider the overall objective of Requirement 6.1, which 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. Do these fines and penalties ultimately amount to a contribution to environmental expenditures?***

***To illustrate, if the flaring fines are meant to be used for projects /activities to minimise environmental impact, then they could be deemed to be covered by the overall objective of the requirement. The sanction notices refer to petroleum-related requirements; do these requirements not constitute simply fines for violations, but are earmarked for specific environmental expenditures once triggered?***

***On the determination of materiality, the MSG should determine this on a revenue stream basis (for example, material payments are those payments that are equal or greater to x% of total revenues/payments from the sector) instead of getting the sum of all types of payments (e.g. environmental payments).***

***On the issue of whether the fines/penalties should reconcile, Requirement 6.1.a. states that where reconciliation is not feasible, countries must provide unilateral company and/or government disclosures of these transactions. So, if the subgroup were to decide to recommend to the MSG to go for unilateral disclosure (which is what we would recommend instead of not disclosing the data at all), they would need to agree on an explanation/justification why reconciliation is not feasible.”***

It was agreed that further guidance was need from the EITI International Secretariat. Are there any examples of how other MSGs are approaching this requirement? Are the fines/penalties wider than just environmental and social? Are there already data sources available?

***Action: (UK EITI Secretariat to follow-up with EITI International Secretariat regarding fines/penalties. BDO to research into any existing data sources).***

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).* ***Completed and circulated with the papers.***

**Updated templates and guidance**

The guidance and templates have been updated for the 2024 reconciliation process and were circulated with the agenda.

The requests for financial statements and gender pay data will be removed from the 2024 process – as most of this data is already publicly available.

It was agreed that the request for Diverted Profit Tax (DPT) payments should continue.

**Employment data paper**

A paper on due diligence around employment disclosures drafted by BDO was circulated with the meeting papers. The UK EITI Compliance subgroup agreed at their meeting on 18th February 2025 that going forward the request for Gender Pay Gap data from in-scope companies should be stopped as it’s available from the government at [Gender Pay Gap data](https://gender-pay-gap.service.gov.uk/viewing/download) and a link will be added to the UK EITI website. The UK EITI reconciliation subgroup endorsed this view.

**AOB**

It was agreed that final approval of the 2024 reconciliation process documents could be carried out by email with the aim of requesting MSG approval at their 19th March meeting.