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## Introduction

The Extractive Industries Transparency Initiative (EITI) is a global standard aimed at promoting the open and accountable management of a country's oil, gas and mineral resources.

The Prime Minister, David Cameron announced the UK's intention to comply with EITI in May 2013 during the G8 presidency. One year after the first meeting of the UK Multi Stakeholder Group in October 2014, the UK was recognised as a candidate country at the 28th EITI Board Meeting in Myanmar. The UK's first EITI report was published on the 15 April. This was the culmination of 18 months of hard work by members of the UK MSG.

The outcome of the 2015 General Election resulted in a change in Government and the appointment of a new EITI Champion, Baroness Neville-Rolfe. The new Government reinforced its commitment to EITI through the 2015 manifesto and the initiative sits within the UK Government's wider agenda for increasing transparency, increasing trust in business and reducing corruption.

2015 was a busy year for the MSG. Moore Stephens was appointed as the Independent Administrator for the UK's EITI and reporting templates and waivers for the first year's reconciliation were issued to oil, gas, mining and quarrying companies. Additionally significant progress was made towards the completion of the first EITI report.

## Foreword

I'm pleased to present the 2015 Annual Activity Report (AAR) for the UK implementation of the Extractive Industries Transparency Initiative (EITI). This report gives a summary of the various activities completed by the members of our Multi Stakeholder Group (MSG) and EITI Secretariat for the period January to December 2015.

2015 was a critical year for the UK with BIS contracting Moore Stephens on behalf of the Multi Stakeholder Group (MSG) to undertake the reconciliation and produce the first EITI report. Additionally the reporting package was issued to companies and a considerable amount of work was undertaken on the first UK EITI report which culminated in the first EITI report being published in April 2016.

I would like to thank the MSG for their dedication to EITI and to all companies who participated in the reporting process in year one. The contextual information sub group played a vital part in writing the contextual chapter providing information about the extractives sector in the UK.

Going forward it will be a challenge to increase company compliance to ensure the UK passes validation with the second report. I am confident that the MSG will meet this challenge and I look forward to another successful year.

Maureen Beresford, Chair of the UK EITI Multi Stakeholder Group

## General assessment of year's performance

### Overview

The MSG met 5 times in 2015. Minutes from all MSG meetings as well as other useful information can be found on the UK EITI webpages:

<https://www.gov.uk/government/groups/uk-extractive-industries-transparency-initiative-multi-stakeholder-group>

To correspond with the reporting package being issued to companies, a detailed guidance page was also created for companies:

<https://www.gov.uk/guidance/extractive-industries-transparency-initiative>

### MSG Membership and Secretariat changes

In February 2015, the UK Secretariat welcomed Taras Fedirko, a PhD student from Durham University for a six month work experience placement with the secretariat. We are grateful to Taras for the work he delivered for the UK EITI, particularly for researching and drafting the mining section for the contextual information chapter. Changes were made to civil society MSG membership with Danielle Foe from Extractive Industries Civil Society (EICS) replacing Yannick Vuylsteke from Transparency International as a full member. Additionally, Eddie Holmes and Martin Brown from EICS were nominated as alternates.

The industry constituency full membership remained the same, but in July 2015, the MSG welcomed Roger Salomone from Exxon Mobil as an observer in place on Donovan Ingram. Additionally Claire Ralph from Oil & Gas UK and Jerry McLaughlin from the Mineral Products Association became alternates in 2016, they were originally regular observers.

The Government constituency also welcomed Vicky Molho for a short period from the Department for Business, Innovation & Skills. Joe Turtle also started to attend MSGs in preparation for providing maternity cover for the Secretariat in 2016.

## Terms of Reference

In July 2015 the MSG agreed to update the Terms of Reference to bring them in line with the EITI Association's Code of Conduct.

The following clause was added:

*'4.2 The MSG may through general agreement, or if general agreement cannot be reached, a formal vote, remove a full member of the MSG if there are grounds for believing that member's participation would be detrimental to the ongoing work or reputation of the UK EITI, in line with the EITI Association Code of Conduct'.*

## Sub groups

The detailed work on UK implementation continued to be taken forward by sub-groups, who develop the policy and make recommendations for discussion and agreement at MSG meetings. Sub groups consist of representatives from each constituency and experts can be invited to participate.

The main sub-groups which met in 2015 included communications, reconciliation, contextual information, the procurement of the Independent Administrator, beneficial ownership and open data.

## Communications sub-group

The communications sub-group, chaired by the Secretariat met five times throughout the year. The sub-group initially prioritised increasing communications with those companies who would be reporting under EITI. In the second half of the year, the secretariat suggested that civil society members provide more advice on how to increase awareness within civil society. The sub-group then moved onto looking at raising awareness with wider civil society ahead of the publication of the first report.

### **Engaging oil and gas companies with EITI**

The communications sub-group discussed how to invite companies to participate in EITI. This proved to be a particularly difficult issue as taxpayers' confidentiality rules prevent HMRC from providing the Independent Administrator with a list of companies that had made material payments in 2014. The MSG decided that all companies that hold petroleum licences would be sent the template and waiver.

In February 2015, the Department for Energy & Climate Change (DECC) sent an email to all licence holders explaining that reporting templates would be issued shortly and asked companies to send contact details to the Secretariat as data protection rules prevented DECC from sharing email addresses with BIS. In parallel oil and gas trade associations were asked to send similar emails to their members. The aim of this exercise was to have a single contact in each company who Moore Stephens would then send reporting templates to.

Also in February letters were sent by Aggregate Industries to eight of the major construction aggregate businesses to make them aware of EITI reporting.

### **Other communications**

A range of EITI communications were also utilised in March with Oil & Gas UK including articles in Wireline and their newsletter informing members that templates would be issued later in the year. To raise awareness with industry that EITI templates were due to be issued in 2015 further outreach was undertaken with industry networks. In March Secretariat spoke at the UK Minerals Forum meeting about UK EITI implementation and a civil society representative also addressed the London Mining Network on EITI. Communications continued into June with Oil & Gas UK making hand-outs available to all 500 delegates at the Oil & Gas Conference which listed information about the payments which would be included under UK EITI. Oil & Gas UK also included text on EITI reporting in their newsletter and Wireline magazine.

### **Guidance and the reporting package**

Ahead of the reporting package being issued to companies the templates, waivers and detailed guidance were published online in advance and the links were sent to companies by trade associations. One of the industry MSG representatives took responsibility for drafting 4 separate pieces of guidance to accompany the templates. There were two guides for oil & gas and two guides for mining and quarrying. The first guide provided a summary of what EITI was and the process through which the UK EITI Independent Administrator would collect payment and other information. The second guide was a step by step guide explaining how to complete the reporting templates. June was a busy month which culminated in reporting templates being issued on the 29<sup>th</sup> June to oil, gas, mining and quarrying companies.

### **Workshops**

In early July Moore Stephens held two workshops in London and Aberdeen for oil and gas companies to go through the reporting process and explain how to complete the templates. Several queries were received during these workshops which led to a frequently asked questions document being compiled by the reconciliation sub-group which was agreed by the MSG and circulated to all companies at the end of July. The workshops were advertised on the gov.uk website and Oil & Gas UK tweeted about the workshops and posted details on their LinkedIn page. The London workshop was fully subscribed with over 40 attendees and at the Aberdeen workshop there were over 20 attendees. For mining and quarrying companies Moore Stephens held a webinar to go through the reporting process as a location could not be found to accommodate the geographical spread of the companies in scope. Twelve companies dialled into the webinar.

## **Compliance**

The compliance rate for UK EITI was lower than expected. Therefore between August and November various reminder emails were sent to oil, gas, mining and quarrying companies from Moore Stephens. Additionally, industry representatives chased outstanding companies. The MSG also agreed for HMRC and OGA to issue reminders to companies whose payments they knew were above the £86,000 materiality threshold.

## **Academia**

Outreach to Universities by the MSG commenced in 2015 as the MSG suggested that Universities would be a key audience for the information contained in the EITI report. Presentations were given at Aberdeen, Durham and Dundee University and these universities were prioritised due to their interests in the oil & gas sector. The Secretariat is due to return to Durham in 2016 to gain feedback on the first report.

EITI communications throughout 2015 were regular and varied, which ensured that reach was extended. Google analytics figures for our government webpages show that unique page views more than doubled on our MSG webpage peaking in May 2015 with 262 unique page views. For our detailed guidance webpage page views peaked in June 2015 with 623 unique page views which coincided with the issuing of reporting templates.

## **Independent Administrator**

The sub-group, chaired by the Secretariat undertook the procurement exercise to appoint the Independent Administrator in February 2015 and Moore Stephens were successful. A three year contract was signed between Moore Stephens and the Department for Business, Innovation & Skills on the 1<sup>st</sup> May 2015. Following this the Independent Administrator sub-group was disbanded.

## **Contextual Information**

The contextual information sub-group made good progress in 2015 meeting eight times to draft the contextual chapter. The Sub-Group was chaired by a civil society representative, with the Secretariat covering for a short period at the end of the year.

Following a steer from the Chair of the EITI Board, the MSG agreed to ensure the contextual chapter would be concise and should insert links to existing information rather than duplicate information already available elsewhere. This was to be balanced with the intent to inform and educate the public about the sector in the UK. It was decided that the chapter should include five sections:

- Sector overview



- Oil & Gas
- Mining & Quarrying
- Beneficial Ownership
- The UK's Budget and Audit Processes

The MSG agreed in early 2015 that the contextual chapter would become a standing agenda item at each MSG meeting.

On the 10 November all MSG members were asked to circulate a copy of the draft contextual chapter to their wider constituencies for feedback and comments, with a deadline for comments on the 30<sup>th</sup> November.

The MSG was keen to get feedback on what had already been drafted and to identify any gaps in information. The sub-group passed the contextual chapter to Moore Stephens on the 11 December to carry out work on text design, to ensure consistent presentation of tables and re-originating charts.

### **Beneficial Ownership (BO)**

The beneficial ownership sub-group, chaired by a civil society representative met four times in 2015 to make a recommendation to the MSG about the thresholds for reporting.

The MSG agreed early on that beneficial ownership should be included from the first report. This would involve the Independent Administrator collecting beneficial ownership information via the reporting templates.

There were difficult discussions within the sub-group before agreement was reached on thresholds for beneficial owners.

Government and civil society representatives prepared papers setting out their rationale for different thresholds. Government representatives explained that applying the over 25% threshold would ensure consistency with provisions in the Small Business, Enterprise and Employment Act 2015.

It was anticipated that in future EITI reports, to avoid duplication a link would be made to the publicly accessible central register of people with significant control.

Under UK Company Law, an interest of over 25% could provide an individual with a blocking minority in certain company decision-making processes, therefore an over 25% interest could provide an individual with 'significant control'.

It was considered ill-conceived to introduce beneficial ownership requirements under EITI that would be more stringent than legislation in which companies would be reporting for the first time in 2016.

The MSG also agreed that Politically Exposed Persons (PEPs) should be included in the

first EITI report.

After much detailed discussion the MSG agreed the recommendation from the sub-group on the 10th June 2015 which was for the first EITI report to include:

- The disclosure of identities of all beneficial owners with a controlling share over 25%.
- The disclosure of Politically Exposed Persons (PEPs) that hold over 5% of the shares of the disclosing entity. Reporting would be based on actual knowledge available to the company and would not require any further due diligence.

## Reconciliation

The Reconciliation sub-group, chaired by HMRC representative had an extremely busy 2015. This is the sub-group responsible for finalising the reporting package and making a recommendation to the MSG ahead of templates being issued.

### Methodology- Oil & Gas

The MSG agreed the reconciliation methodology at the end of 2014 which can be summarised as:

HMRC to advise the Independent Administrator (IA), Moore Stephens of all payments received in accordance with businesses listed in the waiver and if businesses choose to make any downstream payments separately (typically where there is a Group Payment Arrangement) then HMRC would notify these separate payments to the IA as well.

Businesses would advise the IA of both upstream and downstream payments. The IA will publish the total payments received by HMRC but not any downstream payments that are made separately and will reconcile these with the upstream payments notified by businesses and comment on any differences.

### Methodology- Mining & Quarrying

Mining & quarrying MSG representatives provided a list of companies which constituted over 80% of production of UK mining and quarrying in the UK.

As there is no distinct tax regime for mining and quarrying activity in the UK it was agreed that HMRC would report the total Corporation Tax (CT) paid by these companies. This means mining and quarrying companies will be reporting corporation tax that relates to non-extractive activities.

The MSG also agreed that Section 106 payments including off site infrastructure provision would be in scope of UK EITI. The first year would include unilateral company reporting, after the first year this would be reviewed.

At the MSG meeting in May 2015 the MSG agreed that the £86,000 threshold would apply to each payment type at a group level and the reporting package including the

waivers was agreed.

### **Dealing with enquiries**

The majority of reporting templates were issued on the 29 June 2015 and the reconciliation sub-group met in July to discuss a range of queries from companies which were raised in the workshops held by Moore Stephens.

Oil & Gas UK produced a FAQ document which was agreed and circulated to companies at the end of July, providing answers to some of these questions from companies.

Ahead of reporting templates being issued the MSG had not discussed how it would treat companies who failed to return the waiver. The MSG agreed that non-respondents would not be named in the first report but that this would be picked up by the reconciliation sub-group in its review of the first report to make a recommendation to the MSG ahead of year two.

It was unclear that the waiver should be completed by all companies even if they were below the materiality threshold. In the absence of a waiver, Moore Stephens were unable to get verification from HMRC that a company's tax payments were below the materiality threshold. The MSG asked Moore Stephens to email non respondents asking them to return the waiver.

### **Assurance process**

At the September MSG meeting the reconciliation sub-group presented papers to the MSG about the Government assurance process and the statutory requirements on companies. This is because the 5th EITI requirement requires the MSG to be satisfied that the UK has a credible assurance process applying international standards.

The papers covered the statutory assurance requirements that HMRC, The Crown Estate and the Coal Authority are subject to. This also included the Oil & Gas Authority.

The reconciliation sub-group recommended to the MSG that the statutory requirements on government bodies are satisfactory for the EITI purposes and no additional audit and assurance should be requested. This was agreed by the MSG. Additionally, the MSG agreed the statutory requirements on companies are satisfactory for EITI purposes and no additional audit and assurance should be requested

To increase the compliance numbers, the MSG also agreed on the 28<sup>th</sup> October for HMRC to begin chasing up outstanding companies who they were aware had made material payments but failed to engage.

At the November MSG meeting the MSG discussed who the draft reconciliation report would be shared with and what the process would be. The MSG agreed that the UK Secretariat would send a copy of the draft reconciliation report to members of the reconciliation sub-group by the 20<sup>th</sup> November which would be password protected.

The sub-group were tasked with analysing the report and making recommendations to the MSG. The MSG agreed that company names in the report would be anonymised as the report was not due to be published until April 2016.

The reconciliation sub-group met twice to discuss the initial reconciliation report. It was apparent that there was a problem with the reconciliation in relation to Petroleum Revenue Tax (PRT). This had proved to be a particularly difficult issue for Government as the MSG had asked PRT to be reported at the project level. HMRC do not collect PRT by company by field on their systems but to accommodate EITI they had developed a program to capture this information. A small error in the programme had resulted in the need to re run government data and update Moore Stephens with revised data.

## Open Data

The open data sub-group, chaired by a civil society representative met four times in 2015. The aim of the sub-group is to consider how the data should be presented in the EITI reports. The EITI Standard encourages the MSG to make EITI Reports machine readable and to code or tag EITI Reports and data files so that the information can be compared with other publicly available data.

At the first meeting the sub-group discussed the range of UK Government open data commitments which exist including the G8 Open Data Charter and the Open Government Partnership National Action Plan. As a result of UK EITI a new data set will be published and it was considered important that this data was machine readable rather than only being accessible in a pdf report.

The sub-group also focussed on presentational changes to the reporting templates such as options for signature/attestation ahead of issue. Additionally the UK Secretariat confirmed that the data in the first report would be published on data.gov.uk which is the Government's data portal to ensure it was machine readable.

## Assessment of performance against targets and activities set out in the workplan

<b>Objective</b>	<b>Progress 2015:</b>
Recognise and support the principles set out in the 2013 EITI Standard.	<p>In fulfilling this objective the MSG:</p> <ul style="list-style-type: none"> <li>• Met five times in 2015</li> <li>• Made very good progress on compiling the contextual information for the first report.</li> <li>• Agreed the reporting package for companies. This was issued by Moore Stephens on the 29 June.</li> </ul>
Enhance accountability to the UK public on the revenues from the UK's extractives industries.	The first report will provide the key vehicle for increasing awareness and therefore increase accountability. The MSG concentrated on drafting the first report and drafting the document to collect information for the reconciliation.
Increase public understanding of the social and economic impacts of the UK's extractive industries and enrich public debate on the governance and stewardship of the UK's oil, gas and mineral resources.	<p>The MSG has accomplished the following in relation to this objective:</p> <ul style="list-style-type: none"> <li>• Formed the contextual information sub-group to begin work on collecting information and drafting the contextual chapter.</li> <li>• Formed a sub-group to oversee procurement of the Independent Administrator and draft Terms of Reference.</li> <li>• The Reconciliation sub-group created the waiver for companies to authorise the Government to release details of receipts to the Independent Administrator for reconciliation.</li> <li>• These are steps towards creating the first UK EITI report, which will provide a mechanism to increase public understanding.</li> </ul>
Ensure information is readily accessible and presented to the public in a clear manner.	This objective is largely aimed at ensuring the EITI reports are accessible. Work was undertaken to ensure the UK's first report is clear and accessible. The report was published on 15 April 2016.

<p>Support moves towards common global reporting standards in oil, gas and mining and promote a level playing field for business in the UK and internationally.</p>	<p>The MSG is keen to reduce burdens on business and the UK EITI will mirror the Reports on Payments to Governments Regulations 2014 where practical. For instance, the £86,000 threshold for payments under the Directive will be mirrored for EITI</p> <p><u><a href="#">Update on The Reports on Payments to Governments Regulations 2014</a></u></p> <p>The Regulations were laid in December 2014 and require all large and listed companies to detail the payments they have made to governments across the world. The first reports for UK companies are expected in 2016.</p>
<p>Support the UK government's championing of extractives transparency and open government.</p>	<p>DFID and the FCO regularly update UK Embassies on progress of the UK EITI.</p> <p>Knowledge sharing has been an important way of both sharing how the UK implements EITI and learning about progress in other countries. Representatives from Germany and the Netherlands attended UK MSG meetings during 2015, a member of the UK Secretariat attended an MSG meeting in Germany, and a civil society MSG member spoke at two EITI meetings in Germany.</p> <p>Experts, observers and nominated people are always welcome to MSG meetings.</p>

# Assessment of performance against EITI requirements

Requirements:	Progress:
<p>1. Effective oversight by the multi-stakeholder group.</p>	<p>The MSG meets every two months and the detailed work on implementation is undertaken by sub-groups in between MSG meetings. The sub-groups include representatives from each constituency. They make recommendations to the MSG for agreement.</p> <p>The key decisions made by the MSG in 2015 included:</p> <p><u>27 January 2015</u></p> <p><u>The MSG agreed:</u></p> <ul style="list-style-type: none"> <li>• The second draft for circulation of the contextual chapter would be circulated to the MSG ahead of their March meeting.</li> <li>• The contextual chapter would also be a standing agenda item at future MSG meetings.</li> <li>• The IA will be invited to future MSG meetings where possible.</li> </ul> <p><u>19 May 2015</u></p> <p><u>The MSG agreed:</u></p> <ul style="list-style-type: none"> <li>• The reporting templates for oil, gas and mining companies (except beneficial ownership)</li> <li>• The waiver for oil, gas and mining companies.</li> <li>• Companies in scope of EITI will be given 6 weeks to complete reporting templates and the template will be issued in June.</li> <li>• Reporting templates should be made available to</li> </ul>

	<p>companies as soon as possible.</p> <ul style="list-style-type: none"> <li>• Reporting templates for the first year will be emailed using Excel to companies, for Year 2 SharePoint may be used.</li> <li>• The £86,000 threshold will be applied to each payment type at a group level.</li> <li>• Companies will include interest payments and penalty payments as an element of the associated revenue stream in the templates sent to the IA</li> <li>• HMRC will disclose all money received.</li> <li>• Licence fees will be disclosed at operator(as the party actually making the payment to the Oil &amp; Gas Authority)level.</li> <li>• The mining/quarrying companies in scope of EITI in year one will be those that constitute 80% of production.</li> <li>• Section 106 payments and off site infrastructure provision will be in scope of UK EITI. The first year will include unilateral company reporting, after the first year this will be reviewed.</li> <li>• Community Infrastructure Levy (CIL) payments are out of scope.</li> <li>• The MSG agreed that any future communications with Moore Stephens by heads of sub-groups should be copied to the Secretariat.</li> <li>• The MSG agreed the framework proposed for the contextual section.</li> </ul> <p><u>10<sup>th</sup> June 2015 via email</u></p> <p><u>The MSG agreed</u></p> <ul style="list-style-type: none"> <li>• The disclosure of identities of all beneficial owners with a controlling share over 25%.</li> </ul>
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- The disclosure of Politically Exposed Persons (PEPs) that hold over 5% of the shares of the disclosing entity. Reporting would be based on actual knowledge available to the company and would not require any further due diligence.

14 July 2015

The MSG agreed:

Reconciliation:

- Petroleum Revenue Tax will be published by company by field.
- Ring Fence Corporation Tax and Supplementary Charge will be published at the group level.
- The EITI report will publish company and government figures alongside any unreconciled differences. The company figures may be corrected (with the company's permission) during the process to account for errors and misunderstandings. It is the corrected figures that will be published and the EITI report will need to explain any differences and the process used for the published figures.
- If companies have any queries on the beneficial ownership templates these should be passed to civil society.
- MS will send information to companies about submitting reporting templates in a secure way if it is specifically requested by companies.
- MS to make a recommendation to the MSG once all templates are received about a suitable margin of error for discrepancies to be investigated further.
- MS will need to chase companies who fail to respond.

Contextual Information:

- MS will conduct a professional edit – for style not substance – and provide graphic design input for graphs, tables and text for the context chapter of the complete EITI report.
- The contextual chapter will be shared with the wider civil society constituency and potentially other UK constituencies (industry, government) at a future date, potentially after the September MSG.
- Contextual chapter will be shared with colleagues in Germany and the Netherlands for views/comments.

Open Data

- Open data sub-group to have a further discussion about potential open data outputs with colleagues from Germany about potentially collaborating on the “back end” development of an open data portal

22 July 2015 via email

The MSG agreed:

- The wording to update the Terms of Reference to bring it in line with the EITI Association Code of Conduct:

4.2 The MSG may through general agreement, or if general agreement cannot be reached, a formal vote, remove a full member of the MSG if there are grounds for believing that member’s participation would be detrimental to the ongoing work or reputation of the UK EITI, in line with the EITI Association Code of Conduct.

29 July 2015 via email

The MSG agreed:

- The reconciliation sub-group’s recommendations

	<p>which were:</p> <ul style="list-style-type: none"> <li>• The sub-group recommends that companies to whom Templates and Waivers have been sent should be requested to return the Waiver even where they do not make material, in scope, payments. This will allow the IA to confirm with government that no material payments were made.</li> <li>• Once the window for making EITI returns has closed, the sub-group recommends that the IA should email non-respondents asking them to sign and return the Waiver. Additionally, the IA should ask companies to advise if it is the case that they have not returned the Template and Waiver because their in scope payments fall below the materiality threshold.</li> <li>• In year 1, the sub-group recommends that companies should not be asked to complete the Template with a NIL return. Instead, after the first year the sub-group should review the processes and procedures and consider whether the Template should be amended to allow companies to "tick" a box to confirm that they did not make material in-scope payment(s). This will provide a positive assurance from reporting entities that in scope payments have been reviewed and that the materiality threshold has not been reached.</li> <li>• As the MSG has not previously discussed whether companies that do not return a Waiver should be identified in the EITI report as non-respondents, the sub-group recommends that non-respondents should not be named in the EITI report in the first reporting year. Instead, the sub-group should consider the identification of non-respondents as part of its review of the year one processes and procedures and make a recommendation to the MSG on whether and how this should be communicated to companies in</li> </ul>
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respect of the second reporting year.

15 September 2015

The MSG agreed:

- That a further discussion will be needed once the reconciliation is complete (November MSG) to address how best to deal with the companies who failed to respond.
- That the statutory requirements on government bodies are satisfactory for the EITI purposes and no additional audit and assurance should be requested.
- The statutory requirements on companies are satisfactory for EITI purposes and no additional audit and assurance should be requested. Secretariat to discuss next steps with Moore Stephens and to ensure they are happy with the approach recommended by the MSG.
- To have a stakeholder event in BIS to coincide with the publication of the first report in April 2016.
- Not to respond to the validation consultation. There were 2 reasons – 1) the view that it was premature to comment on validation as we've not experienced the process and 2) there was a view expressed that it is too early to judge whether there was evidence to support a review of the validation process in light of the new Standard. Secretariat to inform International Secretariat. Complete
- That new members (full members, alternates, observers and nominated people) should provide the MSG with further information about their experience and what they hope to contribute to UK EITI implementation.

23 October 2015 via email

The MSG agreed:

- For HMRC to send information electronically to Moore Stephens that is both encrypted and password protected. Due to the data sensitivity this is the process HMRC need to go through before releasing the information electronically.

28 October 2015 via email

The MSG agreed:

- For HMRC to begin chasing up outstanding companies which they know have made material payments to remind them that the template and waiver are outstanding and that we are reliant on their participation.

17 November 2015

The MSG agreed:

- Full members and alternates on the reconciliation sub-group will be sent a copy of the draft reconciliation report.
- Industry members who are not listed as full members or alternates but wish to take alternate status to confirm names to Secretariat by Friday 20th November. (Full members and alternates are listed on UK EITI website).
- A member to represent mining and quarrying representatives on the reconciliation sub-group.
- The reconciliation sub-group will make a recommendation on thresholds once the initial reconciliation report has been reviewed.
- The data to be circulated in the initial reconciliation report is confidential until the first report is published in April 2016.
- Companies who have provided figures for the 2014 report to be given an advance copy of the

	<p>report, on request, in line with the normal media timelines e.g. 24 hours. Secretariat to check the timelines. Students from Dundee University can observe an MSG meeting after April 2016.</p>
<p><b>2.</b> Timely publication of EITI Reports.</p>	<p>The UK's first EITI report was published in April 2016 and can be found at: <a href="https://www.gov.uk/government/publications/extractive-industries-transparency-initiative-payments-report-2014">https://www.gov.uk/government/publications/extractive-industries-transparency-initiative-payments-report-2014</a></p>
<p><b>3.</b> EITI Reports that include contextual information about the extractive industries.</p>	<p>The Contextual sub-group was responsible for drafting the contextual chapter of the EITI report. Link above.</p>
<p><b>4.</b> The production of comprehensive EITI Reports that include full government disclosure of extractive industry revenues and disclosure of all material payments to government by oil, gas and mining companies.</p>	<p>The UK's first EITI report was published in April 2016. Compliance rates were lower than expected with a 54% compliance rate for oil &amp; gas and disappointing 38% for mining &amp; quarrying. The MSG is due to undertake lessons learned on the first reporting cycle in 2016 ahead of reporting templates being issued for year two. This information will be included in the 2016 annual activity report.</p>
<p><b>5.</b> A credible assurance process applying international standards</p>	<p>The MSG requested for each reporting template from companies to be countersigned by a senior individual to confirm that the figures provided were credible.</p> <p>The MSG agreed at their September meeting that the statutory requirements on government bodies are satisfactory for EITI purposes and no additional audit and assurance should be requested. Therefore, senior individuals in Government agencies were asked to countersign reporting templates.</p> <p>For the beneficial ownership template options for qualified and full attestation were made available to companies.</p>
<p><b>6.</b> EITI Reports that are comprehensible, actively promoted, publicly accessible,</p>	<p>The UK's first EITI report was published in April 2016. Further information about the communications strategy to promote the report will be included in the 2016 annual activity report.</p>

<p>and contribute to public debate.</p>	
<p><b>7.</b> The multi-stakeholder group to take steps to act on lessons learned and review the outcomes and impact of EITI implementation</p>	<p>The UK's first EITI report was published in April 2016. The MSG is due to undertake lessons learned on the first reporting cycle in 2016 ahead of reporting templates being issued for year two. This is to target communications effectively ahead of year two to increase company compliance. The MSG will also evaluate recommendations from Moore Stephens concerning the first reporting cycle. This information will be included in the 2016 annual activity report.</p>
<p><b>8.</b> Any specific strengths or weaknesses identified in the EITI process</p>	<p><b>Taxpayer confidentiality:</b> Legislation on taxpayer confidentiality meant that HMRC did not give the MSG and Independent Administrator a list of companies that made material payments in 2014. The MSG worked around this by approaching all companies holding interests in petroleum licences using data from the Oil &amp; Gas Authority.</p> <p><b>Mining and quarrying sector:</b> In contrast to oil and gas, there is no specific tax regime for the mineral sector in the UK. This means that mining and quarrying companies pay mainstream corporation tax on all their profits with no requirement to identify separately the tax paid on their extractive activities.</p> <p>Many companies in this sector do not restrict their activities to extraction so corporation tax payments may involve extractive and non-extractive activities. Rather than undertake an artificially disaggregation exercise, the MSG agreed that mining and quarrying companies should be asked to report all their corporation tax payments.</p> <p>To capture those companies making material payments to government, minerals representatives on the MSG proposed a methodology which was agreed by the MSG to identify companies that were thought to account for 80% by volume of the total output of the UK mining and quarrying sector. A list of 39 companies was provided to the IA. Response rates from these companies were low, probably because many did not make material payments.</p> <p>This methodology will be reviewed following publication of the first report.</p>

<p><b>9.</b> Total costs of implementation</p>	<p>BIS EITI Secretariat consisted of 2 full time members of staff who work on EITI, the Chair, as well as some additional support at MSG meetings towards the end of the year.</p> <p>The totalled figure from the civil society members that reported activity came to 205 days.</p> <p>Oil and gas representatives estimated 111 days in total with mining quarrying representatives estimating 36 days.</p> <p>BIS contracted Moore Stephens for 3 years to undertake the reconciliation on behalf the MSG. This followed a competition using an existing government framework advertised with a ceiling of £240,000/year.</p>
<p><b>10.</b> Has this activity report been discussed beyond the MSG?</p>	<p>MSG members reviewed and agreed this report and circulated it to their constituents outside the MSG for inputs.</p>
<p><b>11.</b> Details of membership of the MSG during the period (including details of the number of meetings held and attendance record)</p>	<p>There were 5 meetings of the MSG in 2015. For details of minutes and attendance please see:</p> <p><a href="https://www.gov.uk/government/groups/uk-extractive-industries-transparency-initiative-multi-stakeholder-group">https://www.gov.uk/government/groups/uk-extractive-industries-transparency-initiative-multi-stakeholder-group</a></p>

Approved by MSG: 15 June 2016