USEITI Implementation Subcommittee
Wednesday, April 29, 2015
11:00am – 12:00pm
Meeting Summary

Meeting Agenda
11:00 Welcome and Introductions
11:05 IA Report Out
11:10 Workgroup Updates
11:10 Template and Project Level Workgroup Update
11:30 Contextual Data Workgroup Update
11:50 Next Steps

IA Update - Company Outreach and Revised Draft Reconciliation Report Outline
The IA continued polling with the 44 companies and also completed a draft of the Reconciliation Report. The Report does not have revenue data but has the structure of the report including a description of the process and the layout of the data tables.

Out of 22 company responses from the polling, 5 have companies have confirmed they are not participating, 13 will participate, and only 4 will report taxes. The other 9 are undecided on taxes. One company has submitted their completed data. Most companies will probably provide data in mid-June. So far the IA has followed up twice on the polling. Additional follow-u will take place from the mid-May mark and then again a few weeks thereafter.

The IA continues to work with the Workgroup on the Contextual Narrative content for both the written report and the data portal. This week the IA reviewed with co-chairs the content and prototypes that are in the Report and the Data Portal. The Workgroup is also commenting on the content.

The IA committed to providing a full draft of the Contextual Narrative Report by May 6th (except for a few county write-ups) and the Implementation Subcommittee will forward the draft to their sectors so folks will have enough understanding of the Contextual Narrative to have some discussion at the MSG meeting. The draft will not be disclosed as a meeting material because it is still being worked on.

Template & Project Level Workgroup Update
<u>Margin of Variance</u>
The Workgroup formed a recommendation for the margin of variance and this will be presented at the May MSG Meeting. This process was informed by the reporting template, and the recommendation was formed based on an analysis of potential causes of reconciliation discrepancies. The margin of variance recommendation is as follows:

- Revenue stream level reconciliation variances varying based on identified cause and magnitude of discrepancies

- Proposed variance percentage based on Total Discrepancy Rating (1-5 is 1%, 6-10 is 2%, and 11+ is 3%)
- Tax discrepancies are likely to be small and more easily identified
- Minimum dollar variance by revenue stream (Floor)

During the discussion, it was recommended that taxes be listed at 1% reconciliation variance and 100K for the variance floor.

A question was asked that if we have a variance beyond this recommendation, does the company have to work with the IA until they get to zero variance? We need to define what the steps will be to resolve the variance. Does Deloitte have a process?

The IA responded that they do have a process in the Draft Reconciliation Report:

1. Variance is established
2. Below threshold, means no further action
3. Above the threshold due to the percentage or the floor, the IA will work with both the company and the government to capture the source of the variance. If they cannot conclude why there is a variance that would be captured in the report.

The IA will send out those paragraphs as an initial draft of the process so that reported can have a better understanding of what is expected. Deloitte will include the margin of variance in their June outreach to companies.

The margin of variance can be revisited if there is an issue when the data comes in, but the IA has to use this margin of variance for the 2015 reconciliation. Any MSG changes to the margin of variance would be reflected in the 2016 report.

<u>The Disclosure of Audit Practices for Companies</u>
IA included the language about the disclosure of audit practices for companies in the Draft Reconciliation Report. The report will be issued to the Subcommittee for review on May 4th. The Subcommittee should review this language and comment on it. Comments are due back to the IA on May 15th.

Contextual Data Workgroup Update
The Workgroup recently met with The Bureau of Economic Analysis (BEA) who explained some of the tables on the BEA website and now the Workgroup is preparing a proposal for how to count jobs, etc.

The Workgroup has a final recommendation on the county selection and they presented it to the co-chairs at the last co-chair meeting. They agreed that for gold they would have two counties that would be a combination of counties due to the geographic clumping of mines. The IA is still working on the North Slope and they will present a one county write up for each commodity until all counties have been written up. There will be an MSG approval on the selection of counties at the May MSG Meeting.

Annual Activity Report
The Annual Activity Report still needs to be reviewed to make sure we haven't overstated the work we have done with Tribes. The MSG will need to approve the report before it is submitted to the EITI International Secretariat and Board.

Next Steps:
- Draft Reconciliation Report issued to Subcommittee for comment - May 4th-15th
- Draft Contextual Narrative Report issued to Subcommittee for comment – May 6th-18th
- May MSG Meeting Materials issued to full MSG - May 6th
- MSG Meeting – May 22nd-23rd

Next Subcommittee Meeting is scheduled for June 3, 2015

List of attendees
Aaron Padilla, API
AJ Maxwell, Deloitte
Alex Klepacz, Deloitte
Christopher Chambers, Freeport-McMoRan Copper & Gold Inc.
Cory Gill, Goldwyn Global Strategies
Curtis Carlson, Treasury
Deborah Gibbs Tschudy, DOI
Greg Gould, DOI
Isabelle Brantley, Deloitte
Jennifer Heindl, DOI
Jim Steward, DOI
Johanna Nesseth Tuttle, Chevron
John Harrington, Exxon Mobil
John Mennel, Deloitte
Judith Wilson, DOI
Kim Oliver, DOI
Lance Wenger, DOI
Mike Matthews, State of Wyoming
Nicholas Cotts, Newmont Mining
Paul Bugala, Natural Resource Governance Institute
Phillip Denning, Shell
Robert Kronebusch, DOI