

1 **PH-EITI 15th MSG MEETING**
2 **9:00 AM- 12:00 PM | July 04, 2014**
3 **Shell Philippines Exploration Office**
4 **Asian Star Bldg., ASEAN Drive, Filinvest Corporate City**
5 **Ayala Alabang, Muntinlupa City**
6
7

8 **Attendees:**
9

10	Asst. Sec. Ma. Teresa S. Habitan	Department of Finance (DOF)
11	Asst. Sec. Soledad Emilia Cruz	DOF
12	Febe J. Lim	DOF
13	Rowena Sta Clara	DOF
14	Engr. Romualdo Aguilos	Mines and Geosciences Bureau—Department of Environment and Natural Resources (MGB-DENR)
15		
16	Michael Joseph Juan	Union of Local Authorities of the Philippines (ULAP)
17	Dir. Anna Liza Bonagua	Bureau of Local Government Development - Department of the Interior and Local Government (BLGD-DILG)
18		
19	Asst. Com. Nestor Valeroso	Bureau of Internal Revenue (BIR)
20	Teresita Angeles	BIR
21	Sarah Mopia	BIR
22	Ms. Rosanna Salvador	Bureau of Local Government Finance (BLGF)
23	Rowena Paril	BLGF
24	Filomeno Sta. Ana	Action for Economic Reforms (AER)/Bantay Kita
25	Dr. Cielo Magno	Bantay Kita
26	George Douglas Siton	Bantay Kita
27	Prof. Jay L. Batongbacal	University of the Philippines, College of Law
28	Prof. Maria Aurora Teresita W. Tabada	Visayas State University
29	Ronald Allan A. Barnacha	Philippine Rural Reconstruction Movement (PRRM)/ North Luzon
30		
31	Starjoan Villanueva	Alternate Forum for Research in Mindanao, (AFRIM) Inc.
32	Dr. Merian C. Mani	Romblon Ecumenical Forum Against Mining (REFAM)/ Romblon State University
33		
34	Roldan Gonzales	GITIB Inc.
35	Nelia Halcon	Chamber of Mines of the Philippines (COMP)
36	Angel Villamor	Nickel Asia Corporation/ COMP
37	Sebastian C. Quiniones, Jr.	Shell Philippines Exploration BV (SPEX)/ Petroleum Association of the Philippines (PAP)
38		
39	Bing Pingul	SPEX/PAP
40	Erwin Riñon	SPEX/PAP

1	Maria Fatima Cruz	SPEX/PAP
2	Sabino Santos	Chevron Malampaya LLC/ PAP
3	Atty. Gay Alessandra V. Ordenes	Secretariat
4	Maria Meliza T. Tuba	Secretariat
5	Abigail D. Ocate	Secretariat
6	Mary Ann D. Rodolfo	Secretariat
7	Liezel Empio	Secretariat
8	Grace A. Estacio	Secretariat

9

10 RESOURCE PERSONS:

11

12	Pocholo Domondon	Isla Lipana & Co.
13	Feve Hisug	Isla Lipana & Co.
14	Katty Delos Santos	Isla Lipana & Co.

15

16

17 **AGENDA:**

- 18 • Minutes of the 14th MSG meeting
- 19 • Matters arising from previous MSG meetings
- 20 • Discussion on materiality threshold
- 21 • Status report on data collection
- 22 • Other matters

23

24

25 **1. Call to Order:**

26

27 1.1. The Philippine Extractive Industries Transparency Initiative (PH-EITI) Multi-Stakeholder Group (MSG)
 28 meeting was called to order at 10:00 AM.

29

30 The proposed agenda was presented and subsequently approved by the body.

31

32 **2. Minutes of the 14th MSG Meeting**

33

34 2.1. The Chair mentioned that the minutes of the meeting was circulated to the Multi-Stakeholder Group
 35 (MSG) for comments and reactions, and no comments were received by the Secretariat.

36

37 2.2. Having no comments, the body approved the minutes of the 14th MSG meeting.

38

1 **3. Matters Arising from Previous MSG Meetings**

2
3 3.1. *Establishment and management of a revenue-linked database:* The Secretariat reported that there has
4 been no movement for this item since this is dependent on the Multi-Donor Trust Fund (MDTF) from the
5 World Bank.

6
7 3.2. *Offer of Timor Leste to conduct a training for the PH-EITI MSG on the Petroleum Fund process:* The
8 Secretariat mentioned this is also dependent on the MDTF grant. On the other hand, it was shared to the
9 body that the Department of Foreign Affairs (DFA) informed the Secretariat that the Philippine Embassy in
10 Dili, Timor Leste is suggesting that the Philippines might want to cooperate with Timor Leste and engage in
11 dialogues with them regarding EITI implementation. If the MSG members are interested, it was mentioned
12 that the Secretariat will facilitate such dialogue with Timor Leste.

13
14 3.3. *Bureau of Internal Revenue (BIR) waiver:* The Secretariat shared that 28 mining and oil and gas
15 companies already signed waiver. However, it was recalled that 3 companies already indicated that they will
16 not execute the waiver. In addition to the 3 companies Citinickel Mines and Development Corp. also
17 informed the Secretariat that they will not participate in the EITI.

18
19 The body was also informed that the Philippine Mining Development Corporation (PMDC) already agreed to
20 execute the waiver.

21
22 As for the coal industry, the Secretariat noted that they are still waiting for Semirara Mining Corporation to
23 execute the BIR waiver.

24
25 3.4. In relation to this, the Secretariat also informed the body that Sec. Gozun sent a letter to Sec. Paje of the
26 Department of Environment and Natural Resources (DENR) requesting the Mines and Geosciences Bureau
27 (MGB) to intervene and encourage or enjoin the mining companies to participate. It was mentioned that a
28 letter was already drafted by the MGB to be sent to the mining companies. The said letter is already for
29 signing of Dir. Jasareno of MGB.

30
31 It was noted that the same letter from Sec. Gozun will also be sent to the Department of Energy (DOE).

32
33 3.5. *Incentives regime for mining:* The Secretariat shared that Sec. Gozun will meet with Sec. Domingo of the
34 Board of Investments (BOI) to discuss this matter. It was mentioned that the meeting is scheduled in early
35 July.

36
37 3.6. *Selection of Non-COMP alternate representative:* It was recalled that Marcventures Mining and
38 Development Corp. was previously designated as an alternate representative of non-members of Chamber
39 of Mines of the Philippines (COMP). However, since Marcventures became a member of COMP, the full
40 representative of non-COMP which is Cambayas Mining Corp., is again looking for an alternate
41 representative to replace Marcventures.

1 The Secretariat recalled that the MGB had a former plan to convene the mining companies that are non-
2 members of COMP.

3
4 The MGB representative noted they will advise Dir. Jasareno to convene the non-members of COMP in a
5 meeting. It was also mentioned that the MGB will write the non-members of COMP.

6
7 *3.7. Other information from DOE:* The Secretariat mentioned that this is still a pending matter since they
8 have not yet received the legal opinion from DOE.

9
10 *3.8. Inclusion of coal in the report:* It was recalled that Semirara initially agreed to participate in EITI.
11 However, the Secretariat shared that when Dir. Jariel of DOE called to follow up, Semirara expressed that
12 they will fill up the reporting template but they are reluctant to sign the waiver.

13
14 The body was informed that the Secretariat has not received any other update from Semirara. The
15 Secretariat will ask Asst. Sec. Ariaso of DOE to follow up on this matter.

16
17 *3.9. Engagement of two mining companies in Tawi-Tawi:* Initially, the Secretariat was told that there are two
18 mining companies in Tawi-Tawi. However, it was clarified that for year 2012, there is only one operating
19 company.

20
21 The body was informed that last June 20, the Secretariat met with Gov. Hataman of Autonomous Region in
22 Muslim Mindanao (ARMM) and the Governor agreed to support the EITI. It was also shared that Gov.
23 Hataman already gave the directives to his local officials to cooperate. An EITI briefing and a template
24 workshop in Cotabato is tentatively scheduled in the 1st week of August. The said event will be conducted
25 by the PH-EITI Secretariat together with Bantay Kita. The MSG members will be informed once all the details
26 have been finalized.

27
28 *3.10. Reconciliation of figures:* If ever there are discrepancies in the data submitted by the participating
29 entities, it was mentioned that the Independent Administrator (IA) was tasked to notify the companies so
30 that they can prepare the schedules for reconciliation. The Secretariat noted that this item is for discussion
31 during the day's meeting.

32 33 **4. Discussion on Materiality Threshold**

34
35 4.1. The IA presented the scoping process that will be applied to the participating entities as well as the
36 materiality that will be used for the reconciliation process (the presentation material is attached as Annex
37 A).

- 38
39 **• Scoping - Participating entities**

40
41 4.2. According to the IA they wanted to sift through the list of mining and oil and gas companies provided by
42 MGB and DOE, respectively, and really focus on those that will be identified as significant to their respective

1 industries. A reported total revenue or total assets of at least 1 Billion pesos was the criteria used by the IA
2 in identifying material companies. The IA explained that Business World actually uses the same 1 Billion
3 threshold in determining significant companies.

4
5 4.3. From the total revenue and assets reported by the large-scale mining companies in 2012, the IA stated
6 that about 95.9% of total revenue and 94.2% of total assets will be covered if the 1 Billion peso criteria will
7 be applied. As for the oil and gas industry, companies that will meet the criteria will cover 97.7% and 99.7%
8 of total revenue and assets, respectively.

9
10 4.4. The IA shared that overall, they will be prioritizing 34 companies; 24 companies from the mining sector
11 and 10 companies from the oil and gas sector (Please refer to Annex A for the list of material companies).

12
13 4.5. For companies which are below the threshold, the IA explained that they will still do the reconciliation if
14 these companies will submit the reporting template and schedules. However, in terms of doing necessary
15 follow-ups, the IA clarified that they would prioritize the 34 companies over those companies falling below
16 the threshold since they may not have significant impact in respect of the data that they will be providing.

17
18 4.6. It was reported that from the 24 material mining companies, 8 companies have already provided their
19 reporting template.

20
21 4.7. The IA also mentioned that in their presentation material, the companies that do not want to
22 participate were marked with an asterisk. It was expounded that these entities have already provided the IA
23 with notice that they will not participate because they do not want to execute the waiver.

24
25 4.8. Considering that these companies are considered material, the IA mentioned that they will be seeking
26 assistance from the MSG and from the respective government agencies in order to secure the BIR waiver
27 from these companies. Otherwise, the IA explained that this may compromise some of the data considering
28 these companies exceed the threshold that was set out for this exercise.

29
30 4.9. The IA pointed out that the non-members of COMP were also relatively represented, because from the
31 total list of 24 mining companies, 3 are non-members of COMP.

32
33 4.10. A Civil Society Organization (CSO) representative inquired whether the data of other companies that
34 executed the waiver and express interest in participating will still be published even though these
35 companies are not significant players in terms of their share in revenue.

36
37 4.11. The IA responded that the data of the companies below the threshold will still be published. It was
38 further explained that as long as the companies submitted their reporting template on or before the set
39 deadline, the IA will still do the reconciliation regardless of whether the company is identified as material or
40 not.

1 4.12. The CSO representative pointed out that in the EITI report, it should be reflected that the reason why
2 companies were not included in the reconciliation is because of their delayed submission. In addition, the
3 CSO representative stressed that the data submitted by the companies will have to also be disclosed.
4

5 4.13. The same CSO representative mentioned that at the macro level, in terms of revenue contribution, a
6 company may not be material but this could not be the case looking at the local government level and at the
7 social cost of the company's operation. Because of this, the data that the non-material companies are
8 submitting to the government should also be disclosed.
9

10 4.14. The IA responded that they are focusing on the revenue streams generated from the mining and oil
11 and gas entities. According to the IA, they wanted to focus on the 34 companies because the presumption at
12 their side is that the companies with significant amount of revenue and assets are also the same companies
13 that will be generating much higher revenue stream.
14

15 4.15. On other entities that may have high social cost as well, the IA expressed that this is not really the
16 focus of the exercise because the focus is more of the reconciliation of companies that have generated
17 much revenue stream received into by the government.
18

19 4.16. According to the same CSO representative, it should be explained in the EITI report that the reason
20 why some companies were not included in the reconciliation is because of their insignificant contribution in
21 terms of total revenue and also because of their late submission.
22

23 4.17. The Chair clarified that if a small company in terms of revenue executed the BIR waiver and submitted
24 the reporting template on time, it will still be part of the reconciliation process. Thus, the actual criteria on
25 whether or not a company will be included is not their significance in terms of revenue but whether they
26 submitted on time for the reconciliation or not.
27

28 Furthermore, the Chair mentioned that in instances wherein the submitted templates will be too late for the
29 reconciliation, the data of the companies will still be reported. But, this does not mean that for the 2nd EITI
30 report, these late companies will still not be part of the reconciliation.
31

32 4.18. According to the Chair, the body needs to set a deadline for the reconciliation since the MSG is
33 targeting to publish the EITI report by December 2014.
34

35 4.19. For clarification, the IA reiterated that the priority companies will constitute more than 90% of the
36 total revenue. For these target entities, the IA explained that they would still set a particular due date but
37 they will exercise a little level of flexibility if ever these companies were not be able to accomplish the
38 reporting templates and schedules within the deadline. Otherwise, the IA stated that the overall
39 representation of the exercise will be compromised. If a target entity has not yet provided the data, the IA
40 will do all the necessary actions which may include making follow-ups on a daily basis.

1 4.20. It was reiterated that in the final report, the companies that refused to sign the waiver and the
2 companies that were late in submitting the reporting templates will all be enumerated. The IA confirmed
3 that this is also included as part of the scoping done in other countries.
4

5 4.21 It was clarified that the IA will still get the government data on companies that did not want to sign the
6 waiver or were late in submission, except for the BIR data for the companies without the waiver.
7

8 4.22. As for the oil and gas industry, the IA reiterated that there are 10 material entities.
9

10 4.23. One representative of industry sector inquired on the percentage covered by the oil and gas
11 companies with signed waivers.
12

13 4.24. The IA responded that the revenue and assets of Malampaya Consortium alone covers 95% of the total
14 industry.
15

16 • **Reconciliation process**
17

18 4.25. As also presented in the last MSG meeting, the IA mentioned that they will be obtaining the completed
19 templates and they will basically compare the data submitted by the participating entities and government
20 agencies. The schedules will be mandated if there are differences identified. For all of the differences, the IA
21 will be doing the reconciliation based on a specific threshold in materiality.
22

23 4.26. The IA recommended that a fixed rate of 5% be used in identifying material discrepancy.
24

25 4.27. For the body to understand the basis and rationale of using 5%, the IA explained that this is also the
26 same percentage rate used by the Securities and Exchange Commission (SEC) in assessing any material
27 deficiencies in the Financial Statement (FS) of listed companies. The said rate is also used for statutory audit
28 particularly for companies that were identified as high-risk.
29

30 4.28. According to the IA, this threshold will be applied to all entities and all revenue streams during the
31 reconciliation process.
32

33 4.29. The IA further explained that the 5% is a little different from the threshold that other countries are
34 applying. The IA shared that other countries use one specific monetary value like US\$ 100,000, for example.
35

36 4.30. According to the IA the disadvantage of using one specific monetary value as threshold is that it pre-
37 supposes that all entities are operating at the same production level. Thus, entities that are operating on a
38 lower production level will automatically be excluded for reconciliation even if they were initially included in
39 the list of material companies. To address this, the IA suggested the use of a fixed percentage rate of 5%.
40 Since this rate will be applied on a per entity basis, the threshold for each entity will vary and will really be
41 based on the data that they submitted.

1 4.31. To get the threshold for BIR payments for example, the IA will add all the BIR payments disclosed by
2 the company and the total payment will then be by 5% (please refer to Annex A for a sample calculation).
3 From the discrepancies between the company data and the data provided by the BIR, only those that
4 exceeded the threshold will be reconciled.
5

6 4.32. The IA further explained that they will do the reconciliation and they will look into the schedules of
7 companies that have provided variances that would exceed the 5% threshold.
8

9 4.33. Discrepancies that are below the threshold will just be disclosed. The IA mentioned that it can be
10 indicated in the report that these discrepancies are deemed immaterial or insignificant in the overall
11 exercise.
12

13 4.34. The IA clarified that the same reconciliation process that was explained for BIR payments will also be
14 conducted for payments from other collecting government agencies including Local Government Units
15 (LGUs) and even for the funds. Automatically, all of the revenue streams selected by the MSG will undergo
16 this particular process and none will be excluded.
17

18 4.35. One representative from the government asked if the 5% threshold will also apply for royalty
19 payments.
20

21 4.36. The IA explained that the same rate will still apply for royalties. It was mentioned that the 5% for this
22 particular revenue stream will be based on total royalties or total payments made to the MGB and this will
23 be done on a per company basis as well.
24

25 4.37. A representative of the industry sector asked if the IA is foreseeing any issues on the use of the 5%
26 since this will definitely entail a significant amount of work for them. It was mentioned that the IA might
27 have to reconcile quite a lot.
28

29 The IA responded that they are actually anticipating that the use of 5% may result in consequent work for
30 them. However, they reasoned out that the 5% threshold is prudent and is representative of the objectives
31 that the MSG would want to achieve from the exercise. The IA expressed that they want to work using the
32 5% threshold.
33

34 4.38. If the reconciliation becomes very tedious, the IA mentioned that they will immediately inform the
35 Secretariat and the TWG and have it endorsed to the MSG.
36

37 4.39. According to the IA, once the MSG approve the 5% threshold and the specific reconciliation process
38 discussed, they will already proceed with the inception report by next week to formalize the agreed
39 procedure.
40

41 4.40. One member of the MSG asked for a sample computation using the actual data submitted by the
42 reporting entities.

1 4.41. The IA explained that they cannot make a sample computation using actual data because only MGB
2 has submitted their reporting template.

3
4 4.42. For the information of the body, the IA shared the following updates for each government agency:

- 5
6 - BIR: the IA had initial discussions with the Large Taxpayers Division. They were informed that 18
7 templates were already endorsed to the Commissioner for signature. The IA shared that the BIR
8 representatives already provided them with some of those information during their meeting last
9 Tuesday and they are just waiting for a formal reply from BIR.
- 10
11 - Bureau of Local Government Finance (BLGF)/LGU: 14 LGU templates were received by the IA.
12 However, it was noted that some of the information are not necessarily very specific to each
13 company. What the LGUs provided is on a total industry basis thus, the IA was not able to do the
14 comparison.
- 15
16 - Bureau of Customs (BOC) and Philippine Ports Authority (PPA): These government agencies have
17 committed to provide the reporting template on or before July 10, 2014.
- 18
19 - DOE: The templates have already been endorsed to the Compliance Officer of DOE and they are just
20 awaiting for clearance prior to submission.
- 21
22 - ARMM: The IA requested for a copy of ARMM's revenue code since their Treasurer mentioned that
23 there may be some peculiarities in respect of the royalties that they impose on mining entities. The
24 IA has already been provided with a copy of the revenue code. The IA explained that ARMM
25 essentially follows the Local Government Code (LGC) however, they can still impose other taxes and
26 fees that they deem appropriate within their jurisdiction.
- 27
28 - National Commission on Indigenous Peoples (NCIP): There are no significant updates.

29
30 4.43. According to the IA, they informed all of the government agencies including the participating entities
31 that the deadline for submitting the reporting template was extended until July 4. It was mentioned that the
32 IA also asked the reporting entities to at least provide data on a piecemeal basis so that they can already
33 proceed with the comparison and not necessarily wait for all templates to be completed. For example, if a
34 company is already done with the template for BIR, they can submit this template to the IA even though
35 they are still working on the templates for BOC or PPA.

36
37 4.44. One member of the MSG requested to again be clarified on the reason why the IA opted to use 5%
38 threshold and not a fixed amount. The same MSG member explained that other countries might have a
39 reason for using the fixed amount.

40
41 4.45. The IA reiterated that if they will use one threshold to all companies, entities that are operating at a
42 lower production level will be excluded. For example, if US\$ 1 Million will be used as threshold, as done in

1 other countries, the only the first 5 entities in the list of significant companies will be included for
2 reconciliation and the rest will be excluded because their taxes fall below US\$ 1 million. In contrast, in
3 applying a 5% threshold, the IA will be using the actual information of the company as threshold and
4 benchmark.

5
6 The IA explained that since the MSG has already identified the entities that are deemed important for the
7 exercise, they want to ensure that most of the taxes that these companies declared will at least be covered
8 by the threshold for reconciliation purposes.

9
10 4.46. A representative from the government inquired why Bureau of Treasury (BTr) was not included in the
11 list government agencies that were requested to disclose payments.

12
13 4.47. The Chair explained that the government agencies that were included are those that collect payment
14 from extractive industries. According to the Chair, BTr is the final destination of all payments and its main
15 mandate is for cash management and not for collection.

16
17 4.48. It was stated that the MSG decided to only cover government agencies that they define as collecting
18 agencies.

19
20 4.49. The same government representative clarified that since BTr is not included, the timing difference, if
21 there will be any, will relate to the time when Malampaya is remitted to DOE, for example.

22
23 For clarification, the IA stated that the agreement is that the reported payments should be pertaining only
24 to 2012.

25
26 4.50. It was recalled that the MSG had discussions regarding the timing difference in respect of the share of
27 LGUs from the national wealth. The IA stated that this could be a point of recommendation moving forward.
28 It was reiterated that LGUs have no way of determining the specific amount that came from the mining and
29 oil and gas industry.

30
31 4.51. Going back to the threshold for reconciliation, a representative of the industry sector asked whether
32 the 5% is per reporting entity and per government agency.

33
34 The IA confirmed that the 5% will be applied per reporting entity and per government agency. According to
35 the Chair, it is because the MSG wanted to include as many companies as possible in the reconciliation.

36
37 4.52. Considering that LGU payments are relatively small compared to BIR, BOC and other payments, the IA
38 explained that all payments to the LGUs will automatically be excluded if the 5% will not be applied on a per
39 reporting entity and per government agency basis.

1 • **Approval of the materiality threshold for reconciliation**

2
3 4.53. Considering the foregoing discussions, the body agreed to prioritize companies with total revenue or
4 total assets of at least Php 1 Billion. Subsequently, the body approved the materiality threshold for
5 reconciliation which is 5% variance per company and per payment.
6

7 **5. Status Report on Data Collection**

8
9 5.1. The body was informed that as of July 3, the IA received a total of 13 reporting templates; 10 from the
10 mining sector and 3 from the oil and gas industry.
11

12 5.2. The IA shared that they received a letter from the companies specifying that they do not want to
13 participate in EITI. These two companies are Philodrill Corporation and Citinickel Mines and Development
14 Corp. Considering that both entities are included in the list of companies that the MSG would want to target
15 and prioritize, the IA asked for assistance from the MSG and from the respective government agencies.
16

17 5.3. One member of the MSG asked if the two companies gave specific reasons on why they will not be
18 participating.
19

20 According to the IA, the companies mentioned in their letter that most of the information being requested
21 by the PH-EITI are already presented in financial statement of the company thus, there is no need for them
22 to provide the reporting template.
23

24 5.4. A CSO representative commented that the deadline for submission should not be disclosed to the
25 companies since a mining company that does not want to be reconciled might submit after the deadline.
26

27 5.5. The Chair responded that the body can set an external deadline that is earlier than the actual internal
28 deadline for reconciliation.
29

30 5.6. The IA asked if the MSG will set another deadline for submission. It was recalled that the companies
31 were originally asked submit by June 30 however, the deadline was extended to July 4.
32

33 5.7. According to the Secretariat, if the MSG will keep on re-setting the deadline, companies may always opt
34 to submit on the last day of the deadline. It was then suggested that the body stick with the original
35 deadline. The Secretariat suggested that when making follow-up calls, the IA will inform the companies that
36 late submission will be indicated in the report.
37

38 5.8. A CSO representative raised a concern regarding the effort that the government needs to exert in
39 making sure that the companies report. It was mentioned that as indicated in the EITI requirement, it is the
40 responsibility of the government to ensure that all companies comply.
41

1 5.9. Another CSO representative pointed out that the companies also need to give a valid reason why they
2 were not able to submit on time. The same CSO representative suggested that explanation of the companies
3 should also be included in the report.
4

5 5.10. One representative from the industry sector proposed that the names of the companies that have not
6 yet submitted their reporting template be published in a newspaper. By doing this, the industry
7 representative mentioned the MSG members can really say they tried their best in reminding the
8 companies.
9

10 5.11. The Chair agreed with the proposal of the industry representative. The Chair asked other members of
11 the MSG to do their own press release or publish a news article so that not all articles would need to come
12 from the Department of Finance (DOF). According to the Chair, it will be helpful if the news article will come
13 from the industry sector.
14

15 5.12. A CSO representative proposed that the MSG conduct a press conference that will be attended by the
16 representatives from government, CSO and extractive industry to show that the 3 sectors are united in
17 terms of EITI implementation.
18

19 5.13. A CSO representative follow-up on the suggestion of a press conference, further inquiring whether the
20 MSG has achieved a significant milestone that will merit a press conference. The same representative
21 further stated that a press conference can be arranged but it has to feature a topic that will be interesting
22 enough for the press to pick up; the milestone has to be significant to both the industry and the
23 government's perspective in terms of moving the process along.
24

25 The Chair agreed.
26

27 5.14. The Chair expressed that pushing for a press conference will be better with the BIR templates already
28 submitted. The Chair mentioned that the MSG can actually make a press conference on what has already be
29 done by the EITI given that in essence the EITI is about transparency, disclosure and governance.
30

31 It was mentioned that most of the government agencies are willing to disclose and the BOI, with its refusal
32 to disclose, is only a small part of government.
33

34 5.15. A Government representative further stated that in terms of determining materiality, it would have
35 been more ideal if the body had the data from the reporting entities in order for it to have an idea of what
36 the 5% is. On the other hand, the same government representative recognizes the fact the body cannot
37 delay the determination of materiality.
38

39 5.16. The Chair explained that the 5% can still be reviewed later in the process, especially for the 2nd report.
40 It was mentioned that the MSG will learn a lot from the publication of the 1st report, therefore for the
41 second report, the MSG will know what will work better.
42

1 5.17. The IA reported that other territories aggregate all, for example, income taxes and excise taxes. They
2 then determine the threshold on those specific taxes, not necessarily per government agency and per
3 company and they do the reconciliation on a total basis. If a company falls below the threshold, then it will
4 automatically be excluded. According to the IA the said practice of other countries at least provides an
5 insight that all entities within a particular revenue stream were considered. This presupposes, however, that
6 all relevant information is available.

7
8 According to the IA, this method is something that can be used for the second report. The 2012 data which
9 the IA requested from the companies, more or less, will be parallel with the 2013 data. In terms of doing the
10 scoping for the second report, these information will be relevant.

11
12 5.18. The Chair requested the body to agree, whether or not, the MSG will conduct a press conference. The
13 Chair instructed the Secretariat to prepare a plan with details on what will be discussed, who will be invited
14 and what will be the message.

15
16 5.19. A CSO representative asked if the MSG has a communications person, which the Secretariat confirmed.

17
18 The Secretariat shared that they just hired a communications strategist. It was mentioned that the World
19 Bank issued the contract on July 3.

20
21 5.20. The Chair mentioned that the milestone will be the submission of the templates including the
22 approved materiality threshold and the names of the companies that have already agreed to cooperate.

23
24 5.21. A CSO representative suggested that the companies that have initially complied be recognized as
25 leaders in the industry. Another suggestion was to inform the other companies that they will be reported as
26 non-complaint companies.

27
28 The body agreed to conduct a press conference.

29 30 **6. Other Matters**

31 32 **• Engagement of consultants for the EITI report**

33
34 6.1. The Secretariat recalled the discussion last MSG meeting that several consultants will be hired to work
35 on the following sections of the report: licenses and license allocations, IP processes, overview of the
36 extractive industry and state-owned enterprises.

37
38 6.2. The Secretariat also shared that the IA agreed to write the narratives on the social expenditures,
39 beneficial ownership and special funds. On the other hand, the part on the subnational payments is already
40 being done by a separate consultant who was hired 2 months ago.

41
42 6.3. The Secretariat noted that the legal framework is also being written by a separate legal consultant.

1 6.4. According to the Secretariat, all of the studies will be consolidated and a head writer will be hired in
2 order to digest and provide an abstract of all the studies so that there will be a shortened version that will
3 appear in the EITI report. However, it was noted that all the studies will be stand-alone studies that can be
4 used as reference materials. The Secretariat mentioned that these studies will be a valuable contribution of
5 the EITI in terms of providing literature.

6
7 6.5. The Secretariat shared that the World Bank already approved the funding for the said writers. It was
8 mentioned that the Secretariat already contacted several possible consultants that were also suggested by
9 MSG members.

10
11 6.6. According to the Secretariat, once they have gathered all the credentials of the possible consultants,
12 they will present it to the MSG. The final decision on who to hire will come from the MSG.

13
14 • **Calendar of activities for the second half of 2014**

15
16 6.7. The Secretariat shared that the updated calendar for the 2nd half of 2014 is included in the meeting kit.

17
18 6.8. According to the Secretariat the MSG will stick to its original plan of having the meeting every first
19 Friday of the month, expect for the month of August. To give the IA enough time for data gathering, the
20 meeting for the month of August is scheduled on the 29th.

21
22 6.9. The Secretariat reiterated that a briefing with ARMM is scheduled on the 1st week of August.

23
24 6.10. It was recalled that during the special MSG meeting after the National Conference, there was a
25 suggestion to conduct a separate learning session on how revenues are being managed. The Secretariat
26 shared that the training on revenue management is scheduled on September 4. It was noted that an MSG
27 meeting is also scheduled the day after the said training (September 5).

28
29 • **Financial statement for June 2014**

30
31 6.11. The Secretariat reported that out of the total budget of Php 10.9 million for 2014, around Php 2.7
32 million has already been spent. However, it was noted that Php 3.8 million and Php 786,000 are already
33 allotted for the compensation of the IA and the Secretariat, respectively.

34
35 6.12. A CSO representative invited the MSG members to hold the next MSG meeting at the University of the
36 Philippines (UP), College of Law.

37
38 The body accepted the invitation.

39
40 **ADJOURNMENT**

41
42 There being no other matters to discuss, the meeting was adjourned at 11:00 AM.

Transparency and reliability

MSG Meeting
July 2014

Agenda

Scoping

Materiality

Status update

Scoping - Participating entities

Focusing on key entities that substantially represent respective industries without compromising sufficient representation of the EITI report (Report)

- Companies that have reported either total revenue or assets of PhP1 billion will be in scope (i.e. threshold for top1k corporations)
- Mining - these entities account for 95.9% and 94.2% of total revenue and assets, respectively, of large-scale players.
- OG - participants comprise 97.7% and 99.7% of total revenue and assets, respectively, of exploration/production entities.
- In the overall, there will be 34 companies that will be prioritized for reconciliation purposes. Other submissions will be included as reference and information only in the Report.

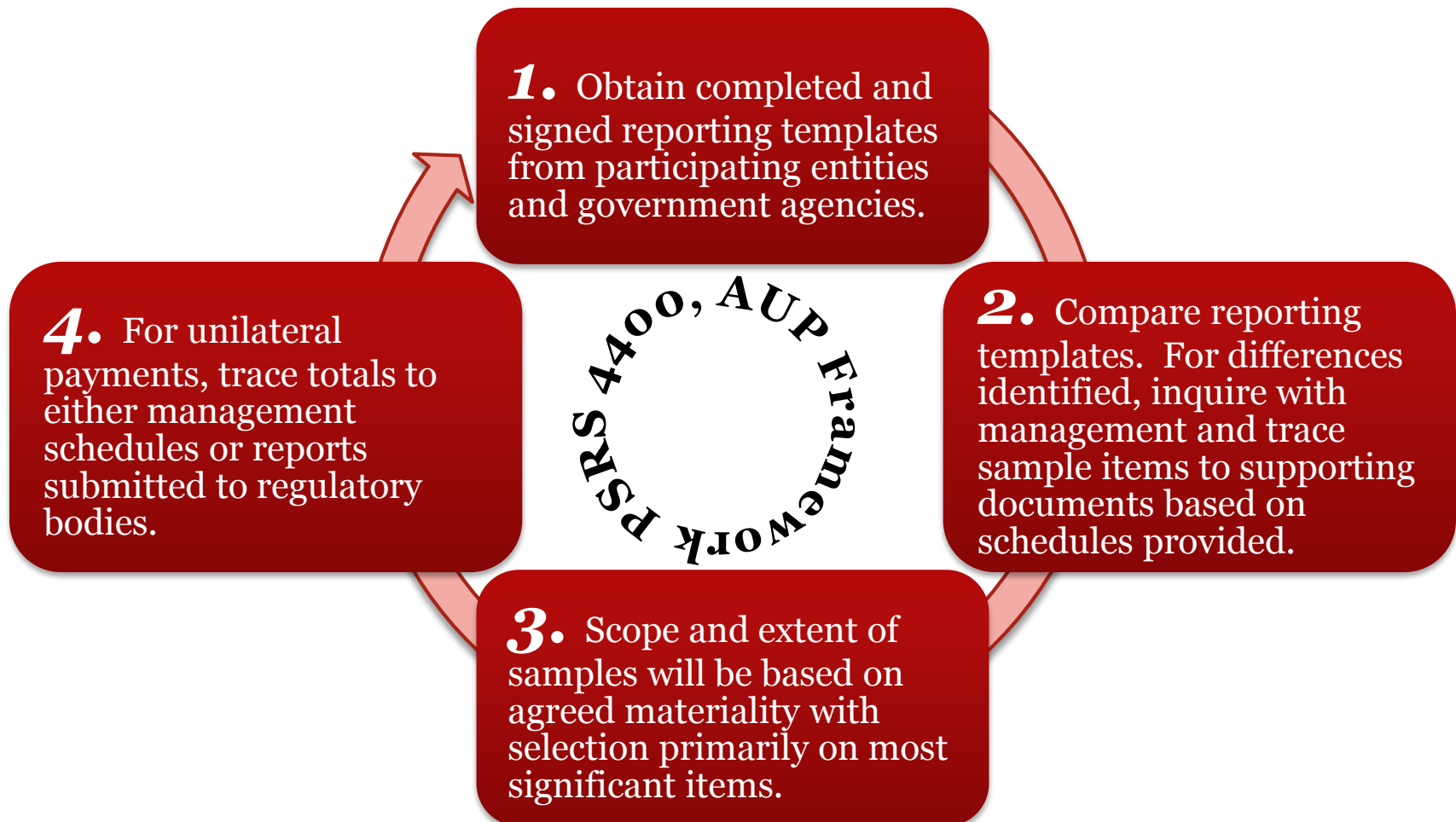
Mining sector

Company Name	YE	Revenue	Assets	Waiver	Template
1 Semirara Mining Corporation	12/31/2012	17,626,630	23,509,432	*	
2 Carmen Copper Corporation	12/31/2012	14,341,352	27,951,970	Y	
3 Philex Mining Corporation	12/31/2012	8,891,316	25,684,197	Y	
4 Platinum Group Metals Corporation	12/31/2012	5,844,205	8,266,214	Y	Y
5 Carrascal Nickel Corporation	12/31/2012	4,481,605	2,012,487	*	
6 Rio Tuba Nickel Mining Corporation	12/31/2012	4,351,141	6,697,546	Y	Y
7 TVI Resources Development Philippines, Inc.	12/31/2012	3,955,066	2,418,282	Y	
8 Adnama Mining Resources Incorporated	12/31/2012	3,160,681	1,857,796		
9 Taganito Mining Corporation	12/31/2012	3,093,866	5,912,504	Y	Y
10 Hinatuan Mining Corporation	12/31/2012	2,888,060	1,809,155	Y	Y
11 Filminera Resources Corporation	6/30/2012	2,817,211	3,810,436	Y	
12 Citinickel Mines and Development Corporation	12/31/2012	2,156,420	3,115,366	*	
13 Lepanto Consolidated Mining Company	12/31/2012	2,130,468	8,984,583	Y	Y
14 SR Metals, Incorporated	12/31/2012	1,991,829	1,742,075		
15 Apex Mining Company Inc.	12/31/2012	1,817,322	4,035,286	Y	Y
16 Rapu-Rapu Minerals, Inc.	12/31/2012	1,700,856	1,637,633		
17 Benguet Nickel Mines, Inc.	12/31/2012	1,189,716	1,193,805	Y	
18 Berong Nickel Corporation	12/31/2012	1,189,716	1,193,805	Y	
19 Cagdianao Mining Corporation	12/31/2012	1,130,033	1,233,376	Y	Y
20 Eramen Minerals, Inc.	12/31/2012	1,075,532	525,851	Y	
21 Marcventures Mining and Development	12/31/2012	697,491	1,390,583	Y	
22 Greenstone Resources Corporation	6/30/2012	200,750	6,540,952		Y
23 Philsaga Mining Corporation	6/30/2012	136,726	8,669,551	Y	
24 Oceana Gold Inc.	12/31/2012	-	18,893,413	Y	

Oil and gas sector

Company Name	YE	Revenue	Assets	Waiver	Template
1 Chevron Malampaya LLC	12/31/2012	31,995,070	47,355,528	Y	Y
2 Shell Philippines Exploration B.V.	12/31/2012	28,847,382	28,728,794	Y	Y
3 PNOC - Exploration Corporation	12/31/2012	8,885,499	13,963,456	Y	Y
4 Galoc Production Company	6/30/2012	1,346,438	2,611,700	Y	
5 The Philodrill Corporation	12/31/2012	714,242	3,350,506	*	
6 Oriental Petroleum & Minerals Corp.	12/31/2012	675,655	25,958,076		
7 Forum Energy Philippines Corp.	12/31/2012	203,595	1,791,338		
8 TransAsia Oil & Energy Devt. Corp.	12/31/2012	75,068	7,406,662		
9 Alcorn Gold Resources Corp.	12/31/2012	4,140	1,378,819		
10 Nido Petroleum Phils. Pty. Ltd.	12/31/2012	-	1,941,370	Y	

Reconciliation process



Extent of reconciliation

Reconciliation will be conducted for all entities in scope across all revenue streams with extent to be based on determined materiality

- Fixed rate of 5% will be used as materiality threshold to be applied against reported revenue stream per government agency.
- 5% is used by the SEC in the review of public companies particularly in assessing possible material deficiencies. Likewise, used in statutory audits of high risk engagements.
- Essentially, each entity and revenue stream will be covered during the reconciliation.
- Other territories have adopted a uniform monetary threshold (e.g. US\$100k) in investigating and evaluating differences.

Illustration

Bureau of Internal Revenue	Per client	Per BIR	Variance	For recon
Excise tax on minerals	100	140	40	Y
Corporate income tax	350	320	(30)	N
Withholding tax				
Foreign shareholder dividends	40	40	-	N
Profit remittance to principal	50	55	5	N
Royalties to claim owners	200	260	60	Y
Improperly accumulated retained earnings tax (IAET)	15	15	-	N
	755	830	75	
Percentage rate	<u>5%</u>			
Threshold	<u>-----38</u>			

*** Total untested reconciling items should not exceed threshold**

Activities with government agencies

Discussions	Details
BIR	<ul style="list-style-type: none"> • Responding to queries and areas for clarification • Confirming level of detail needed based on current system • Expected to receive early next week, initial templates for entities that submitted respective waivers • Determining RDO for non large taxpayers
BLGF/LGU	<ul style="list-style-type: none"> • Identifying information that may be provided by BLGF • Coordinating with the different LGUs for information requested • To date, total of 14 LGUs have provided their templates
ARMM - Treasury	<ul style="list-style-type: none"> • Initial understanding of ARMM regulations over mining entities • Determining appropriate schedule for fieldwork
BOC/PPA	<ul style="list-style-type: none"> • Commitment obtained for templates on or before 10 July
MGB	<ul style="list-style-type: none"> • Received completed templates
DOE	<ul style="list-style-type: none"> • Accomplished templates were already endorsed to Compliance officer for clearance prior to submission

Questions?

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