



BUSINESS GUIDE

How companies can support
EITI implementation

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Printed in Norway, 2013

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Foreword by Clare Short (CHAIR, EITI) and Sam Walsh (CHIEF EXECUTIVE OFFICER, RIO TINTO)

Transparency is no longer an aspiration, it is an expectation. Well informed citizens and strong systems of accountability make good business easier.

In no sectors is this more true than in oil, gas and mining. The management of a country's natural resources is of course the domain of sovereign governments and, if managed well, can create infrastructure, investment and revenue for development. If not managed well, the extractive sector can contribute to corruption, conflict and poverty.

The EITI seeks to assist countries to manage the sector, by promoting a standard of transparency for both governments and companies, and a platform for debate involving government, companies and civil society.

This second edition of the EITI Business Guide draws from considerable experience of EITI implementation by companies. Over one trillion dollars (US) of payments to governments have been covered in EITI Reports over the past ten years and clear benefits for companies are emerging. The EITI has created a level playing field for all companies operating whatever their home country jurisdictions require. It has provided a platform for constructively engaging with the other stakeholders. It has diagnosed areas for improvement for both governments and companies, as well as encouraged further reforms.

Well-managed companies want to invest in countries governed by transparency and fair rules. They want to be part of public discussion and to engage with their stakeholders and external audiences, including local communities and governments.

This is why major publicly listed international oil, gas and mining companies support the EITI. It is also why almost 90 institutional investors managing assets of over US \$19 trillion support the EITI.

Rio Tinto strongly believes transparency is beneficial to all parties. This is why it supports the EITI and has improved reporting on all its taxes paid globally.

This guide provides business managers with detailed information on how to promote and improve the EITI process in their countries of operation, and encourages them to go beyond the minimum Standard. It recognises that implementation of the EITI is first and foremost the responsibility of government, but is also of benefit to companies. The guide provides some suggestions for companies' action to support, promote and enhance this effort. We hope that you share our aspiration that transparency of natural resource management becomes the norm across the world and invite you to play your part in the business sector's contribution to realising that ambition.

Clare Short
Chair
EITI

Sam Walsh
Chief Executive Officer
Rio Tinto



First and foremost, we believe the EITI is important to the communities we operate in. We did not join the EITI simply to please our investors. What we like about the EITI is that it can drive positive changes in countries and help governments to serve their communities and citizens well."

Peter Voser, Chief Executive Officer,
Royal Dutch Shell



EITI has been a great inspiration. It has strengthened our hand and resolve in the quest for accountability and greater revenue transparency in the exploitation of our natural resources. Although the EITI is a new initiative in Tanzania, it is already showing positive results. It has taken our efforts a step further.

HE Jakaya Kikwete,
President of the Republic of Tanzania

THE GUIDE

1 What does this Guide address and who should use it?

This new edition of the *Business Guide* is a practical tool for companies to support EITI implementation in countries where they operate. It explains how companies can engage with the EITI in ways that are beneficial for their operations.

The *Guide* aims to serve two principal company groups:

(1) Country company managers, government & community relations staff

Provide hands-on, detailed guidance covering key elements of in-country EITI engagement and implementation, including EITI reporting.

(2) Head office executives, decision-makers

Serve as a handbook for managers who liaise with the EITI internationally and are responsible for oversight and coordination of the EITI in implementing countries, including training and communication for the company's EITI engagement.

The *Guide* may also be useful for companies operating in countries considering EITI implementation.

2 Where can I get additional guidance?

The country's multi-stakeholder group

Every implementing country must establish a multi-stakeholder group (MSG), sometimes known as a national EITI Council, which decides country-specific requirements and coordinates EITI implementation. The MSG is typically served by a national secretariat which provides day-to-day managerial and administrative support.

National secretariats in implementing countries

The national secretariat is responsible for serving all stakeholders. It should be the first point of contact for questions and additional information specific to the EITI process in the country. You will find contacts for each national secretariat at www.eiti.org/countries.

International Secretariat

The International Secretariat provides support to companies and other implementing country stakeholders. The International Secretariat has designated country managers that can be contacted for assistance on country specific issues.

Available support includes advice, guidance and training on the EITI Rules and Requirements, especially on sign-up, good practice in EITI implementation and peer learning, including issues beyond compliance.

The EITI international website

The EITI international website is the central depository for guidance materials and documentation about the best way to implement the EITI. It provides regular updates on EITI policy development, news and commentary on core issues and country developments, updates on Board decisions and outreach, a searchable database of all EITI Reports, country pages for each EITI Candidate and Compliant country, EITI videos and other communication materials as well as access to key implementation documents such as: the *Business Guide*, the *EITI Standard*, *Talking Matters*, and the *World Bank EITI Handbook*.

Please see: www.eiti.org.

International agencies

Most of the implementing countries receive financial and technical support. This is often provided by the World Bank or by a regional development bank. Bilateral development agencies also support implementing countries.

Industry associations

Industry associations and chambers are sometimes involved. Major groups with global memberships are:

- The International Council on Mining and Metals (www.icmm.com)
- The International Association of Oil and Gas Producers (www.ogp.org.uk)
- The International Petroleum Industry Environmental Conservation Association (www.ipieca.org)

Guidance and advice may also be available from other companies that have experience with the EITI.



THE EITI

3 What is the role of implementing country governments?

Governments lead and are responsible for implementing the EITI Standard. The decision to implement the EITI rests exclusively with the government. The government is responsible for designing its own process according to the EITI Standard and with oversight by the MSG.

Key functions of government include:

- Ensuring financial support and management of the process, including staffing a national EITI secretariat, usually within the relevant government ministry.
- Committing to work with civil society and companies on the implementation of EITI, including establishing a MSG to oversee implementation.
- Ensuring that the EITI Workplan objectives are linked to national priorities and reforms in the extractive sector.
- Creating an enabling framework for EITI implementation, including removing any legal, administrative or other obstacles to implementation, especially concerning the release of EITI-related data and effective participation of civil society.
- Ensuring timely and comprehensive reporting by extractive companies and full government disclosure of extractive industry revenues.
- Ensuring that there is a credible reporting process with adequate assurance of company and government data.
- Generating a comprehensible, publicly accessible, widely disseminated EITI Report that contributes to public debate.
- Taking remedial actions to address discrepancies, shortcomings, inefficiencies and ensure EITI implementation is sustainable.

4 What is the role of extractive companies?

Companies are at the core of the EITI process. Oil, gas and mining companies report their payments to government in implementing countries on an annual basis. They also help govern the EITI process both locally and internationally, promote outreach and can fulfil a variety of other key roles important for the success of the EITI.

Companies advance the EITI process in implementing countries by:

- **Helping initiate and guide the EITI process**
Several countries have begun the EITI process partly as a result of advocacy by companies.



We believe the comprehensive, multi-stakeholder approach of EITI is the best approach for the extractive industries. The EITI is an inclusive process, involving governments, civil society and companies, that is tailored to fit the local, fiscal and legal regimes.” [BP WEBSITE](#)

- **Helping shape the EITI scope**
Once a country has committed to EITI implementation, companies are required to work on the MSG alongside government and civil society groups to decide the scope of the EITI process. This includes which revenue streams should be reported, appropriate payment materiality thresholds and the reporting templates.
- **Reporting and reconciling EITI data**
Companies are required to report all material payments on time and use the templates prescribed by the MSG. Payment data must be based on accounts audited to international standards. Company representatives on the MSG must also provide input to appoint the Independent Administrator.
- **Communicating EITI results**
Companies play a vital role in communicating EITI results to their communities and to the public at large.

5 What is the role of civil society?

Active participation by civil society organisations (CSOs) is central to EITI implementation, both in establishing and shaping the process and in facilitating and monitoring EITI implementation. During implementation, international and national CSOs provide essential support through training, advocacy, communication and citizen engagement, helping to ensure that the EITI Reports are widely understood and the data used.

6 Is the EITI voluntary for companies?

In EITI implementing countries, reporting payments to government for the extraction of minerals, hydrocarbons or other commodities covered by the EITI process is mandatory for all extractive companies that make material payments, whether they are state-owned, private, foreign or domestic. If companies do not report, the country will not be compliant with the Standard. Payments to the government are reported according to agreed templates that are completed and submitted to the Independent Administrator appointed to reconcile disclosed figures.

Increasingly, companies are disclosing their payments to governments around the world on a country-by-country and project-by-project basis.

7 How can the EITI benefit companies?

EITI implementation benefits companies both in the countries where they operate and internationally.

Local benefits for companies

Once a company has decided to make an investment, one of its main focuses will be on building a long-term, sustainable business in that country. The EITI can be an important contributor by creating:

1. ***Stronger social license to operate, better relations with communities and government***
The EITI provides companies with a proven, neutral platform for building understanding about the many different ways in which a company's business contributes to the communities in which it works, as well as to government revenues.
2. ***Tool to understand and mitigate political risks and public discontent, in order to safeguard assets and pave the way for further investments***
Political instability and opaque governance increase investment risk for companies. Openness around the extractive industry and its value creation, importance for the economy will lead to more predictable social and political development.
3. ***A catalyst for developing local capacity and infrastructure***
As companies need access to competent staff, they benefit from well-educated local staff and competitive services. A local supplier industry and well-functioning infrastructure and public services will facilitate smooth running of the business and reduce the need for expensive expatriate staff and imported goods and services.
4. ***Level playing field***
Most international companies would like to see the same reporting requirements for all companies. When a country implements the EITI, all companies are required to be equally transparent about their payments to the government.
5. ***Opportunity to directly affect disclosure requirements and challenge corrupt practices***
The EITI gives companies an opportunity to shape the detailed reporting requirements in the various implementing countries. Companies serving on the international Board and its committees help shape the global EITI Requirements.
6. ***A forum for addressing sector issues***
With government and civil society both at the table, the EITI provides the forum for discussing key sector issues such as governance and effective spending of revenues.

International benefits for companies

7. ***Credibility and reputational assurance***
As the global standard for transparency and accountability in the extractive industries, the EITI conveys credibility and reputational assurance to companies seeking to operate according to international standards. With calls for greater transparency on the rise, active participation in the EITI is one way for companies to demonstrate their commitment to transparency and accountability.
8. ***Respect as an industry leader***
Shareholders, investors, employees, competitors, civil society groups, the media and other external stakeholders view companies' disclosure of payments in EITI



ICMM sees the EITI as important in improving the governance of resource revenues, in reducing opportunities for corruption and for improving development outcomes in mineral-dependent economies. Our member companies see the benefits of involvement in EITI at a country level through increases in trust and a growth in dialogue between governments, civil society and business."

INTERNATIONAL COUNCIL ON MINING AND METALS (ICMM)

implementing countries and active support for the EITI as an example of principled leadership.

9. ***Delivering on commitments to sound business practices***

The EITI contributes to companies' own codes of ethics, corporate responsibility policies and other commitments that require them to operate transparently or ensure that their operations are free from corruption.

10. ***Improved access to finance***

Regular EITI Reports on payments and revenues can improve the creditworthiness of both companies and countries. When a country's sovereign credit ratings and governance indicators improve, it eases access to finance, can attract investors and strengthens the image of companies operating there.

8 How is the EITI linked to other initiatives?

Revenue transparency is necessary, but not sufficient to ensure that revenue from the extraction of natural resources benefits the citizens of a country. Other efforts are also needed. Below are some of the groups and initiatives that might be considered alongside the EITI.

- **Global Compact** www.unglobalcompact.org

The UN Global Compact is a policy initiative for companies committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

- **Global Reporting Initiative (GRI)** www.globalreporting.org

GRI focusses on sustainability reporting.

- **International Council on Mining and Metals (ICMM)** www.icmm.com

ICMM brings together 22 mining and metals companies and 34 national and regional mining associations and global commodity associations to continually improve sustainable development performance in the mining and metals industry.

- **International Petroleum Industry Environmental Conservation Association (IPIECA)** www.ipieca.org

IPIECA is the global oil and gas industry association for environmental and social issues. Through its Social Responsibility Working Group, Reporting Working Group, and other groups and subgroups, IPIECA works to continually improve social responsibility performance, similar to the ICMM.

- **Natural Resource Charter (NRC)** www.naturalresourcecharter.org/precepts

The Natural Resource Charter is a set of economic principles for governments and societies on how to best manage the opportunities created by natural resources for development.

- **Publish What You Pay (PWYP)** www.publishwhatyoupay.org

A global network of some 650 civil society organisations working to ensure that oil, gas and mining revenues form the basis for development and improve the lives of citizens in resource-rich countries.

- **Revenue Watch Institute (RWI)** www.revenuwatch.org

A non-profit policy institute and grant-making organisation that promotes the effective, transparent and accountable management of oil, gas and mineral resources for the public good.

- **World Bank Administered EITI Multi-Donor Trust Fund (MDTF)**

web.worldbank.org

The MDTF is a financing facility specially designated to support EITI internationally and in implementing countries. It is not a formal part of the EITI structure, but closely coordinates its work with and provides regular reports to the EITI Board and International Secretariat.

9 What does a country's EITI status mean for companies?

A company's obligations and its opportunities to influence the EITI process in implementing countries are the same whether a country has Candidate or Compliant status.

In an EITI Candidate country

All companies that make material payments to Candidate countries are obligated to report annually. Reporting templates and guidance on how to complete them can be obtained from the national secretariat or the country's MSG.

In an EITI Compliant country

A company's reporting obligations do not stop when the country is designated EITI Compliant. Reports must continue to be filed and reconciled each year. Continued compliance is subject to recurring Validation every three years.

In a country whose Candidate or Compliant status is suspended

The EITI Board may temporarily suspend or delist countries that fail to publish EITI Reports on a regular and timely basis or fail otherwise to adhere to the EITI Principles. The EITI Board establishes a time limit to address breaches. If the country does not resolve the breaches by the agreed deadline, it will be delisted i.e., lose its status as an EITI implementing country. Companies often still report payments to government during suspension periods.

10 How can companies play a part in EITI governance?

Companies have ample opportunities to play a part in EITI governance, both in EITI implementing countries and internationally.

EITI governance in implementing countries

A company may choose to participate directly in the MSG or in the various sub-committees established to design and manage EITI implementation. Alternatively, if a formal industry body exists, such as a Chamber of Mines, it can be helpful for this organisation to represent extractive companies on the MSG or relevant committees. In either case, each company's representative(s) can communicate individually with the wider business community as well as with government, civil society groups and the media, to ensure company views on the EITI process are heard.

International level governance

At the international level, the EITI is governed by a multi-stakeholder structure comprised of implementing governments, extractive companies and their associations, civil society organisations, supporting governments and development agencies, investors and international financial institutions. Supporting companies have five seats on the EITI Board, and each of these Board members is entitled to have an Alternate.



OPERATIONS IN AN EITI IMPLEMENTING COUNTRY

11 The government in the country where a company operates has signed up to the EITI. What happens next?

Once the government has formally agreed to sign-up, typically via a public statement from the head of state or another senior politician, the government must appoint an EITI champion to lead implementation. The champion should be a senior figure, widely respected and trusted by all stakeholder groups. The government then often holds a formal launch conference to publicise its decision to implement the EITI, bringing together a broad group of stakeholders and explaining the purpose of EITI implementation.

The launch conference also provides an opportunity for the government to begin establishing the MSG. This group will later decide how the EITI will be implemented and produce a costed workplan, outlining the roles and responsibilities of all stakeholders with a clear timeline for achieving compliance.

At the launch conference and other relevant events, companies often hold briefing sessions for civil society organisations, media and other local stakeholders to explain:

- How extractive companies work on a day-to-day basis.
- Legal and contractual obligations of companies and governments.
- Common types of payments that companies make to government and to local communities and how those payments are calculated and collected.

12 How long does the EITI take to implement?

The EITI Rules prescribe that a country has 18 months from the date that its candidature is approved to complete its first EITI Report. A country can be acknowledged as EITI Compliant when this process has been independently validated. Subsequent EITI Reports must be published annually.

The EITI is a learning process and the quality tends to improve with each reporting cycle. The International Secretariat is available for help and guidance.

13 What is the role of the national MSG?

The MSG is the tripartite decision-making body, comprising representatives of government, extractive companies and civil society organisations at the core of EITI implementation. In addition to oversight of EITI implementation and management functions, a key role of each MSG is to define the scope of the national EITI process and determine which sectors and revenue streams to include.

Core functions of the MSG: (see glossary on page 34)

- Overall strategic decision-making
- Define the scope of the EITI process
- Identify, assess and remove barriers to implementation
- Prepare the workplan and monitor implementation
- Select and oversee the work of the Independent Administrator
- Contribute to and approve reporting templates
- communicate about the EITI and engage stakeholders
- Ensure that EITI Reports are comprehensible and publicly accessible so as to contribute to open, public debate
- Appoint the validators and approve Validation reports
- Take steps to act on lessons learnt, address discrepancies and ensure the sustainability of the EITI process

a. How are members selected?

Each of the three stakeholder groups has the right to appoint its representatives and there should be adequate representation from all groups. Civil society members should be independent of government and/or companies. Pluralism and diversity should guide the selection of each group's MSG members. Nominees must ensure they have the capacity for the role and commit to competently fulfilling their membership responsibilities.

b. How long do members serve?

There is no rule as to how long members of the MSG can serve. Each MSG decides how often its membership will be reconstituted. However, it is recommended that changes in representation are planned and happen incrementally rather than all at once in order to maintain continuity and build upon members' experience. Typically members serve 2-3 years, sometimes longer.

14 How can companies help the MSG work effectively?

As a government-led process implemented by the tripartite MSG, EITI implementation may face considerable challenges, particularly at the outset, due to inexperience and unfamiliarity with some of the details of the reporting process.

Experienced companies can play a key role by providing leadership to help take the EITI agenda forward. Companies can improve the effectiveness of the MSG by using their expertise to build the capacity of less experienced MSG members and national secretariat staff in the areas of strategic planning, workplan design and implementation, as well as the technical and managerial issues involved in the reporting process.

15 What is the role of the national EITI secretariat?

The national secretariat in each implementing country serves as the implementation unit for the MSG and the EITI champion. All work focuses on facilitating EITI implementation. Each national secretariat typically has several full-time staff members. The number of staff depends mainly on the scale of the country's resources, number of companies and government agencies expected to report and the breadth of stakeholders in the country.



Mining and oil companies turned EITI reporting into a contest, incentivising each other to disclose and even to contribute financially to the implementation process. This unusual type of competition helped the DRC to collect data for the 2010 report from 52 companies in only 20 days.”

**PROFESSOR MACK DUMBA JÉRÉMY, EITI NATIONAL COORDINATOR,
DEMOCRATIC REPUBLIC OF CONGO**

Common functions of national secretariats include:

- Facilitating the work of the MSG
- Facilitating the reporting process with companies and government
- Drafting and consulting on the EITI Workplan and operational budget
- Mobilising funding and other resources
- Helping identify and resolve regulatory or legal barriers to EITI implementation
- Coordinating the work of the Independent Administrator
- Disseminating EITI Reports and arranging public discussions about their content
- Preparing for and coordinating the Validation process

16 Who funds EITI implementation in a country?

EITI funding may come from several sources. Typically, national secretariats are funded via a combination of in-kind contributions and cash from the implementing country government, as well as from multi-lateral and bi-lateral development agencies such as the World Bank’s EITI Multi-Donor Trust Fund (MDTF) for technical assistance, the Government of Norway, the African Development Bank, Inter-American Development Bank, UK Department for International Development (DFID), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Australian Agency for International Development (AusAID), and Canadian International Development Agency (CIDA). International NGOs such as Revenue Watch Institute (RWI) often support civil society involvement.

17 Can companies provide financial or in-kind support for national secretariat operations in a country?

Although it is not common practice, some countries have in the past benefited from corporate funding, both financial and in-kind. Corporate funding should not relieve government from its lead responsibility of funding the national EITI process. Conflicts of interest should be carefully assessed, and companies should avoid being perceived as monopolising the EITI process. Funding should be provided transparently and information about the size of contributions by individual companies should be made publicly available.

18 Who is responsible for preparing and managing the EITI Workplan and what does it consist of?

The EITI Workplan is usually developed by the national secretariat and approved by the MSG. In some cases the EITI process may represent the country’s first formal gathering of extractive companies, government and civil society organisations on an equal basis. It can take some time to resolve differences in viewpoints and operational cultures and establish effective working methods.

Preparing the workplan

Companies are organised into constituencies and can play a key role on the MSG by providing leadership and project management experience to facilitate the process of developing the workplan, and ensure that it is realistic and comprehensive.

The workplan should reflect the following decisions:

- Information to be disclosed and published, including types of payments and revenue streams
- 'Materiality' level: the company or payment size above which companies will be required to report
- Any legal or contractual barriers to be overcome, e.g. confidentiality clauses
- Role of the Independent Administrator
- Schedule for Validation

19 What are the likely staffing and budgetary requirements of EITI implementation for companies?

A company rarely faces any direct financial costs from EITI implementation. However, company participation may require an investment in time. It is important that representatives attend relevant meetings in order to provide consistent input into the implementation process.

Two factors largely determine the human and financial resources required to manage a company's input into the EITI: relative size of the company within the local sector and the level of internal commitment to the process.

It is recommended that the country manager takes on the role of publicly promoting the EITI, including possibly participating in the MSG. Tax, accounting and finance staff will support the manager by completing templates and liaising with other companies to ensure that the process runs smoothly and efficiently.

All extractive companies operating in EITI implementing countries that are making payments above the agreed threshold set by the national MSG are required to report payments.

A company may also decide to support the EITI at the international level. This support does not require any additional reporting beyond what is already required in implementing countries.

The EITI is not mandated by law. It is enforceable only at the implementing country level.

20 What are the legal issues?

In most countries, a law mandating disclosure of EITI payments is not necessary, though a growing number of countries, including Nigeria and Norway, have introduced separate legislation. The government is responsible for removing any regulatory, administrative or legal obstacles to payment disclosure by companies. Companies that perceive legal or regulatory barriers to disclosure of EITI data should bring this to the attention of the government via the national secretariat or the MSG.

A unique strength of the EITI is that it applies to all companies equally, be they large international, private, non-listed or state-owned. It is not dependent on whether a company has expressed its support for the EITI.

21 What about confidentiality clauses?

A commonly cited barrier to disclosure is confidentiality requirements, either in the form of laws and regulations of the implementing country or obligations in individual contracts concerning data disclosure. If confidentiality clauses prevent companies from publishing commercially sensitive information, the government must provide a clear and unambiguous indication to each company that the clause does not apply in the case of EITI implementation. This indication should be given early on in the implementation process to avoid lengthy delays once the information gathering process is underway.



22-36

DISCLOSING DATA FOR AN EITI REPORT

22 How does the reporting process work?

Once the country's EITI Workplan has been drawn up, the information gathering process begins, culminating in the publication of the first EITI Report. The MSG draws up separate reporting templates for government agencies and for companies. The MSG then usually sends a letter with the reporting templates and instructs all companies that meet the materiality threshold to send the completed templates to the Independent Administrator by an agreed date. Government agencies are also required to report. As a first step, the Independent Administrator may hold separate briefing meetings with all participating entities, companies, the central bank, regulators, ministries and agencies, to explain the reporting process, introduce the templates, and set out the timetable.

Collecting the data internally

Relevant information is extracted from the company's audited accounts by the finance team which completes the reporting template. Because EITI data is usually reported on a cash, not accrual basis, retrieval and reconciliation of the required data (bank statements, receipts, etc.) can add a burden to accounting and tax staff. Necessary resources should be allocated for this work.

Depending on the scope of the EITI programme, some or all of the following information is sent to the Independent Administrator along with the completed reporting template:

- Attestation by a senior company official or certification by the company's external auditor that the data submitted is consistent with the company's audited financial statements.
- Any clarification of the data that can aid the work of the Independent Administrator as agreed by the MSG (e.g., copies of audited financial statements, bank statements, receipts, etc.).

Any questions on the process should be directed to the national secretariat.

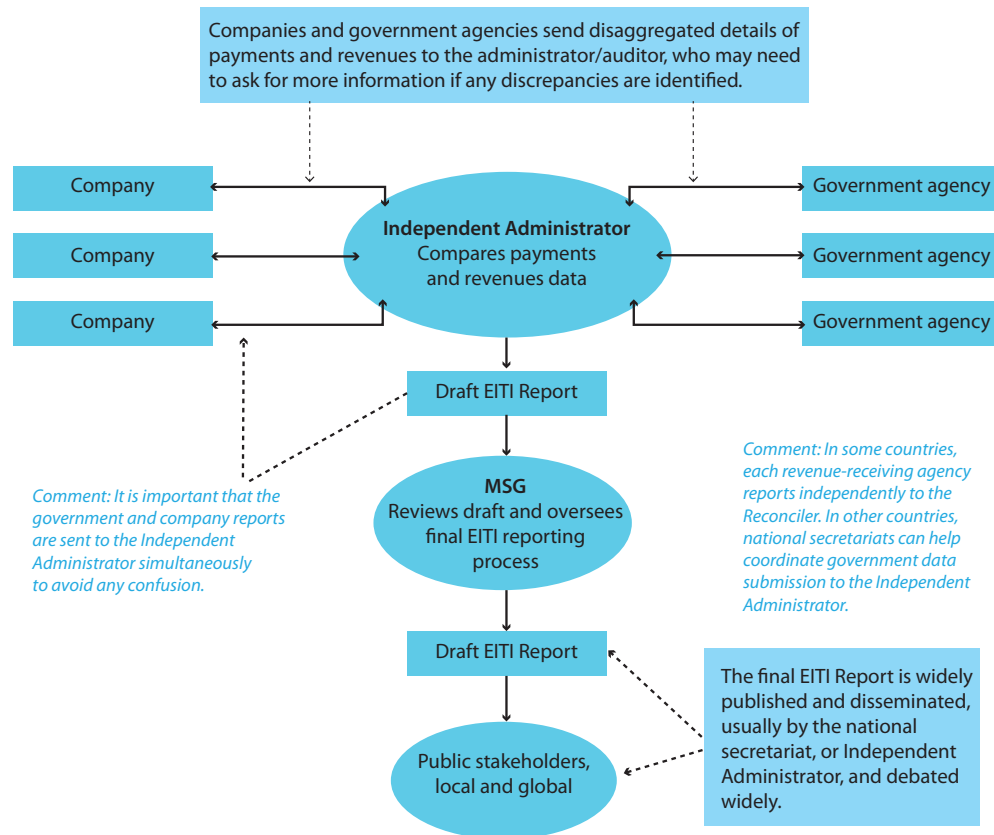
Government reporting

The government also completes a reporting template that outlines the revenues received from the extractive industry. The government sends the completed reporting template to the Independent Administrator at the same time as the companies submit their information.

Reconciliation

Based on the data provided by companies and government agencies, the Independent Administrator then undertakes a reconciliation process. This involves comparing the two sets of information and providing a statement to verify that the data match, and if not, the reason(s) why. The EITI Report is then sent to the MSG who works together with the government to make the data publicly available.

Companies and government agencies send details of payments and revenues to the Independent Administrator, who may need to ask for more information if any discrepancies are identified.



23 Must all extractive companies report?

Yes. All extractive companies operating in an EITI implementing country, and making payments above the materiality threshold agreed by the MSG, are required to report. For more details, see the EITI Guidance Note on Materiality: (www.eiti.org/files/EN_Guidance%20note%20on%20Materiality.pdf)

24 What are reporting templates?

The national secretariat draws up reporting templates based on the country's fiscal and contractual arrangements and provides guidelines and accounting definitions to help companies complete the templates. These templates define which revenue streams companies and government must disclose, and the level of data disaggregation required. It is important that the MSG has the capacity to engage in discussions about the revenue streams and materiality thresholds to be included in the templates. The MSG must endorse the final templates.

25 Where can companies obtain the reporting templates?

The relevant reporting templates can be obtained from the national secretariat. Some countries publish their templates on their website. Contact details for national secretariats are available at: www.eiti.org/countries.

Example of reporting template from Liberia

NAME OF COMPANY:							
TAXPAYER IDENTIFICATION NUMBER (TIN):							
		CURRENCY OF PAYMENT				RECIPIENT	
TYPE OF PAYMENT		Amount Paid		Amount Due		MOF / NOCAL	
T	Taxes & Fees	USD	LD (000's)	USD	LD (000's)	Note	Specify:-
Common							
1	Signature Fees/Signing Bonus						
2	Contribution via GOL to University Depts (UL etc.)						
3	County Contributions						
4	Community Contributions						
5	Corporate Profits Tax/Turnover Tax						
6	Import Levy						
7	Excise Tax						
8	ECOWAS Trade Levy (ETL)						
9	Pre-Shipment/Destination Inspection (GOL's share)						
10	Customs User Fees						
Sector Specific							
32	Surface Rental						
33	Oil License Fees						
34	Social Welfare Contribution						
35	Annual Training						
36	Payment to Maritime						
37	Hydrocarbon Development Fund						
38	NOCAL / GOL Production shares under PSA						
0	Other Payments						
Common							
42	Administrative fees						
(a)	Business Registration						
(b)	Article of Incorporation						
(c)	Operational/Professional License						
(d)	Vehicle Registration						
(e)	Driver License						
(f)	Resident Permits						
(g)	Work Permits						
43	Dividends to GOL						
44	GOL Fines						
Sector Specific							
W	Withholdings						
Common							
50	Personal Income						
51	Non-Resident						
52	Board Fees						
53	On payments to third parties of:-						
(a)	Rent / Lease						
(b)	Interest						
(c)	Dividends						
(d)	Professional services						
	TOTAL						

26 What is required from companies?

Companies must disclose all material payments in accordance with the agreed reporting templates and in line with the company's audited figures. They must cooperate to remedy any discrepancies identified by the Independent Administrator. Because companies play a central role in determining the reporting requirements in each EITI country, this remediation process is normally not an onerous task.

27 How should companies deal with cash vs accruals?

Since company accounts typically are prepared on an accrual basis, company auditors might provide a reconciliation statement to explain the difference between reported cash payments and financial statements.

28 **How do companies cover in-kind and barter payments?**

In several countries, in-kind payments account for a substantial share of overall government revenues. All material in-kind payments by companies to national and sub-national governments, including provision of roads, buildings and other infrastructure, production-sharing and barter-based arrangements, must be reported. It is up to the MSG in each implementing country to determine the materiality threshold for these payments, as well as the mechanisms and templates for reporting such revenue streams. When such transactions cannot be feasibly reconciled, the MSG must agree on an acceptable alternative approach, such as unilateral company or government disclosures appended to the EITI Report.

29 **How do companies cover payments to NGOs and community groups?**

Grants from companies and other so-called CSR-type funding provided to NGOs and community groups in implementing countries are commonly referred to as social payments or social transfers in EITI parlance. Where such payments are material and mandated by law or the contract between the government and the company, it should be reported. Where such payments are discretionary, the MSG is encouraged to include them in the EITI Report.

30 **Is the EITI also relevant for state owned enterprises (SOEs)?**

Yes. SOEs are among the most important participants in successful implementation of the EITI. They often have a range of functions, including acting as operators, investment companies, joint venture partners or regulators. As with the private sector, SOEs also face local and international pressure to demonstrate social and environmental responsibility.

31 **If a company buys oil, gas and minerals from a SOE, should it report?**

The final decision is up to the MSG. Where practically feasible, the MSG is encouraged to include such companies in the EITI reporting process. For example, in Iraq's EITI Reports, this could include disclosure of payments made by companies that buy oil, gas and minerals from state owned enterprises.

32 **If a company is a SOE that collects revenues on behalf of the government, should it report as a company or as a government agency?**

Where state participation in the extractive industry gives rise to material revenues, the MSG must ensure that the reporting process and the design of the reporting templates comprehensively addresses the role of the SOE. Where SOEs make material tax payments, these should be disclosed. Where SOEs collect material revenues (e.g. in-kind, dividends, etc.) on behalf of the state, these should also be reported. In addition, the EITI Report must disclose any material transfers between SOEs or government entities.

33 **When must company information be submitted?**

There is no internationally prescribed reporting period. When drawing up the EITI Workplan, the MSG will agree on a realistic timeframe that suits all stakeholders. This includes building in adequate time between the request for information from

companies and governments, and the submission of information to the Independent Administrator. Experience suggests that one month is usually sufficient time for this work.

34 What if a company's fiscal year is different from the EITI reporting period?

The reporting period is defined by the MSG and companies play a key role in that process. All companies must comply with the MSG's decision, whether or not the reporting period is the same. Differences in the accounting periods, currencies and other details can cause legitimate discrepancies between government revenues and company payments that can exceed normally agreed margins of error.

35 Who are the Independent Administrators and how are they selected?

The primary role of the Independent Administrator is to reconcile revenue data received from the government with payment data received from companies. The Independent Administrator appointed to produce the EITI Report must be perceived by the MSG as credible and technically competent. The MSG and the Independent Administrator are required to agree the terms of reference in accordance with the 'agreed upon procedure' for EITI Reports and standard terms of reference endorsed by the EITI Board. The government usually signs a contract with the Independent Administrator and pays for its services.

36 What happens if a company's data do not match the government's data?

Discrepancies between payments made by companies and payments received by the government are fairly common. It is important that a clear process is built into the EITI Workplan to deal with this, especially as there may be some disagreement among stakeholders over what constitutes a significant discrepancy. Specifically, the Independent Administrator should be given the authority to approach individual companies and/or government agencies to resolve discrepancies. Companies should cooperate with the Independent Administrator if additional information or clarification is required.



37-39

MAKING EITI REPORTS UNDERSTANDABLE FOR EFFECTIVE PUBLIC DIALOGUE

The key outcome of a country's EITI activities is that stakeholders understand what the figures in EITI Reports mean.

In many countries, people find the current EITI Reports complex and difficult to understand. For a country to maintain or achieve EITI Compliance, reports must be made available in a way that is publicly accessible, comprehensive and comprehensible, so as to encourage its findings contribute to public debate about natural resource governance.

Accessible is more than just available

Making EITI data available by disseminating copies of the EITI Report across the country and publishing it on a website is not enough. To enable citizens and other stakeholders to engage in debate, EITI data must be condensed, simplified and explained in user friendly terms. Further, the countries are encouraged to make the data from the EITI Report available in machine-readable format, or at least in a Microsoft Excel workbook.

Companies can play a key role in helping to present the data in easily comprehensible formats, as well as by participating alongside government and civil society representatives in public meetings to explain and discuss the content of the reports.

37 The EITI requires strong dissemination and public engagement around the reports. What does this mean for a company?

The MSG and the government are responsible for ensuring that the EITI Reports communicate well. This may include undertaking proof-reading and active consultation with stakeholders who are not closely involved with the EITI.

The MSG should be encouraged to develop a communications plan and appoint a person in the national secretariat to implement the plan. Extractive companies share a strong interest in effective public engagement around resource revenue issues. Larger mining, oil and gas companies often have dedicated staff and budgets for public and government relations, community liaison work and related communication. Company expertise and resources can be very useful to supplement the national secretariat's work.

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If disclosure of payments and receipts is the heart of the EITI, proper discussion of the figures is its soul."

ELLEN JOHNSON-SIRLEAF, NOBEL LAUREATE and PRESIDENT OF LIBERIA



Companies find awareness events like road shows and town hall meetings to be useful, indirect and trusted tool to inform communities about their contributions to national revenue and community development. When they highlight what companies do, it helps to strengthen community relations and build strong partnerships between companies and stakeholders.”

MARCUS S. WLEH, EXTERNAL AFFAIRS & CORPORATE RESPONSIBILITY, ARCELORMITTAL LIBERIA

38 How do companies benefit from participating in road shows or town hall meetings around the reports?

Openness builds trust which is among the most valuable benefits to extractive companies from the EITI process. For citizens to have an opportunity to ask questions and discuss what the reports mean for them, disseminating EITI Reports and data can be an important first step. Road shows and community meetings have proven particularly effective in this respect.

Meetings to discuss a country’s EITI Report have also proven an effective way for companies to:

- Put a human face to the company in the eyes of citizens, the media and civil society.
- Explain directly the importance of the EITI figures from the company’s perspective.
- Gain valuable feedback on the issues of greatest concern to local communities.
- Take public credit for company contributions to national and local development.
- Demonstrate common interests with communities in constructive use of revenues.
- Access a neutral platform outside the political process to discuss resource sector governance.

39 What else can companies do to support public outreach in implementing countries?

In addition to participating in public meetings described above, companies can:

- Participate in the communication and outreach sub-committee of the MSG.
- Assist the national secretariat in designing and implementing its communication strategy.
- Work through industry associations.
- Raise awareness and manage expectations of the EITI in local communities.
- Engage with media to educate journalists, raise awareness of and promote EITI, both regionally and on a national level.

For more information and guidance on EITI communication:

- *Talking Matters*
- *Implementing EITI for Impact: A Handbook for Policy Makers and Stakeholders* (World Bank)



40-42

VALIDATION: REGULAR QUALITY ASSURANCE OF A COUNTRY'S EITI PROCESS

40 **What is Validation?**

An essential element of EITI implementation and central to the status as an internationally-credible standard is independent Validation. The objective of Validation is to provide an independent assessment of the progress achieved by implementing countries and to promote learning. The Validation report verifies whether the various EITI Requirements have been satisfactorily fulfilled.

For EITI Compliant countries, Validation provides an assessment of their on-going fulfilment of the EITI Standard. The Validation exercise provides recommendations for improving the EITI process for both Candidate and Compliant countries.

41 **How are companies involved in Validation?**

Validators will approach companies for the assessment of the process. This is an opportunity for companies to raise issues to improve the process in the country.

42 **When does Validation take place?**

Every implementing country has a Validation deadline. Candidate countries must undertake a Validation after 2.5 years. The Board recently agreed that Compliant countries should be revalidated every three years. Typically, the Validation process takes six months.



OPERATIONS IN A COUNTRY THAT IS NOT YET IMPLEMENTING THE EITI

43 The country where a company operates does not implement the EITI. What specific actions can a company take in order to encourage government sign-up?

Even in countries where the EITI has not been seen as necessary or desirable by the government, experience has shown that company advocacy has been an important factor in encouraging sign-up.

Companies can work collectively to encourage government sign-up in a number of ways, for example by:

- Explaining EITI benefits through existing government relations channels.
- Promoting the aims of the EITI in public debates and at conferences.
- Working collectively with other companies or through industry associations.
- Engaging civil society groups, local think tanks and local media.

It can be useful for extractive companies to inform CSOs and journalists about their industry, the companies' role in the economy and the EITI process to show openness and support for transparency.

44 A company has operations in an EITI country, but is not yet extracting resources. What can the company do to support EITI implementation?

Any company that is actively exploring or conducting other pre-production operations must, in accordance with reporting formats decided by the MSG, disclose all material payments it makes to the government in EITI Candidate or Compliant countries. The company can also participate in the MSG.

Companies may also find it useful to suggest that the EITI process in their countries of operation include revenue streams beyond the extraction, like processing or transportation. This can provide a better understanding of overall sector financial flows and possibly provide a better link to the monetary value of upstream transactions in exploration and production. Some countries have included other revenues in the scope of the EITI, such as payments by oil refining companies and other downstream companies.

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In all the countries we are operating, Total is eager to promote the implementation of the EITI process and this is exactly our position in Uganda. We will be promoting the EITI process as we are doing in other countries we operate like Nigeria."

LOIC LAURANDEL, THE GENERAL MANAGER, TOTAL E&P UGANDA

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In our annual report we disclose all of our tax and royalty payments to the Chilean government. We are an EITI Supporting Company and we encourage the transparency embedded in the EITI Principles to create a level playing field.”

JUAN PABLO SCHAEFFER, GENERAL MANAGER CORPORATE AFFAIRS and SUSTAINABILITY, CODELCO

45 **What happens if civil society is not formally recognised by the government in the country?**

The EITI Standard requires that civil society is actively engaged as a participant in the design, monitoring and evaluation of this process and contributes towards public debate. Companies can therefore argue for the government to involve civil society organisations as equal partners in the implementation process, and point out that their exclusion will jeopardise the country’s EITI compliance.



WHAT MORE CAN COMPANIES DO?

The EITI has made significant progress in improving the management of natural resource wealth and governance of oil, gas, mining and other sectors. At the same time, it is apparent that going beyond compliance is needed to secure the full benefits of the EITI.

46 What must happen for a country to go beyond compliance and how can companies contribute?

Companies must continue to submit EITI reporting templates on an annual basis. Continued compliance is subject to recurring Validation every three years.

Many advantageous aspects of the EITI are encouraged, but not required. Companies may wish to have some or all of those areas included in national EITI processes. The EITI process puts the responsibility on local stakeholders to decide the elements that are needed to better manage the sector. The whole process is designed to encourage creative thinking. Companies have an opportunity to play a key role.

47 How can companies contribute to the further development of the EITI?

The more robust the scope, scale and quality of the EITI process, the better the basis for sustainable, long-term growth. The EITI is based on a principle of continuous improvement. The vital role of companies in this process can include:

Strengthening and consolidating the existing national EITI process

By ensuring sustained political commitment and helping the EITI process run smoothly. Remedial actions must be taken to address weaknesses identified and recommendations made in EITI Reports or Validation reports.

Encouraging public debate and awareness building around the extractive industry in the country

Do citizens understand what happens to extractive industries payments and revenues? Can the communications programme be made more effective? Is capacity-building needed, e.g. for smaller companies or for civil society organisations regarding licenses, beneficial ownership, contracts? All the above questions could be natural to discuss in the MSG meeting and both in local and national forums.



As a matter of principle AngloGold Ashanti has established a practice of disclosing all payments made to governments in its annual sustainability report, regardless of whether the country is a formal supporter of the EITI." [ANGLOGOLD ASHANTI'S CORPORATE WEBSITE](#)



We believe it is important to disclose this tax information because this level of transparency helps us to retain our license to operate, promotes government accountability and plays a key role in combating corruption. Rio Tinto is committed to maintaining and improving our reporting and transparency of taxes paid around the world.”

GUY ELLIOTT, THEN CHIEF FINANCIAL OFFICER, RIO TINTO

(About RT’s Taxes Paid report which detailed the US \$11.6 billion of taxes Rio Tinto paid globally in 2012).

Improving the quality of EITI reporting and engagement

Continuous improvements in the quality and content of EITI reporting coupled with more robust participation by civil society, affected communities and stakeholders.

Can more data be made publicly available even if this is not required by the EITI process?

Extending the coverage and scope of EITI

If appropriate, involve more stakeholders, smaller companies, ancillary sectors, or representatives from other natural resource industries such as forestry and fishing, or covering non-production related transactions like pipeline fees, or other payments such as license awards, cadastre records and sub-national payments.

Supporting social development and demand for accountability

Work with other industry players and civil society groups to facilitate dialogue with and support to affected communities. This can result in the creation of community forums and networks and capacity building for civil society.

Measuring the impact of EITI

Agree on the indicators and devise systems to track progress on achieving the transparency and good governance goals for the extractives sectors.

48 What can companies do to get more information about where extractive revenues are used?

The whole EITI process facilitates the discussion around how revenues from the extractive industry are used. Like citizens who want to see their welfare improve, companies also benefit from improved public services and general development in the country where they operate. The MSG and public meetings around the EITI Reports offer companies a forum to explore such issues.

49 How can companies work with other stakeholders?

- **Engage parliamentarians**
In many countries, parliamentarians approve and monitor budgets set by the executive branch of government. Citizens rely on their parliamentarians to ensure that revenue is allocated fairly and spent effectively. Companies can work with parliamentarians representing the areas of their operations to help promote the company’s priorities.
- **Engage sub-national officials**
In decentralised political and administrative systems, sub-national entities are allocated a share of overall revenue to spend. The transparency that comes from the EITI process around a company’s spending on social and other payments, is an entry point for dialogue with local officials about future spending priorities.

- **Engage civil society and local media**

Civil society organisations are often the most active in using EITI data to hold government accountable for resource revenue management and track expenditures. In many countries, investigative journalists also play a vital role, reporting on public spending and revenue issues.

50 **Are companies required to disclose contracts?**

No, but the EITI report must document the government's policy and practices on contract disclosure and any reforms underway. Where contracts are made public, the EITI Report should provide guidance on how these can be accessed. Companies are encouraged to agree to the disclosure of contracts or agreements that govern the production of oil, gas and minerals.

- 1** We share a belief that the prudent use of natural resource wealth should be an important engine for sustainable economic growth that contributes to sustainable development and poverty reduction, but if not managed properly, can create negative economic and social impacts.
- 2** We affirm that management of natural resource wealth for the benefit of a country's citizens is in the domain of sovereign governments to be exercised in the interests of their national development.
- 3** We recognise that the benefits of resource extraction occur as revenue streams over many years and can be highly price dependent.
- 4** We recognise that a public understanding of government revenues and expenditure over time could help public debate and inform choice of appropriate and realistic options for sustainable development.
- 5** We underline the importance of transparency by governments and companies in the extractive industries and the need to enhance public financial management and accountability.
- 6** We recognise that achievement of greater transparency must be set in the context of respect for contracts and laws.
- 7** We recognise the enhanced environment for domestic and foreign direct investment that financial transparency may bring.
- 8** We believe in the principle and practice of accountability by government to all citizens for the stewardship of revenue streams and public expenditure.
- 9** We are committed to encouraging high standards of transparency and accountability in public life, government operations and in business.
- 10** We believe that a broadly consistent and workable approach to the disclosure of payments and revenues is required, which is simple to undertake and to use.
- 11** We believe that payments' disclosure in a given country should involve all extractive industry companies operating in that country.
- 12** In seeking solutions, we believe that all stakeholders have important and relevant contributions to make – including governments and their agencies, extractive industry companies, service companies, multilateral organisations, financial organisations, investors and non-governmental organisations.

EITI Requirements

A government intending to implement the EITI Standard is required to undertake certain steps before applying to the international EITI Board for EITI Candidate status. These include announcing a clear statement of the government's commitment, developing a workplan setting objectives for what the country wants to achieve with their EITI and how it intends to reach EITI Compliant status, and establishing a multi-stakeholder group (MSG) together with companies and civil society.

The following requirements must be met to achieve EITI compliance:

- 1** Effective oversight by the multi-stakeholder group.
- 2** Timely publication of EITI Reports.
- 3** EITI Reports that include contextual information about the extractive industries.
- 4** 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.
- 5** A credible assurance process applying international standards.
- 6** EITI Reports that are comprehensible, actively promoted, publicly accessible, and contribute to public debate.
- 7** That the multi-stakeholder group takes steps to act on lessons learned and review the outcomes and impact of EITI implementation.

Glossary of EITI terms

Aggregation	A method of reporting by which the payments made by individual companies are consolidated, so that individual company payments cannot be identified in a published EITI Report. It can also refer to the consolidation of different types of payments made by a company so that individual payment types cannot be identified.
Candidate Country	A country which has publicly committed to implement the EITI, but which has not yet fully implemented all of the required stages.
Compliant Country	A country which has fully implemented the EITI and has been found to meet all of the requirements.
EITI Workplan	An action plan agreed by the MSG that sets out what the country seek to do with their EITI process. It includes measurable targets, a timetable for implementation, and an assessment of potential capacity constraints.
Disaggregation	A method of reporting by which individual companies' payments made to a government are disclosed and can be identified separately. It can also refer further to reporting individual types of payments, so that each payment type (royalty, tax, etc.) can be identified.
EITI Report	A report that is put together by an Independent Administrator and made publicly available, stating how extractive industries payments made by companies match those received by governments and explaining discrepancies where they arise.
Independent Administrator (sometimes called reconciler)	An independent entity (usually an audit firm) that is appointed to acquire to reconcile payments and revenue data provided by companies and government. The reconciler is not carrying out an audit, but is compiling and analysing EITI data (both financial and, where appropriate, on production volumes) and other non-financial data as submitted, and investigating and explaining any discrepancies, as set out in the terms of reference agreed.
Materiality	A threshold amount or percentage to determine if a company or a payment is significant to an outcome. EITI implementing countries often set materiality levels based on company or payment size.
Multi-stakeholder group (MSG)	A committee that has been empowered to develop the Country Workplan, to oversee the implementation and management of the EITI programme, and to promote public debate about the governance of natural resources.
Validation	The process by which progress on implementing the EITI by countries is measured against the EITI Requirements.
Validation report	A report that is put together by an independent Validator assessing the county's progress in implementing the EITI against requirements outlined in the EITI Rules.



The EITI (Extractive Industries Transparency Initiative) Standard is an international standard that ensures transparency around countries' oil, gas and mineral resources. It is developed and overseen by a coalition of governments, companies, civil society, investors and international organisations. All of these groups are represented on the EITI Board which is supported by the EITI International Secretariat. The EITI Standard has a robust yet flexible methodology, which countries adopt to address the specific issues they are facing. When implemented, the EITI ensures more transparency in how the country's natural resources are governed, and full disclosure of government revenues from its extractive sector.

For more information about how companies can support the EITI, please contact secretariat@eiti.org

