

1 **PH-EITI 24th MSG MEETING**
2 **9:00 AM - 1:00 PM | July 3, 2015**
3 **Visayas Room, Department of Finance,**
4 **Roxas Blvd., Manila**

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6
7 **Attendees:**

| | | |
|----|---------------------------------------|---|
| 8 | | |
| 9 | Asst. Sec. Ma. Teresa S. Habitan | Department of Finance (DOF) |
| 10 | Charmaine Bagacay | DOF |
| 11 | Benjamin Mortos | Department of Energy (DOE) |
| 12 | Marilyn Posada | DOE |
| 13 | Engr. Romualdo Aguilos | Mines and Geosciences Bureau—Department of 14 Environment and Natural Resources (MGB-DENR) |
| 15 | Michael Joseph Juan | Union of Local Government Authorities (ULAP) |
| 16 | Asst. Comm. Nestor Valeroso | Bureau of Internal Revenue (BIR) |
| 17 | Atty. Teresita Angeles | BIR |
| 18 | Roland Dela Paz | BIR |
| 19 | Pamela Quizon | Bureau of Local Government Finance (BLGF) |
| 20 | Melcy Baluyan | BLGF |
| 21 | Rowena Paril | BLGF |
| 22 | Rosanna Salvador | BLGF |
| 23 | Dir. Carmencita Delantar | Department of Budget Management (DBM) |
| 24 | Atty. Jeanette Florita | National Commission on Indigenous Peoples (NCIP) |
| 25 | Atty. Jonathan Adaci | NCIP |
| 26 | Genilyn Minardo | Bureau of Customs (BOC) |
| 27 | Dr. Cielo Magno | Bantay Kita |
| 28 | Prof. Maria Aurora Teresita W. Tabada | Visayas State University |
| 29 | Prof. Jay Batongbacal | University of the Philippines, College of Law |
| 30 | Ronald Allan A. Barnacha | Philippine Rural Reconstruction Movement (PRRM)/ North 31 Luzon |
| 32 | Roldan R. Gonzales | GITIB, Inc. |
| 33 | Starjoan Villanueva | Alternate Forum for Research in Mindanao, (AFRIM) Inc. |
| 34 | Chadwick Llanos | Cebu Alliance for Safe and Sustainable Development 35 (CASSE) |
| 36 | Gerard Brimo | Nickel Asia Corporation (NAC)/Chamber of Mines of the 37 Philippines (COMP) |
| 38 | Angel Villamor | NAC/COMP |
| 39 | Ronald S. Recidoro | COMP |

1 Sebastian Quiniones, Jr. Shell Philippines Exploration BV (SPEX)/ Petroleum
2 Association of the Philippines (PAP)
3 Atty. Gay Alessandra V. Ordenes Secretariat
4 Sharon Feliza Ann Macagba Secretariat
5 Abigail D. Ocate Secretariat
6 Mary Ann Rodolfo Secretariat
7 Liezel Empio Secretariat
8 Mary Grace Estacio-Jurado Secretariat
9 Joy Saquing Secretariat
10 Lucielle Campanero Secretariat
11 Ryan Dael Secretariat
12 John Martin Arreola Secretariat

13
14 RESOURCE PERSONS:

15
16 Pocholo Domondon Isla Lipana & Co.
17 Corina Molina Isla Lipana & Co.
18
19

20 AGENDA:

- 21 • Minutes of the 23rd MSG meeting
22 • Matters arising from previous MSG meetings
23 • Presentation on ore shipment flowchart
24 • Approval of reporting template for the 2nd report
25 • LGU Roadshow
26 • Validation
27 • Mid-year assessment on EITI implementation
28 • Other matters
29
30

31 **1. Call to Order**

32
33 1.1. The Philippine Extractive Industries Transparency Initiative (PH-EITI) Multi-Stakeholder Group (MSG)
34 meeting was called to order at 9:00 AM.
35

36 1.2. The Secretariat suggested to add in the agenda the updates regarding company briefings that were
37 conducted last week.
38

39 The body approved the revised agenda.
40

1 **2. Minutes of the 23rd MSG meeting and special meeting**

2
3 2.1. The Secretariat shared that they received a comment on page 15 of the minutes of the special MSG
4 meeting. A representative of Civil Society Organizations (CSO) proposed that item 2.130 be worded to read
5 as follows: “The same representative also noted that of the 33 MOAs from NCIP, only 5 MOAs covered the
6 actual project of the companies. All the other MOAs did not match the location of the projects which
7 indicates that not all the MOAs covering the concerned mining projects were provided by NCIP.”
8

9 2.2. The minutes of the meeting was approved.
10

11 **3. Matters arising from previous MSG meetings**

12
13 3.1. *Establishment and management of a revenue-linked database:* The body was informed that the
14 Secretariat is currently working with the Open Data Philippines regarding this matter.
15

16 3.2. *Offer of Timor Leste to conduct training for the PH-EITI MSG on the Petroleum Fund Process:* The
17 Secretariat recalled that the MSG previously agreed to defer the discussion of this item in future meetings.
18

19 3.3. *Copies of Bureau of Internal Revenue (BIR) and Mines and Geosciences (MGB) reports to the Department*
20 *of Budget and Management (DBM) regarding their collections per Local Government Unit (LGU) and per*
21 *company to be made available to PH-EITI to be part of the next report:* According to the Secretariat, this item
22 will be implemented when the Independent Administrator (IA) starts the data gathering process.
23

24 3.4. *Template revision:* The Secretariat stated that the approval of the draft reporting templates is part of
25 the main agenda for today’s meeting.
26

27 3.5. *Addressing legal barriers to EITI implementation:* It was recalled that during the last meeting, the MSG
28 members agreed to draft a resolution supporting the Tax Incentive Management and Transparency Act
29 (TIMTA). The Secretariat noted that the draft resolution is included in the kits and will be discussed during
30 the meeting.
31

32 3.6. *PH-EITI Secretariat’s institutionalization:* This item will also be discussed during the meeting. The
33 Secretariat mentioned that they will give updates regarding their recent communications with the DBM and
34 with the concerned people from DOF to discuss the institutionalization of the Secretariat.
35

36 3.7. *Draft of EITI Bill:* According to the Secretariat, there was a previous agreement that pending resolution
37 of the issue on whether or not company participation will be made mandatory, the MSG will not yet propose
38 an EITI bill to the congress. However, during the legislator’s forum and the pre-validation workshop, MSG
39 members who attended the event agreed to revisit the decision with regard to proposing an EITI bill.
40

41 As an update, the Secretariat shared that there is a pending bill filed by Cong. Padilla which contains
42 provisions on the creation of EITI including mandatory participation of companies and sanctions for non-

1 participation. A copy of that bill is included in the kits for discussion. It was mentioned that the MSG
2 members have to come up with a common position because DOF has been asked to give its official position
3 on the bill.
4

5 3.8. *Uploading of MGB documents.* The Secretariat noted that there is already significant progress in
6 scanning the MGB documents. However, some documents are still being asked from the regional MGB
7 offices.
8

9 In relation to this, a representative of the MGB shared that they have sent a letter to all regional offices
10 which have metallic mining operations in their jurisdiction, asking them to submit all the necessary reports
11 not later than July 15, 2015.
12

13 3.9. It was shared that an inventory of the documents that were asked from MGB including the status of
14 scanning, is included in the meeting kits. The Secretariat noted that some documents have already been
15 uploaded in the Open Data website while some have been scanned but not yet uploaded.
16

17 3.10. *Guidance on the selection process for MSG members:* The Secretariat reported that they are still
18 waiting for the written guidelines from the industry sector.
19

20 3.11. *EITI participation as a precondition for permits:* It was recalled that the Secretariat was previously
21 tasked to list down all permits that are being required from mining companies so that the MSG can discuss
22 which of these permits can be dispensed with in exchange for the company's participation in EITI.
23

24 It was also recalled that industry representatives were tasked to recommend an approach that is acceptable
25 to the companies. The Secretariat reported that this matter is still pending.
26

27 3.12. *Board of Investments (BOI) and BIR incentives:* The Secretariat noted that during the last meeting, the
28 BOI representative was asked to provide an official legal opinion on the disclosure of information and
29 documents that are being asked by the MSG.
30

31 The body was informed that a letter-request has already been sent to BOI regarding this matter.
32

33 3.13. *Proposed amendment to the Local Government Code (LGC):* The Secretariat reported that this matter is
34 still pending. The Technical Working Group (TWG) still has to meet and further discuss the proposed
35 amendments.
36

37 3.14. *MGB regional directors should be convened:* It was explained that the original plan was to meet with
38 the regional directors and orient them on the EITI process during the expanded meeting of MGB which was
39 tentatively scheduled in July. However, the MGB representative explained that the expanded meeting has
40 already been conducted in June while the management conference scheduled in June was moved to July.
41 The same representative mentioned that the meeting in July will be conducted in General Santos City.

1 Nevertheless, the MGB representative noted that they are still looking at the possibility of having another
2 expanded meeting in August where the EITI can be part of the agenda.

3
4 3.15. *Digitization of reporting at local level*: According to the Secretariat, a TWG meeting will be conducted
5 in the next couple of weeks to discuss this matter. In relation to this, it was mentioned that the Secretariat
6 has already identified the open data champion for each reporting government agency.

7
8 3.16. *Production data*: The Secretariat noted that this item will be discussed during the meeting.

9
10 3.17. *Small-scale mining (SSM)*: The body was informed that a template for SSM will be drafted once the IA
11 is officially engaged.

12
13 3.18. *Documents requested from agencies*: It was mentioned that the Secretariat was asked to create an
14 inventory of all the documents that they have requested from government agencies. As earlier mentioned,
15 the inventory is included in the meeting kits.

16
17 3.19. After the presentation of matters arising from previous meetings, the Chair asked the members of the
18 MSG to submit their comments on both the draft resolution supporting TIMTA and the pending EITI bill by
19 the following Friday.

20
21 3.20. The Chair expressed that Cong. Padilla's bill is one of the several bills in congress which covers or
22 discusses a change in the mining fiscal regime. However, it was pointed out that this is the only bill which
23 has a provision creating EITI.

24
25 3.21. The Chair clarified that the MSG should only comment on EITI-related provisions of the bill.

26
27 3.22. According to the Secretariat, an important point for consideration is to separate the discussion on the
28 creation of EITI and the issue of whether company participation will be made mandatory. It was noted that
29 based on previous discussions, the members of the MSG are all in agreement that the Secretariat should be
30 institutionalized under a particular government agency. However, the institutionalization of the PH-EITI
31 office and the Secretariat is being delayed because the discussion is always linked with how the MSG will
32 encourage the companies to participate.

33
34 The Chair agreed and asked the MSG members to take note of the suggestion.

35 36 **4. Presentation on ore shipment flowchart**

- 37
38 • **Industry presentation**

39
40 4.1. As requested by the MSG, a representative of the industry sector presented an overview of the
41 procedures for each ore shipment. The presentation included process for securing permits, the government

1 agencies involved, as well as determination of weights and assays (the presentation material is attached as
2 Annex A).

3
4 4.2. According to the industry representative, the presentation is specifically on nickel ore shipment of
5 Taganito Mining Corporation. Nevertheless, it was noted that the process is very similar with gold and
6 copper ore shipment.

7
8 4.3. The body was informed that Taganito is operating within the Surigao mineral reservation area making
9 the process a bit more complicated since the company pays royalty to MGB.

10
11 4.4. The industry representative presented the details of the contract to sell that Taganito executed in
12 August last year. The details include the following:

- 13 ➤ product
- 14 ➤ grade of ore
- 15 ➤ moisture content
- 16 ➤ tonnage

17
18 4.5. With regard to the final determination of weight, the industry representative explained that weighing is
19 being done at the loading port by draft survey. According to the industry representative, the vessel sits at a
20 certain height above sea level when it is empty and when it is loaded with ore. Using the difference in height
21 and applying certain formulas, the weight of the ore will be determined. The determination of weight will be
22 made by the vessel captain together with the representatives from MGB and the seller.

23
24 4.6. It was mentioned that when the shipment arrives in Japan or China, the weight of the ore will again be
25 computed just for information. The industry representative mentioned that in the specific contract
26 presented and in most contracts, the draft survey report determines the final weight of the shipment.

27
28 4.7. The industry representative then proceeded to explain ore assay procedures. According to the same
29 representative, the ore will be sampled by the seller at loading port and by the buyer at the discharge port.
30 In the contract presented, the buyer and seller agreed to have a third party surveyor which is the Intertek
31 Testing Services. On behalf of the buyer, Intertek sampled the ore at the discharge port.

32
33 4.8. In accordance with the terms of the contract, if the difference between the average of both assays of
34 Intertek and the seller is less than .05% nickel grade then the mathematical average is the final grade.
35 However, if the difference is greater than .05% the company will try to amicably settle with the buyer or
36 again submit samples to another third party who will do the assay. This will then be the final determination
37 of the nickel grade.

38
39 4.9. The industry representative pointed out that the buyer can actually reject the shipment if the nickel
40 grade is lower than what the company declared. For example, if the company declared that the nickel grade
41 of the ore they are selling is 1.5% but the Intertek determined at the discharge point that it is only 1.45%,
42 the buyer can reject the entire shipment.

1 4.10. A CSO representative asked who will cover the loss in case the shipment was cancelled.
2
3 4.11. The industry representative explained that since the buyer pays for the freight, they will cover the cost
4 of the freight in case the shipment was cancelled. The same representative noted that this is the reason why
5 it is important for the buyers to know who they are dealing with.
6
7 4.12. It was shared that four government agencies are involved in the process. These are MGB, BIR, BOC and
8 PPA. The industry representative explained the involvement of each agency.
9
10 4.13. The first step will be application for the Tax Clearance Certificate (TCC). The company secures a tax
11 clearance certificate from the BIR allowing them to pay excise tax on a quarterly basis instead of paying the
12 tax upon removal of the ore. It was explained that the actual market value of the ore cannot be determined
13 at the time of removal.
14
15 4.14. In lieu of the payment of excise tax at time of removal, the company posts a bond equivalent to the
16 excise tax. The company will submit the application for TCC together with the notice of removal of the
17 mineral ore and a copy of the surety bond. Companies will also pay a Php 100 processing fee. The BIR
18 regional office will then issue the TCC and the official receipt for the processing fee. After this, the company
19 will apply for permit to export.
20
21 4.15. The company will go to MGB for the registration of the sales contract and the payment of the
22 advanced royalty on mineral reservation. A letter request, copy of the sales contract and the provisional
23 invoice showing the weight and assay will be submitted to MGB. After submitting the requirements, MGB
24 will issue the order of payment which shows the computation of the royalty based on the weight and assay
25 per contract.
26
27 4.16. After paying the advance royalty, the company will request for an ore stockpile validation wherein a
28 representative of MGB will go to the mine site to validate that the ore is ready for shipment.
29
30 4.17. A CSO representative inquired on what would happen to the advance royalty payment in case the
31 buyer rejects the shipment.
32
33 The industry representative responded that they have not yet experienced having their shipment rejected.
34
35 4.18. It was noted that since the advance royalty is based on estimated weight and assay which could be
36 different from the final figures, adjustments will have to be made in the next quarter.
37
38 4.19. Once the company has the validation report of the ore, they will now apply for the Ore Transport
39 Permit (OTP) and the Mineral Ore Export Permit (MOEP). The MGB will issue the OTP and MOEP after the
40 company submits the necessary documents.

1 4.20. After securing the necessary permits from BIR and MGB, the company would have to pay export
2 declaration to the Bureau of Customs (BOC). The company will then secure the following
3 permits/certifications from BOC:

- 4 ➤ authority to load
- 5 ➤ permit for the LCP
- 6 ➤ ship site permit
- 7 ➤ boarding permit

8
9 4.21. Several documents will also be submitted to BOC including the documents issued by BIR and MGB.
10 Once the BOC has validated the documents and has issued the necessary permits, the company will start
11 loading the ore to the barges. After loading, the final draft survey report will be prepared.

12
13 4.22. As for wharfage fee, the industry representative mentioned that the company would get the PPA
14 computation of the wharfage fee.

15
16 4.23. Going back to royalty in mineral reservation, since the companies are only paying the royalty in
17 advance based on the estimated weight and assay, reconciliation of royalty payments with MGB is being
18 done on a quarterly basis. The company will go back to the MGB to submit a copy of the final invoice,
19 certificate of lading, certificate of quality, OTP, MOEP and a copy of MGB's official receipt for the advance
20 royalty paid including the vessel captain receipt of the cargo.

21
22 After MGB has validated the documents and made a proper reconciliation, an order of payment will be
23 issued if the royalty was underpaid. On the other hand, if the company has actually overpaid, the amount
24 will be carried over in the next shipment.

25
26 4.24. With regard to excise tax, the industry representative explained that the company files and pays the
27 excise tax on a quarterly basis using the electronic filing and payment system of BIR. For shipments made
28 during the quarter, the excise tax is based on the final weight and assay. However, there are shipments
29 wherein the final weight and assay will only be available in the next quarter. In this case, adjustments for the
30 shipment will be reflected in the succeeding quarter. At year end, any adjustment in excise tax based on the
31 audited year and numbers will be reflected in the amended excise tax returns for the year.

32
33 4.25. The industry representative mentioned that BIR annually audits the companies by issuing the letter of
34 authority to audit.

35
36 4.26. A CSO representative asked if the process that was presented is similar for gold ore shipment. A
37 representative from MGB clarified that there is a different process for copper and gold ore.

38
39 4.27. The same CSO representative suggested to schedule a presentation on gold and copper ore shipment
40 in the next MSG meeting.

41

1 4.28. One member of the MSG pointed out that based on the flowchart presented, regional MGB offices
2 should have an inventory of the minerals that have been transported. In this regard, it was suggested that
3 MGB regional offices be asked to submit the summary of the total ore that were shipped per company
4 including the average price for that year so that these information can be included in the next EITI report.
5

6 4.29. The same representative also suggested that the presentation be included in the contextual
7 information of the report.
8

9 ➤ **BIR presentation**

10
11 4.30. The representative from BIR presented the role of the agency in the ore shipment process (the
12 presentation material is attached as Annex B).
13

14 4.31. According to the BIR representative, one of their monitoring tools is the Assignment of Revenue-
15 Officers-On-Premise (ROOPs).
16

17 The ROOPs are in charge of monitoring the daily transactions pertaining to the movement of the mineral
18 products. ROOPs shall also ensure that excise taxes are accurately and timely paid. However, the BIR
19 representative noted that this condition of assignment of ROOPs is not actually being practiced because of
20 lack of BIR personnel.
21

22 4.32. According to the same representative, the division in charge of monitoring is composed of 108
23 personnel; 30 of them are in the national office and only 78 is spread in the entire country. It was mentioned
24 that half of the 78 personnel are assigned in Metro Manila.
25

26 4.33. With regard to the processing of the application for permit to export, the BIR representative shared
27 that one of the conditions is also the assignment of a revenue officer who will verify whether the removal is
28 covered by excise tax payment or if there is sufficient bond to allow payment of excise tax. The revenue
29 officer will also verify the proof of exportation of previous shipments.
30

31 4.34. The BIR representative added that part of the conditions in the permit to operate is for the mining
32 companies to maintain an official register book and submit regular reports. The official register book shall
33 include all the transactions within the mining company and the movement of ore from extraction.
34

35 4.35. For the information of the body, it was mentioned that companies are required to submit a sworn
36 declaration on an annual basis showing the following:

- 37 ➤ Kind, quantity, actual market value of the mineral product quarried
- 38 ➤ Cost of Production and expenses incurred or to be incurred until the aforesaid mineral product are
39 finally sold
40

41 In addition, the BIR representative mentioned that companies are also submitting a report on the volume of
42 the mineral product actually extracted, quarried and processed.

1 4.36. The same representative shared that not all companies are diligent in submitting the necessary
2 reports. This may be due to the fact that these reports have only been required under the new permit to
3 operate.
4

5 4.37. The BIR representative expressed the need to update the agency's revenue regulation. It was noted
6 that the revenue regulation that is currently being implemented was issued in 1994.
7

8 4.38. According to the same representative, part of the work of BIR is the conduct of audit wherein all the
9 transactions are being verified on an annual basis. The value and volume of minerals removed will be
10 validated against the supporting documents such as:
11 ➤ Sales Contract
12 ➤ Ore Transport Permit
13 ➤ Mineral Ore Export Permit
14 ➤ Export Declaration
15 ➤ Reconciliation between Provisional and Final Invoice
16 ➤ Official Register Book
17 ➤ Proof of Exportation
18 ➤ MGB Production Report
19 ➤ Audited Financial Statements
20

21 4.39. The BIR representative shared that they have no designated personnel in each mine site. It was
22 mentioned that BIR personnel are stationed in the regional office since monitoring is being done at the
23 regional level.
24

25 4.40. One member of the MSG clarified whether all mining companies pay excise tax on a quarterly basis.
26

27 4.41. The BIR representative responded that companies are required to submit all the documents pertaining
28 to the final invoice within 90 days. Officials from the BIR central office would then validate whether there
29 are still adjustments and payments to be made. However, it was noted that most of the time, companies
30 request for an extension because 90 days is not enough.
31

32 4.42. A representative of the CSO proposed that BIR make recommendations to the government for the
33 agency to have additional personnel.
34

35 4.43. The BIR representative agreed and mentioned that they already requested that the ROOPS be given
36 overtime pay for working even during weekends.
37

38 4.44. The MGB representative shared that they have a copy of the site and spot validation reports and that
39 they will provide a copy to the Secretariat.
40

41 4.45. One representative of the MSG asked how often MGB implements the spot validation.

1 4.46. The MGB representative replied that site validation is being conducted every shipment while the spot
2 validation is being conducted randomly.

3
4 4.47. The body was informed that during site validation, MSG estimates the volume of ore to be extracted
5 and to be removed from the site or from the stockyard.

6
7 4.47. One member of the MSG inquired whether MGB has assigned personnel for every mine site.

8
9 4.48. The MGB representative admitted that lack of manpower is one of their problems.

10 11 **5. Approval of reporting template for the 2nd report**

12
13 5.1. The Secretariat shared that the templates provided to the MSG members already reflect the
14 agreements during the meeting in June wherein the specific details of the templates were discussed by the
15 MSG. However, the industry representatives submitted additional comments which will be discussed during
16 the meeting.

17
18 5.2. According to the industry representative, their comments are basically focused on payments to LGUs.
19 One of their suggestions is to remove toll fees and extraction fees under “fees under LGC”.

20
21 5.3. An industry representative explained that they do not want to encourage LGUs to impose fees that they
22 are not supposed to impose. The same representative suggested that the LGUs be asked to just indicate
23 under subnational payments other collections based on their local ordinances.

24
25 5.4. The body agreed to delete toll fees, extraction and local wharfage fees.

26
27 5.5. It was clarified that these payments will still be reflected in the report if the companies are paying and if
28 the LGUs are collecting these payments.

29
30 5.6. A representative of Bureau of Local Government Finance (BLGF) reported updates on the LGU reporting
31 system. It was noted that BLGF will come up with a new system wherein they will capture all the information
32 required under EITI. The same representative mentioned that they need the final LGU reporting template so
33 that they can start developing the system.

34
35 5.7. Regarding timelines, the BLGF representative shared that the developer has until December 2015 to
36 finish the system while pilot testing will be on November 2015. Thereafter, LGU reporting will be web-based.

37
38 5.8. To cater to the data requirements of EITI, the BLGF representative shared that the system will be on a
39 per transaction, per company and per LGU basis. The same representative also relayed that there is a
40 directive from the Secretary requiring provincial and municipal treasurers to report accurately and on time.
41 The names of the LGUs that will not comply will also be published.

1 5.9. On additional information, the industry representative suggested to remove the questions regarding
2 production volume because LGUs are not involved in the process of producing this kind of information.
3

4 5.10. A CSO representative proposed that instead of volume, information on sales be required in the LGU
5 template.
6

7 5.11. The industry representative agreed with the suggestion. LGUs according to the representative should
8 have this information since business tax is based on sales.
9

10 5.12. A CSO representative explained that the MSG would want to know the basis of LGU impositions, which
11 for the most part is sales data.
12

13 5.13. The body agreed to replace production volume in the LGU template with information on sales.
14

15 5.14. Related to the LGU template, a CSO representative suggested to add a table under “infrastructural
16 projects funded by the companies”. The table should include the following:
17 ➤ item
18 ➤ purpose of the project
19 ➤ recipient
20 ➤ value of the project
21

22 5.15. To clarify, it was mentioned that the table refers to infrastructure projects that were built as part of
23 the Corporate Social Responsibility (CSR) of the company.
24

25 5.16. An ULAP representative however contended that it is possible for the LGUs not to know how much
26 would the projects cost since sometimes the companies directly implement the project.
27

28 5.17. A CSO representative also raised the possibility that LGUs might get confused with what the
29 "infrastructure projects" mean in the template. He cited an example wherein a mining company would build
30 roads to gain access to the site and that same road may also be used by the residents in the area. The LGUs
31 may get confused between the road being part of the companies' CSR projects or merely an infrastructure
32 incidental to the mining operation. In addition, it is still a question whether LGUs can distinguish projects
33 that that are part of SDMP or not.
34

35 5.18. Another CSO representative then suggested that the LGUs be asked to report all infrastructure projects
36 that they are aware of and just figure out in the reconciliation process which projects are under CSR or
37 SDMP. By doing so, the MSG will determine the contributions of the mining companies from the perspective
38 of the LGUs, regardless of whether the projects fall under CSR or SDMP.
39

40 5.19. On the side of the companies, the same representative mentioned that they are required to distinguish
41 the infrastructure projects under CSR and SDMP.

1 5.20. The Secretariat however stated that LGU reports will only be limited to the type of the project, and not
2 the valuation.
3

4 5.21. The CSO representative agreed and suggested that the LGUs will only be asked to report the project
5 specifications.
6

7 5.22. On the other hand, a different CSO representative commented that the MSG should not assume that
8 LGUs do not know the amount of the project. It was then suggested that the amount of the project be asked
9 from LGUs and just ask them to indicate in the template if they have no information. In this way, the MSG
10 will have a basis for saying that LGUs are not aware of the value of infrastructure projects.
11

12 5.23. The Chair however responded that the LGUs might question whether or not they should know the
13 project valuation.
14

15 5.24. According to the Chair, the MGS should be very careful on what to ask in the template since LGUs
16 could have certain presumptions on what is behind the question. For instance, the LGUs might think that
17 they are expected to know the amount of the project.
18

19 5.25. The Chair pointed out that currently, there is no official requirement for LGUs to determine the value
20 of infrastructure projects.
21

22 5.26. The former IA mentioned that based on the LGU reports last year, it has already been established that
23 LGUs do not know the value of projects implemented by companies. This is because most of the LGUs did
24 not include a corresponding value for the items that they reported under grants and donations. It was also
25 shared that during the roadshows, the LGUs openly declared that they do not have any monitoring systems
26 in place for the valuation of company projects.
27

28 5.27. To address concerns on the accuracy of the amounts declared by the companies, it was mentioned
29 that the IA can actually confirm with the companies whether the funded projects are included in the
30 financial statements as fixed assets or expenditures. If indeed included in the financials of the company, the
31 former IA explained that the MSG can be assured that these projects were audited by a third party.
32

33 5.28. The former IA added that if the infrastructure projects are part of the company's fixed assets, then it is
34 something that was really constructed for the companies' benefit. In which case, other aspects such as LGUs
35 having access to the infrastructure projects are just incidental. If the projects are not part of the fixed assets,
36 then these projects are actually made in favor of the community or the LGU.
37

38 5.29. A CSO representative then suggested to change the label in template to "infrastructure projects
39 funded by the companies from which the LGU benefits."
40

41 5.30. One MSG member clarified if LGUs would only report projects that were accomplished during the
42 reporting period or all completed infrastructure projects.

1 5.31. The Chair suggested that all existing projects as of the reporting period be included so that the MSG
2 would have baseline information on infrastructure projects.
3

4 5.32. A CSO representative recommended to add in the template the year when the infrastructure was built.
5

6 5.33. The Chair mentioned that the baseline information on infrastructure projects has value in the
7 contextual information part of the report. It was clarified that the projects will not necessarily be compared
8 with the sales data and payment collections for the reporting period.
9

10 5.34. A CSO representative proposed that the MSG also ask the LGUs for information on environmental
11 impacts of mining operations. For example, information on how mining operations affected the total forest
12 area in the LGU concerned.
13

14 5.35. The Chair responded that a baseline information is still needed to report the environmental impacts.
15 Also, it was noted the MSG should discuss whether or not this information should be part of the EITI report.
16

17 5.36. A representative from MGB pointed out that valuation of environmental impacts of mining will be
18 covered by the Wealth Accounting and the Valuation of Ecosystem Services (WAVES).
19

20 5.37. In order to have the total environmental context, one representative of the CSO suggested to have a
21 separate chapter in the contextual information analyzing the Environmental Impact Assessment (EIA), the
22 Social Impact Assessment (SIA) and the current Multi-partite Monitoring Team (MMT) reporting per
23 company.
24

25 5.38. An industry representative noted that a mining company which degrades the environment to the point
26 that it is not complying with its Environmental Compliance Certificate (ECC), can be shut down. However,
27 the government agency that can do that is the MGB and not the LGUs. On the other hand, the same
28 representative stressed that LGUs can report a company to MGB if there are environmental problems
29 caused by the operation.
30

31 Also, the industry representative pointed out that an LGU representative including an accredited NGO are
32 actually part of the MMT which quarterly monitors the mining operations.
33

34 5.39. A CSO representative proposed to conduct an independent analysis of the EIA, SIA and MMT reports
35 and make it part of the contextual report.
36

37 5.40. The industry representative replied that the suggested analysis would be complicated and that all
38 quarterly MMT reports could not be included in the report because of the size of these documents. The
39 same representative also said that such is not the duty of the MSG.
40

41 5.41. The CSO member explained that the purpose of the suggestion is for the public to know whether the
42 regional MGB in their province is functioning or not.

1 5.42. The Secretariat asked what would be expected in the suggested analysis of the MMT reports.
2

3 5.43. The CSO representative answered that the goal is to provide a description of the EIA and SIA including
4 the details in the MMT reports. The analysis, should include information such as the identities of the MMT
5 members, efficiency of the monitoring team, and the contents of the report, among others.
6

7 5.44. The Secretariat raised that if the MSG would decide to come up with an analysis of the MMT reports, it
8 will be good that the expectations of the body will be laid down first. Because based on the experience last
9 year when a narrative of the contents of the report was provided and was crossed checked with the
10 requirements of the law, the Secretariat pointed out that there was a question on how the requirements of
11 the law should be interpreted.
12

13 The Secretariat cited the IP Memorandum of Agreement (MOA) as an example. There was a requirement
14 that there should be translation of the document to local dialects but the findings revealed some were not
15 able to comply, hence, there was a recommendation that the MOAs be translated. However, the industry
16 pointed out that if the IPs agreed that a translation in Filipino is enough, then that that should be deemed
17 compliance.
18

19 5.45. In terms of writing the contextual information, the CSO representative suggested that the MSG or the
20 IA do it in a descriptive manner. The same representative stated that the quarterly MMT reports should be
21 attached to the contextual report.
22

23 5.46. An industry representative agreed on the suggestion in terms of discussing the MMT in the contextual
24 report, but also acknowledged that it is too much to include the actual reports as attachment.
25

26 The CSO member clarified that the suggested attachment would be the soft copies of MMT reports.
27

28 5.47. According to the same industry representative, attaching the MMT reports may not be a good idea
29 since this could lead to all sorts of interpretation that may not be correct since these documents are too
30 technical.
31

32 5.48. The CSO member however contended that MMT reports are public documents. The same
33 representative stressed that the reports will not form part of the main contextual report but only as an
34 attachment to be downloaded from the EITI dashboard.
35

36 5.49. One member of the MSG raised that since the MMT reports will be uploaded in the contracts portal,
37 these will be made available to the public. In this case, in-depth analysis per project level can be done by
38 anyone who will access the reports.
39

40 5.50. The same representative suggested to only have a first level descriptive analysis of the MMT reports.
41 For example, identifying what were discussed in the report and not dealing with the environmental issues. In

1 addition, a checklist based on the requirements of the law can also be included and discussed according to
2 the CSO representative.
3
4 5.51. Another representative of the CSOs commented that the MSG should go through the report once the
5 write up on the MMT is finished.
6
7 5.52. The Secretariat stated that they will prepare an outline of the contextual report for MSG's approval.
8
9 5.53. An industry representative then commented that information on coal is not included in the current
10 template.
11 In response, the Secretariat said that the template for the coal industry still has to be finalized by the IA.
12
13 5.54. Afterwards, a CSO member asked the Department of Energy (DOE) about the current efforts in making
14 Semirara Mining Company participate in the EITI process. It was noted that currently, Semirara is seeking
15 DOE's approval for the expansion of its operations.
16
17 The representative then asked if it is possible to compel Semirara to report first to EITI before the DOE
18 grants its request.
19
20 5.55. The DOE representative responded that such action can be explored.
21
22 5.56. The Secretariat then relayed two issues involving Semirara's non-participation, which the company
23 indicated in the official letter they sent to Secretary Cesar Purisima: first, the waiver with the BIR and
24 second, the issue on countervailing measures that World Trade Organization (WTO) might impose. On WTO,
25 the Secretariat suggested that the matter be formally endorsed to the International Finance Group (IFG)
26 under DOF. According to the Secretariat, that already had initial discussions with the IFG regarding this.
27
28 5.57. On the BIR waiver, there are companies that are requesting for a revision of the waiver before they
29 participate. The Secretariat mentioned that the companies were asked to send their suggested wording or
30 version of the waiver for BIR's consideration.
31
32 5.58. With regard to information being asked from DBM, a representative from the agency noted that the
33 data on the amount of collection reflected in the template should be requested from the authorized
34 collecting agencies and not DBM.
35
36 5.59. The Chair clarified that what is being asked in the template is the amount in the certification which
37 comes from the collecting agencies.
38
39 5.60. The DBM representative then explained that under the budgeting procedures, it receives two
40 certifications. The first one is due on or before April 15 of each year for inclusion in the national expenditure
41 program based on actual collections for one quarter and estimate collections for three quarters. However,

1 the collecting agencies are required to submit the actual collections for the actual release during budget
2 execution.

3

4 5.61. The Chair responded that the needed information from DBM is the amount in the certification from
5 the agencies as the basis for the actual release.

6

7 5.62. The DBM representative however raised that while the release was made during taxable year 2013,
8 the share released could be from collection made in 2007, 2008 or 2009. The same representative clarified if
9 this will still be reported, to which the Chair answered in the affirmative.

10

11 5.63. The Chair clarified that DBM needs to report the actual release made in 2013, regardless of whether
12 the amount was based from collections from a different year.

13

14 5.64. The DBM representative then relayed that they have no information with regard to the utilization and
15 expenditure from the National Government's share from extractive operations.

16

17 5.65. The Chair acknowledged this and asked that the table on utilization and expenditure be deleted in the
18 template.

19

20 5.66. The representative from DBM informed the body that collecting agencies were given an option to
21 localize the issuance of the certifications wherein the regional offices of MGB and BIR can directly forward
22 the certification to DBM. It was shared that under the current set-up, regional offices of collecting agencies
23 submit their reports to the MGB and BIR central office. The central office will then certify the collections and
24 forward the certification to the DBM. However, the DBM representative shared that they are still waiting
25 for the commitment of the central offices.

26

27 5.67. Going back to tracking of expenditures, the Secretariat asked if DBM also does not have information on
28 the use of the Malampaya Fund. The DBM representative confirmed that they do not have data on this.

29

30 5.68. The DBM was asked to submit an official communication to the MSG regarding the status of the data
31 on the use of funds.

32

33 5.69. Regarding Malampaya Fund, the DBM representative asked the Secretariat to relay the matter to its
34 legal department because of a pending case on the matter.

35

36 5.70. One member of the MSG asked to be clarified how the government tracks the use of the Malampaya
37 Fund and how items being charged against the fund.

38

39 5.71. According to the DOE representative, they have data with regard to total collections but they do not
40 have information on how the Malampaya Fund is being utilized. The same representative mentioned that
41 such information may be requested from the Office of the President.

42

1 5.72. A CSO representative then suggested that inflow to the Malampaya Fund be reported by the DOE.
2

3 5.73. As for the reporting template of the National Commission on Indigenous Peoples (NCIP), a
4 representative of the agency asked that NCIP be deleted as one of the recipients in the table on “benefits
5 under the MOA”. The NCIP representative clarified that they are not receiving anything from the companies.
6

7 5.74. A CSO representative raised that in some of the MOAs provided by NCIP, certain amounts were listed
8 to have been given to NCIP, separate from what the Indigenous Peoples (IPs) receive.
9

10 5.75. The NCIP representative explained that there were instances before wherein some administrative
11 costs for the agency were included in the MOA. But then, these provisions have already been invalidated.
12 Administrative costs for NCIP have been removed in MOAs issued from 2012 onwards.
13

14 5.76. The CSO representative suggested to retain the NCIP as one of the beneficiaries in the table and asked
15 the NCIP to just put zero if ever they did not receive anything from the companies. This is because some of
16 the MOAs containing provisions on administrative costs are still in effect.
17

18 5.77. The NCIP was requested to submit copies of the latest MOA between the companies and IPs so that
19 the MSG can validate if the collection of administrative costs is no longer reflected.
20

21 5.78. The CSO representative also requested the NCIP to furnish the MSG with a copy of the new guidelines
22 based on the legal opinion that NCIP should not be collecting administrative costs.
23

24 5.79. The NCIP replied that the contents of the MOA are provided under the new Free Prior and Informed
25 Consent (FPIC) guidelines.
26

27 5.80. The CSO representative then also requested the NCIP to submit a table summarizing which companies
28 are operating in ancestral domains including the location, the CADT number, and who are the beneficiary IP
29 groups. Another CSO representative requested that the NCIP indicate the actual projects undertaken.
30

31 5.81. With regard to benefits demanded by IPs from mining firms, it was clarified that the NCIP will report
32 the items as it is since most these are tangible items.
33

34 5.82. The NCIP representative asked if the “contractual obligations” in the template means list of demands
35 in the contract and not necessarily what was actually complied with by the companies.
36

37 5.83. The Secretariat clarified that these are contractual obligations that are due and demandable under the
38 MOA.
39

40 5.84. The NCIP then proposed the deletion of the term “other donations” in the template since all donations
41 and collections monitored by the agency are only based on the MOA between IPs and companies. The same
42 representative explained that they have no mechanism to monitor other donations.

1 5.85. Moving to the MGB template, the agency representative proposed to delete “Mineral Reservation
2 Trust Fund (MRTF)” since this information is the same with the royalties given in mineral reservation that are
3 reported in the first table.
4

5 5.86. The CSO representative recommended that MGB report the amount they requested from the agency’s
6 total share in royalty.
7

8 5.87. The representative from DOE shared that they will not be able to report the payment per individual
9 company since reporting is currently being done on a per service contract basis and only the operators
10 submit a report to the DOE.
11

12 5.88. An industry representative elaborated that though oil and gas companies individually pay to BIR, the
13 government share from the service contract is given to DOE in aggregate amount. However, on the part of
14 the consortium, the same representative noted that they can report on a per company basis.
15

16 5.89. A CSO representative suggested that the service contract reports be disaggregated per company, while
17 still indicating the total amount for DOE’s reference. DOE will still see the aggregate value but at the same
18 time, the report will also include details per each company for EITI reporting.
19

20 5.90. The DOE representative stated that they should first discuss the proposal with the service contractors.
21

22 5.91. If ever the consortium agrees with the suggestion, the Chair asked if DOE will be able to report a
23 disaggregated amount in the template.
24

25 5.92. The DOE stated that they will report on a per company basis if the consortium will also comply.
26

27 5.93. Another comment from the DOE, was to delete the abandonment fund in the template since this is not
28 being collected by the agency.
29

30 The Secretariat responded that the DOE can simply put "not applicable" under this item.
31

32 5.94. The DOE representative shared special account 151 pertains to all energy resources and not only
33 limited to extractive industries. The representative suggested that the item be deleted since they do not
34 have disaggregated information.
35

36 5.95. The Secretariat requested the DOE to report whatever information they have on special account 151.
37 The item was retained in the template.
38

39 5.96. The Secretariat mentioned that the industry representative has other comments on the template, but
40 only with regard to the format.
41

1 5.97. Based on the foregoing discussions, the MSG members approved the reporting template reflecting the
2 comments and suggestions raised.

3 4 **6. LGU Roadshow**

5
6 6.1. As discussed in previous meetings, the Secretariat mentioned that LGU roadshows will be conducted
7 starting July 15 until the end of August, 2015. The MSG members were previously provided with a copy of
8 the concept note which describes the roadshow's purpose and objective, the program and the people who
9 were invited as resource speakers. The Secretariat then opened the table for further discussion.

10
11 6.2. An industry representative raised concerns regarding the roadshow stating that as far as the industry is
12 concerned, it appears that goal of conducting the roadshow is to increase LGU governance over mining
13 operations. The same representative stated that this should not be the case since regulation and monitoring
14 of mining projects is a national government concern.

15
16 6.3. The industry representative shared that they made some refinements to the concept note and
17 proposed that instead of local governance, the roadshow should focus on the capacity building of LGUs in
18 the areas of revenue utilization.

19
20 6.4. A representative of the CSO agreed and added that the roadshow could be an outreach or capacity
21 building effort to local stakeholders of EITI.

22
23 6.5. The same representative inquired whether DBM data on LGU share is disaggregated per source and if
24 the information shared to LGUs are also disaggregated. It was mentioned that currently, LGUs only report
25 the total share from the national wealth.

26
27 6.6. Both the DBM and the BLGF representatives stated that LGUs can disaggregate the share in national
28 wealth since the sources are identified in the releases.

29
30 6.7. The BLGF representative relayed that non-compliance to disaggregate national wealth will lower the
31 LGU score in the fiscal sustainability scorecard. The representative noted that tagging of the national wealth
32 will be included in the expenditure management which is one of the key results area in the scorecard.

33
34 6.8. A representative from ULAP signified no objection to the proposed changes in the concept note.
35 However, the representative noted that they would have to relay the changes to other leagues who also
36 contributed in developing the concept note.

37
38 6.9. The Secretariat elaborated the primary concerns with regard to the conduct of roadshow. First is on the
39 discussion of issues outside the EITI process. According to the Secretariat, whenever there is an engagement
40 with the LGUs, the discussion inevitably touches on several issues that are outside the scope of EITI. The
41 companies, however, focus on specific topics that the industry is also comfortable discussing. Second, one of
42 the topics in the track session is on EITI implementation at the subnational level. However, there are

1 pending issues regarding the concept of subnational EITI implementation, specifically on the relationship
2 between subnational MSGs and national MSG.

3
4 6.10. The ULAP representative suggested that the subnational session could be a venue to discuss
5 alternatives or models that LGUs can use to address issues on small-scale mining.

6
7 6.11. A CSO representative suggested to make the morning session of the roadshow more on sharing and
8 listening to the concerns of the LGUs and introducing the idea of subnational transparency and
9 accountability, instead of subnational EITI implementation per se. In addition, the same representative
10 suggested to have workshops to allow LGUs to identify relevant issues surrounding the extractive industry.

11
12 6.12. For the information of the MSG members, the Secretariat shared the details of the program. According
13 to the Secretariat, the findings of the report will first be presented followed by the panel discussion wherein
14 representatives from MGB, DILG, ULAP and other panelist will give their inputs on how the LGUs and other
15 stakeholders can make good use of the findings of the report.

16
17 6.13. In the afternoon, the Secretariat mentioned that there will be track sessions for specific topics. The
18 following topics were based on the recommendations of the leagues and ULAP as well as the feedback of
19 the LGUs during last year's roadshows:

- 20 ➤ Subnational EITI implementation- the idea is to present an example based on what is currently being
21 done and at the same time, provide details on the efforts at the national level. This will be discussed
22 by a CSO representative.
- 23 ➤ Environmental governance- the focus of will be on environmental funds. MGB regional directors
24 have been asked to present this.
- 25 ➤ SDMP and social expenditures- this can also include the discussion on how SDMPs are tied with the
26 local development plan. This will be presented by a representative from MGB regional office.
- 27 ➤ Mining 101- this will cover basic information on mining operations. Representatives from the
28 industry and the MGB have been asked to discuss this.
- 29 ➤ Small-scale mining- as mentioned by ULAP, this is really one of the issues that the LGUs and other
30 local stakeholders are concerned about. The PMRB chair, who is also the MGB regional director, will
31 discuss this.

32
33 6.14. As suggested by ULAP, the Secretariat mentioned that LGU shares from national wealth will also be
34 discussed by DBM in the afternoon.

35
36 6.15. One MSG member suggested to replace subnational EITI with "local government transparency
37 framework" to which the body agreed.

38
39 6.16. As for day 2 of the roadshow, the Secretariat stated that there will be a workshop on how to fill up the
40 reporting template.

1 **7. Validation**

2
3 7.1. The Secretariat reported that a summary of all the findings in the pre-validation workshop was provided
4 to the MSG members. For the benefit of those who failed to attend the event, the Secretariat then recalled
5 that during the workshop, the MSG members were given self-assessment tools. The MSG was divided into
6 several groups and each group evaluated the compliance of the first report.

7 7.2. The Secretariat discussed the results of the pre-validation workshop one by one (the presentation
8 material is attached as Annex C).

9
10 7.3. According to the Secretariat, majority of the requirements were met. However, the International
11 Secretariat identified some gaps in the report.

12
13 7.4. On license register, it was pointed out that DOE has no publicly accessible license register with detailed
14 information on oil and gas operations. As for MGB, the necessary information were available but are not
15 properly compiled. Thus, there was a recommendation for MGB to further enhance the agency's official
16 mining cadastre.

17
18 7.5. On beneficial ownership, the Secretariat asked the participants to refer to their kits, which actually
19 contains a template for beneficial ownership recommended by the International Secretariat. Since the MSG
20 previously decided to include beneficial ownership for the 2nd report, this particular template will be
21 attached to the templates that we will be submitted to participating companies.

22
23 7.6. With regard to production and monitoring, the Secretariat noted that the requirements were generally
24 met, except that production volume and export data are not disaggregated by company or by region.

25
26 7.7. The Secretariat informed the members that all gaps were already communicated to the IA.

27
28 7.8. In addition, the Secretariat relayed that one key finding is that non-participation of Semirara could be
29 critical to the country's bid for validation. This is because the company covers around 10%-12% of the total
30 revenue from oil, gas and mining industries.

31
32 7.9. The Secretariat then raised that the general sentiment of the MSG during the workshop was that some
33 of the standards were very strictly construed.

34
35 7.10. Members of the MSG agreed to write a letter to the EITI Board to express the concern on the
36 validation process.

37
38 7.11. The Secretariat responded that a draft letter was already circulated to MSG members for comments.

39
40 7.12. The members of the MSG were asked to send their comments by next week so that the Secretariat can
41 finalize the letter and send it to the EITI Board.

1 7.13. The Secretariat added that regarding the decision to undergo validation, the MSG has two options:
2 either to ask for validation under the first report, in which case the validation will commence in September
3 2015, or ask for validation under the second report which can be done in January 2016.
4

5 7.14. According to the Secretariat, given the gaps that need to be addressed in the first report, there is not
6 much time to ask for validation under the first report.
7

8 7.15. A CSO representative suggested that the MSG ask to be validated on the basis of the second report.
9

10 The representative of the industry asked if there is a timeline required for the validation.
11

12 7.16. The Secretariat responded that the deadline for validation is until July 2016.
13

14 **8. Mid-year assessment on EITI implementation**

15 • **Actions taken on recommendations**

16
17
18 8.1. The Secretariat asked the representatives of the government agencies to give updates on the MSG
19 recommendations based on the findings of the first report.
20

21 8.2. The Secretariat informed the body that these recommendations have been elevated to the MICC and
22 Secretary Ramon Paje of the DENR already signed the memo. Moving forward, the MICC will send the memo
23 to relevant government agencies, requiring them to submit an action plan.
24

25 8.3. The Secretariat noted that it is also important for the agencies to consistently update the MSG on the
26 progress they have made as far as the recommendations are concerned.
27

28 8.4. The Chair then requested the different agencies to submit individual action plans or progress reports
29 before July 30, 2015.
30

31 • **Institutional assessment**

32
33 8.5. The body was informed that currently, there is still no permanent positions for the Secretariat under
34 DOF. The Secretariat mentioned that for staff whose appointments are consultants in nature, the contract
35 has to be renewed every six months. The process of renewing a contract takes about four months.
36

37 8.6. The Chair then shared that a department order constituting a special BAC for EITI has been issued. With
38 the creation of a special BAC, it is expected that delays on the procurement processes will be avoided.
39

40 8.7. The Secretariat responded that the problem encountered with the MDTF was that it took a while for
41 DBM to issue the SARO. The money was already available at the BTR as of December last year, but it was
42 only received by the DOF last March. The Secretariat said a lot of activities were affected by the late fund

1 release including the procurement of the IA. However, the Secretariat pointed out that to avoid further
2 delays, the reporting template will be sent to participating companies and agencies so that they can already
3 prepare the necessary information.
4

5 8.8. The Secretariat relayed another concern, this time, about the issue of plantilla positions for the
6 Secretariat.
7

8 According to the Secretariat, they were able to discuss the issue with the director of the GSD of the DOF
9 who then relayed the matter to DBM. The DBM, however, has not given any feedback yet.
10

11 ➤ **Communication strategies of sectors**
12

13 8.9. There was a discussion on the current communication strategies of the sectors that are represented in
14 the MSG.
15

16 8.10. The Chair encouraged the representatives of the sectors to use the data in the first report.
17

18 8.11. The body agreed that each MSG member has the right to interpret and use the data in pushing for the
19 agenda of the sector that they are representing.
20

21 ➤ **Objectives for implementation**
22

23 8.10. The Secretariat recalled that during the pre-validation workshop, one point that was raised is that the
24 objective “strengthen business environment and increase environment” is very hard to measure. The
25 Secretariat mentioned that this is something that the MSG may want to revisit.
26

27 8.11. Based on the implementation for the first two years, the Secretariat mentioned that the members
28 should also assess if the MSG should come up with a new set of objectives for the next year. The Chair noted
29 that this is something that the MSG would discuss in the future.
30

31 **9. Other Matters**
32

33 9.1. Copies of information materials that will be distributed during the roadshow were presented.
34

35 9.2. According to the Secretariat, soft copies of the materials will be sent to the MSG for comments.
36 Members of the MSG were asked to submit their comments by early next week.
37

38
39 **ADJOURNMENT**
40

41 There being no other matters to discuss, the meeting was adjourned at 1:45 PM.

ILLUSTRATION OF NICKEL ORE SHIPMENT

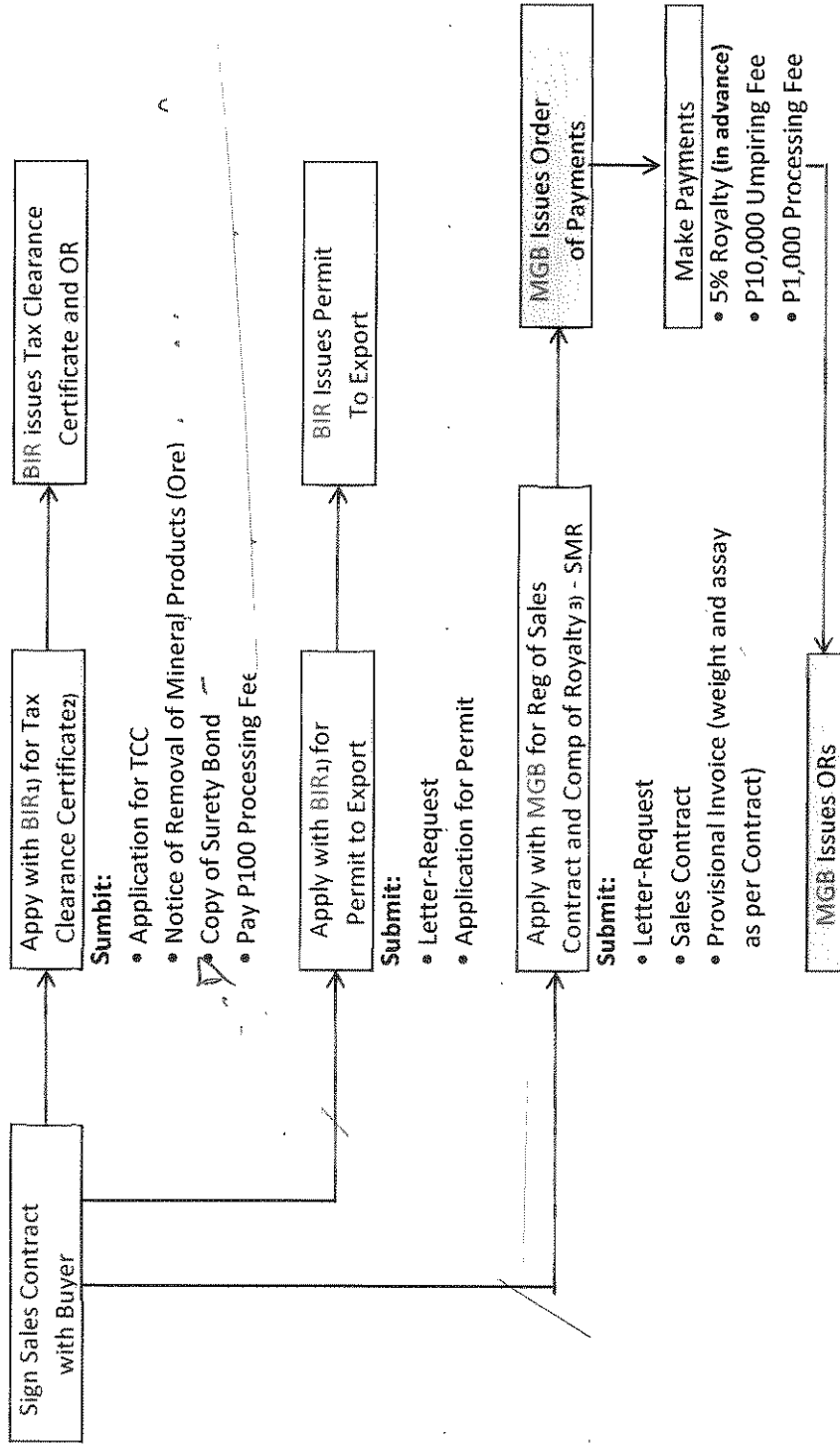
Taganito Mining Corp. (Nickel Asia Corp.), Surigao Mineral Reservation

SHIPMENT DETAILS:

- **Contract to Sell** dated 20 August 2014
- **Ore Product:** Saprolite Ore with grade of 1.5% Ni and maximum moisture content of 35%
- **Tonnage:** 52,000 Wet Metric Tons (+/- 10%)
- **Buyer rejection:** If Ni grade below 1.45% at discharge port and moisture content equal to or greater than 35% at loading port.
- **Price:** \$57.00 per Wet Metric Ton (WMT), FOB.
- **Price Adjustment:** If Ni grade based on final assay exchange between Buyer and Seller:
 - is higher than 1.50%, bonus to Seller of \$0.03/WMT for every 0.001% Ni in excess of 1.50%
 - is lower than 1.50%, price reduction of \$0.10/WMT for every 0.001% reduction in Ni grade below 1.50%
- **Weighing:** At loading port by draft survey
- **Sampling:**
 - by the Seller at loading port
 - by the Buyer at discharge port using Intertek Testing Services (agreed 3rd party surveyor)
 - if the difference between the two is less than 0.05% Ni grade, the average grade will be used
 - if the difference is greater, then amicably settle; if not, submit samples for umpire analysis. Umpire results are final
- **Payment Terms:** By Letter of Credit with 95% payable upon presentation of Provisional Invoice and other documents shipment, and final payment upon presentation of Final Invoice and other documents
- **Other Terms:** Laycan period, loading rate, demurrage/despatch, vessel specifications, arbitration...

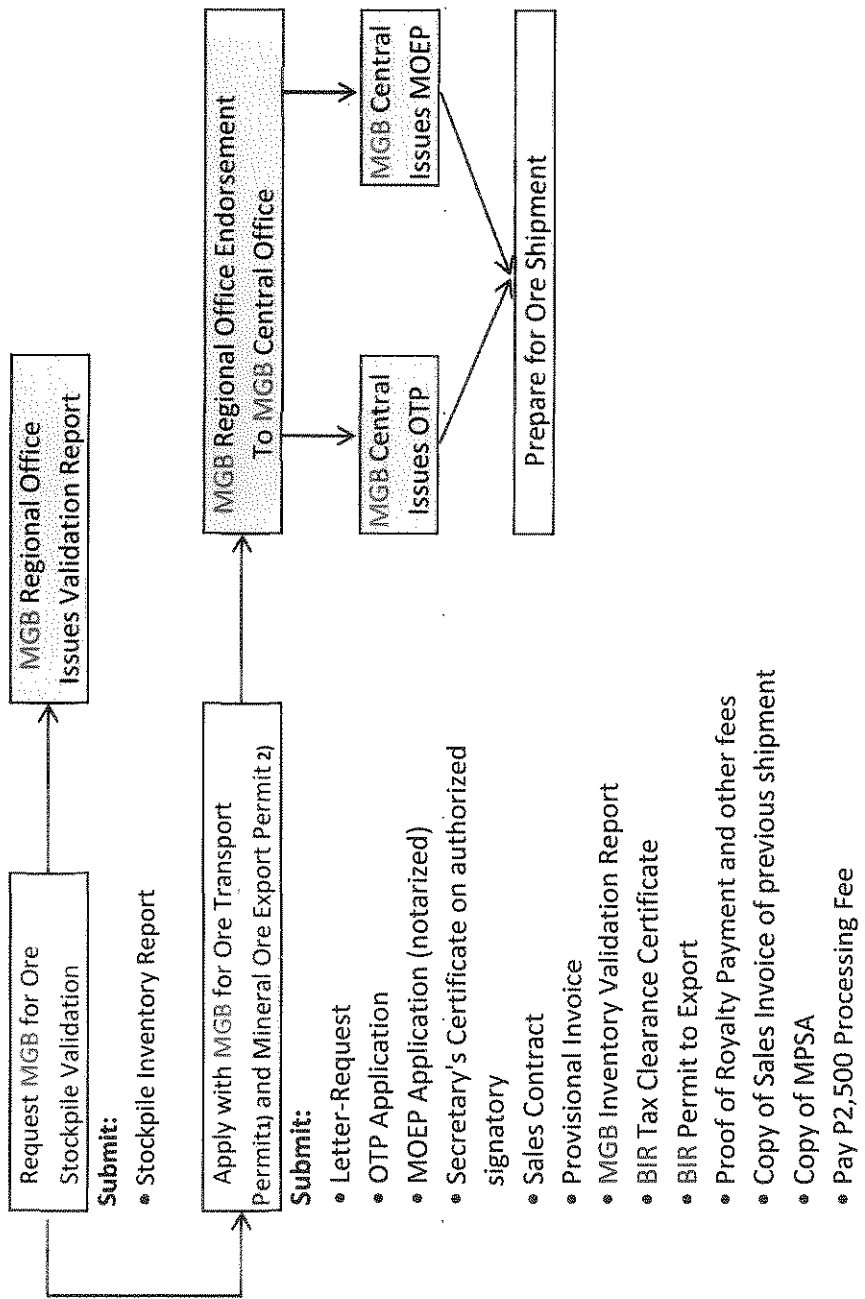
GOVERNMENT AGENCIES INVOLVED:

| | |
|-----|--|
| MGB | |
| BIR | |
| BOC | |
| PPA | |



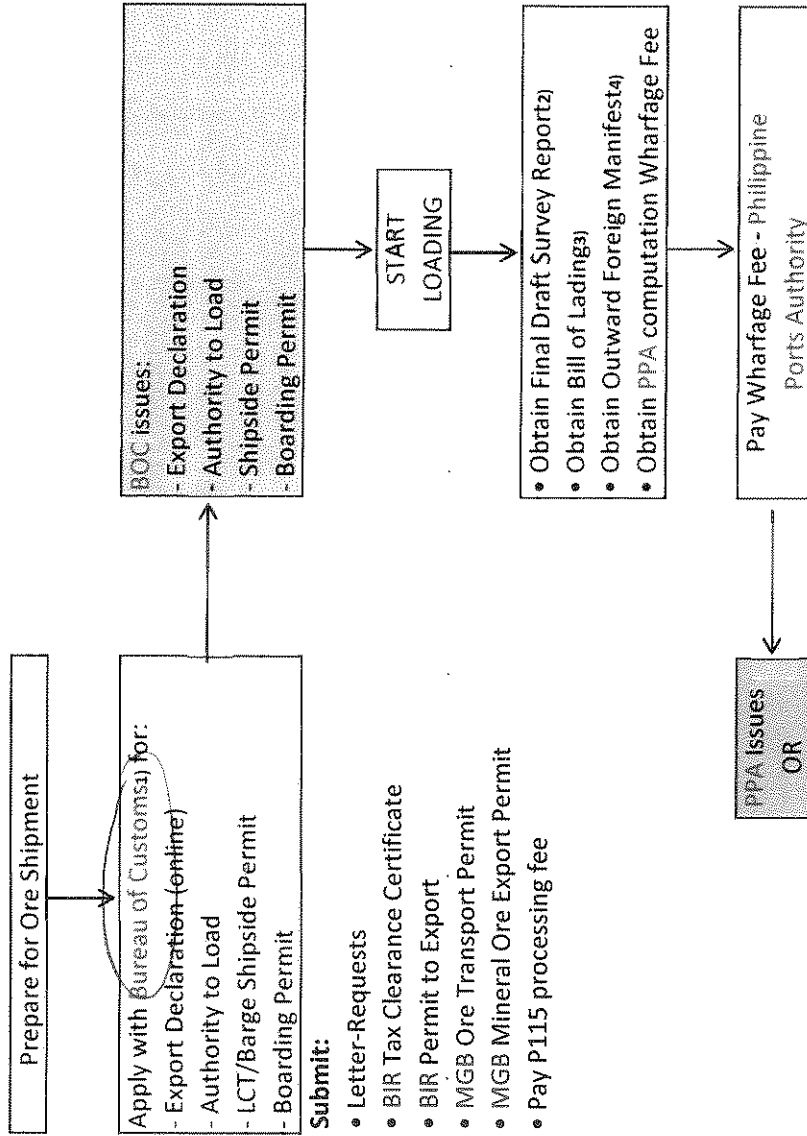
Notes:

- 1) Filed with BIR Excise Tax Area V, Large Taxpayers Service, Revenue Regions 16 & 17.
- 2) In lieu of Sec. 151 of NIRC, which specifies payment of excise tax based on actual market value upon removal (actual market value cannot be determined at the time of "removal"). The current procedure is to pay quarterly on completed shipments.
- 3) Royalty computation is based on Provisional Invoice. Reconciliation is done quarterly using final prices and exchange rates.



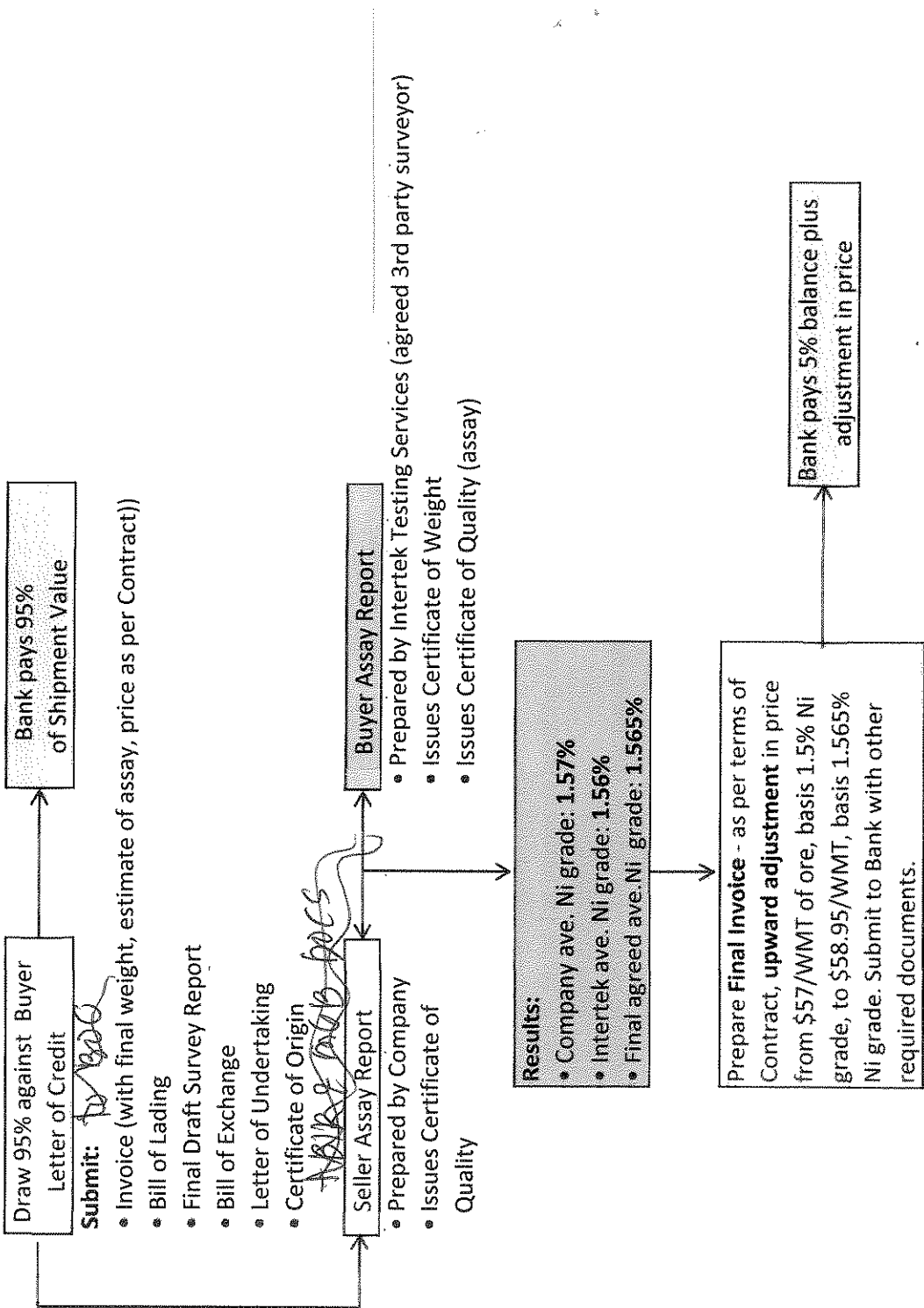
Notes:

- 1) Ore Transport Permit (OTP) is required to move ore to pier facilities or outside of the MPSA area.
- 2) Mineral Ore Export Permit (MOEP) is required for the actual exportation of the ore.

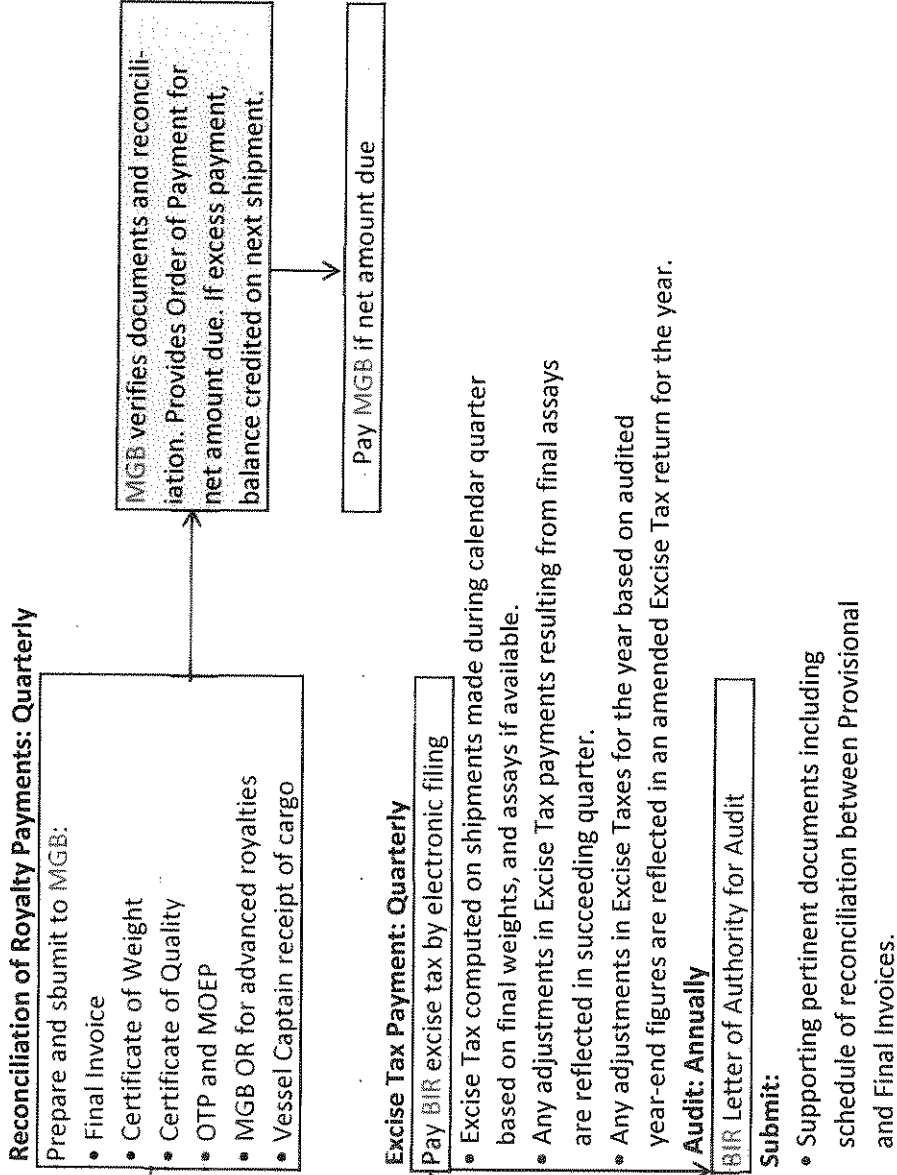


Notes:

- 1) Bureau of Customs (BOC), Port of Surigao
- 2) Signed by Company Surveyor, Vessel Captain and MGB - determines final weight of ore shipment.
- 3) Signed by Vessel Master
- 4) BOC Form, signed by Vessel Captain



RECONCILIATION & AUDIT: Royalty and Excise Tax Payments



SUMMARY: Requirements for Ore Shipments

| MGB | BJR | BOC |
|--|--|--|
| <ul style="list-style-type: none"> • Register Sales Contract • Pay 5% Royalty (SMR) in advance • Obtain Ore Stockpile Validation • Obtain OTP • Obtain MOEP • Reconcile Royalty payments qtlly (after final weight and assays) | <ul style="list-style-type: none"> • Obtain TCC • Provide Notice of Removal • Provide Surety Bond • Obtain Permit to Export • Pay Excise Tax quarterly • Reconcile Excise Tax payments during annual audit | <ul style="list-style-type: none"> • Provide Export Declaration • Obtain Authority to Load • Obtain Shipline Permit • Obtain Boarding Permit <p style="text-align: center;">PPA</p> <ul style="list-style-type: none"> • Pay Wharfage Fees |

Provisional Invoice. 52,000 WMT Ore of 1.5% Ni ore at \$57/WMT

Final Invoice. 50,660 WMT of 1.565% Ni ore at \$58.95/WMT

TAGANITO MINING CORPORATION
 MINE/SITE: Taganito, Claver Surigao del Norte
 HEAD OFFICE: 2nd Floor NAC Tower, 2nd Street, Bonifacio Global City Taguig City, Philippines
 Tel. Nos.: +632 7997-522 Fax No.: +632 8126-075
 VAT Reg. TIN: 009-145-439-000

PROVISIONAL INVOICE
 No. 0555
 ZERO-RATED
 SOLD TO: DH KINGSTONE HOLDING CO., LTD
 4th Floor Scotia Centre, George Town, Cayman Islands
 ADDRESS: August 24, 2014
 TERMS: Letter of Credit
 VESSEL: "M/V RUI NING OR ANY SUBSTITUTE" from Taganito, Claver, Surigao del Norte, Philippines
 made on or before September 30, 2014

NICKEL ORE SHIPMENT NO. : 2014-163C
 PRODUCED FROM TAGANITO, UREBITONDO, HAYANGABON AND CAGDIANAO, CLAVEL, SURIGAO DEL NORTE
 NICKEL ORE IN BULK
 (CONTRACT # TMC-35-2014)

| | |
|----------------------------|--|
| QUANTITY | : 52,000 Wet Metric Tonnes (WMT) less 35% ore moisture or 33,800 Dry Metric Tonnes (DMT) |
| NICKEL CONTENT | : 1.50% Ni, 48.00% Fe and 35.00% H2O 33,800 DMT x 1.50% Ni = 507,000 DMT |
| PROVISIONAL UNIT PRICE | : US\$ 57.00 per Wet Metric Tonnes (WMT) based on 1.50% Ni Content F.O.B. Taganito, Claver Surigao del Norte, Philippines |
| PROVISIONAL INVOICE AMOUNT | : US\$ 57.00 x 52,000 WMT = US\$ 2,964,000.00 |
| INITIAL AMOUNT | : US\$ 2,964,000.00 = 95% = US\$ 2,815,800.00 |

*****NOTHING FOLLOWS*****

TAGANITO MINING CORPORATION
 VP-Finance and Administration
 LENNIE A. TERRE

48 July (097) 080, 2000
 BIA Authority of Fin No. 8-AJ000924372
 Date Issued: 11/26/2013 Valid Until: 11/26/2018
 1112 Keweenaw St., 8th Floor, Davao City
 Tel. No. 826-899-5000 Fax No. 826-897-2320
 Date Issued: 03/06/2013

*****NOTHING FOLLOWS*****

TAGANITO MINING CORPORATION
 VP-Finance and Administration
 LENNIE A. TERRE

48 July (097) 080, 2000
 BIA Authority of Fin No. 8-AJ000924372
 Date Issued: 11/26/2013 Valid Until: 11/26/2018
 1112 Keweenaw St., 8th Floor, Davao City
 Tel. No. 826-899-5000 Fax No. 826-897-2320
 Date Issued: 03/06/2013

TAGANITO MINING CORPORATION
 MINE/SITE: Taganito, Claver Surigao del Norte
 HEAD OFFICE: 2nd Floor NAC Tower, 2nd Street, Bonifacio Global City Taguig City, Philippines
 Tel. Nos.: +632 7997-522 Fax No.: +632 8126-075
 VAT Reg. TIN: 009-145-439-000

SALES INVOICE
 No. 0947
 ZERO-RATED
 SOLD TO: DH KINGSTONE HOLDING CO., LTD
 4th Floor Scotia Centre, George Town, Cayman Islands
 ADDRESS: November 12, 2014
 TERMS: Telegraphic Transfer
 VESSEL: "M/V RUI NING 5" Voy 1413 from Taganito, Claver, Surigao del Norte, Philippines
 Shipped on September 9, 2014

NICKEL ORE SHIPMENT NO. 2014-163C
 Produced from Taganito, Urebitondo, Hayangabon and Cagdiapano, Claver, Surigao Del Norte

Reconciliation of assays and final assay as per Sales Contract

| | | | | | | | |
|-------|---------------------------------|----|----------|----|----------|-----|-----------|
| GRADE | : Found by Taganito Mining Corp | Ni | : 1.57% | Fe | : 47.80% | H2O | : 27.80% |
| | : Found by Intertek | | : 1.565% | | : 47.14% | | : 28.35% |
| | : Average | | : 1.565% | | : 47.45% | | : 28.115% |

QUANTITY : 50,660 Wet Metric Tonnes (WMT) less 27.80% ore moisture or 36,556.256 Dry Metric Tonnes (DMT) ← Final weight as per draft survey

NICKEL CONTENT : 36,556.256 DMT x 1.565% Ni = 572.105 Metric Tonnes

UNIT PRICE : US\$ 58.95 per WMT based on 1.565% Ni content ← Final price as per terms of Sales Contract

TOTAL AMOUNT : 50,660 WMT x US\$ 58.95 = US\$ 2,986,407.00

LESS AMOUNT DRAWN IN THE INITIAL INVOICE : 2,743,239.00

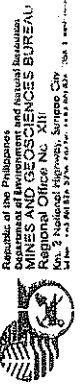
FINAL BALANCE DUE : US\$ 243,168.00

*****NOTHING FOLLOWS*****

TAGANITO MINING CORPORATION
 VP-Finance and Administration
 LENNIE A. TERRE

48 July (097) 080, 2000
 BIA Authority of Fin No. 8-AJ000924372
 Date Issued: 11/26/2013 Valid Until: 11/26/2018
 1112 Keweenaw St., 8th Floor, Davao City
 Tel. No. 826-899-5000 Fax No. 826-897-2320
 Date Issued: 03/06/2013

MGB Order of Payment for Royalty (SMR)



No.: 2014-08-3848
Date: AUG 26 2014

ORDER OF PAYMENT

UNITS SECTION: MMMD
FAVOR: TAGANITO MINING CORPORATION
LOCATION: Brgy. Taganitic, Claver, Surigao City

| ACTIVITY CODE | DESCRIPTION | AMOUNT DUE | AMOUNT COLLECTED | O.R. NUMBER | DATE |
|---------------|--|----------------|------------------|-------------|------|
| 411 | Payment of Royalty Tax: Sale Contract No.: 2014-185C | | | | |
| | WMMT 52,000 Price 57.00 Total 2,964,000.00 4:22 PM | | | | |
| | Dollar Rate based on BSP 43,763 | | | | |
| | Excise Tax 2% | 129,772,812.00 | | | |
| | Royalty Tax 5% | 2,595,456.24 | | | |
| | Total Amount | 648,864.06 | 648,864.06 | | |
| Grade: | Rate Fund: | | | | |
| Ni | 150% | 151 | 848,864.06 | | |
| Fe | 18% | 101 | 5,839,776.54 | | |
| Moisture | 35% | | 6,488,640.60 | | |
| | Total Amount | | 6,488,640.60 | | |

Computation of Excise Tax is for reference only

05260916-L
08-28-2014

DENR -MGB-R-XIII, SURIGAO CITY
RELEASED
DATE: AUG 26 2014

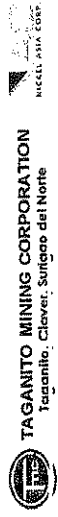
Per Bill No.:
Dated:
Please deposit the collections under Bank Accounts:

No. Name of the Bank

FURY B. BATE
Accountant-in-Charge

Other Payment Number
2014-163C
Sales Contract No.: 2014-08-3847
Registration fee: 2014-08-3848
Royalty fee: 2014-08-3850
Unpaid fee: 2014-08-3850
Application & Cert.: 2014-08-3849
Sec. Cost Trip Copy:

Final Draft Survey Report



Name of Vessel/Voy. No.: M/V RUI NING 5 Voy. No. 1413
Target Load: Taganitic, Claver, Surigao del Norte
Actual Load: China
Commenced Loading: 101BHS., Sept. 2, 2014
Completed Loading: 1.86 Nautical Miles
Shipment Monitoring: CLI JIANMIN
Stevedore's Foreman: DUAN JIAYOU
Draft Surveyor: CHINESE

Shipment No.: 52,003 WMMT
Target Load: 50,660 WMMT
Actual Load: 30,400 WMMT
Commenced Loading: 101BHS., Sept. 02, 2014
Completed Loading: 600BHS., Sept. 5, 2014
Shipment Monitoring: J. ENGINADA/J. YAMIT
Stevedore's Foreman: J. RAVELO
Draft Surveyor: A.P.L. CANEDA
D.F. BONA

FINAL DRAFT SURVEY REPORT

| INITIAL DRAFT | FINAL DRAFT |
|---|----------------------------|
| Draft Survey Time Date: 1338 - 1340 HRS. 2-Sep-14 | 0000 - 0300 HRS. 15-Sep-14 |
| PORT: 4.68 | STRO: 12.26 |
| Correction: -0.01232 | STRO: 12.26 |
| MID: 6.15 | STRO: 12.26 |
| Correction: 0.00303 | STRO: 12.26 |
| AFT: 7.28 | STRO: 12.26 |
| Correction: 0.21214 | STRO: 12.26 |
| Trim Apparent: 2.700 | STRO: 12.26 |
| Trim True: 0.156 | STRO: 12.26 |
| Quarter Mean: 5.90630 | STRO: 12.26 |

| INITIAL | FINAL |
|-----------------------------|--------|
| Fuel Oil: 501.40 | 483.00 |
| Diesel Oil/Lube Oil: 111.45 | 111.35 |
| Fresh Water: 173.00 | 173.00 |
| Ballast Water: 15,190.93 | 145.00 |
| Total: 15,976.78 | 892.35 |

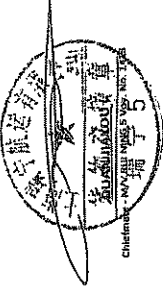
| INITIAL DRAFT | FINAL DRAFT |
|--------------------------|-------------|
| MT _C : 610.10 | 802.04 |
| MT _D : 576.70 | 0.00 |
| Displacement: 7,203.00 | 63,960.26 |
| LCT: 51.60 | 2,531.0 |
| TPC: 51.60 | 57.12 |

| INITIAL | FINAL |
|-----------------------------------|-----------|
| Gross Displacement: 28,216.51 | 63,377.46 |
| Corrected Displacement: 27,755.23 | 63,389.91 |
| Correction due to density: 461.28 | 63,142.53 |
| Calculated Constant: 525.00 | 525.00 |
| Lightship: 11,125.80 | 11,125.80 |
| Cargo on Board: N/A | 50,660.00 |

Quantity of Cargo loaded (NICKEL ORE): 50,660.00 WMMT

Final weight of shipment

Swell about 1.50 meter during Final Draft Survey



ADOLE PATRINO
MGB Representative

Certificate of Weight. Note two discharge ports. Total 50,688 WMT Ore (Third party surveyor)

MIN1 00042350

Our Reference Number: **MIN1409100725H & MIN1409100735H**
 Report Number: **RMIN148739W & RMIN148740W -R**
 (Certificate issued 1 of 1 original)

CERTIFICATE OF WEIGHT

This is to report that Intertek Testing Services Co., Ltd. Shanghai, at the request of our Principal, we performed the quantity inspection for the under-mentioned material and report as follows:

Name of Vessel: **MV RUI NING 5 VOY. NO. 1413**
 Name of Commodity: **SAID TO BE NICKEL ORE**
 Port of Discharge: **Ganyu Port & Chenjiagang, China**
 Date of Inspection: **19 to 23 September 2014**
 Bill of Lading Quantity: **50,680, Wet Metric Tons (WMT)**

The quantity discharged was ascertained by draught survey performed jointly by the Intertek surveyor and the vessel's chief officer in tandem and light condition and the following quantity discharged was determined:

Discharge at Ganyu Port:

| | |
|-------------------------------------|----------------------------|
| Weight of Nickel Ore | 11,318,000 Wet Metric Tons |
| Moisture result Nickel Ore (28.39%) | 3,213,480 Wet Metric Tons |
| Total Dry Weight of Nickel Ore | 8,104,520 Dry Metric Tons |

Discharge at Chenjiagang:

| | |
|-------------------------------------|----------------------------|
| Weight of Nickel Ore | 38,370,000 Wet Metric Tons |
| Moisture result Nickel Ore (28.39%) | 11,177,145 Wet Metric Tons |
| Total Dry Weight of Nickel Ore | 28,192,857 Dry Metric Tons |

All vessel drafts, densities, fresh water, ballast, fuel and fuel oil soundings were ascertained in conjunction with the vessel's Officers and all calculations are based on the vessel's hydrostatic tables and calibrated tank sounding tables as provided.

The survey was conducted by using the internationally accepted methods of the determination vessel displacement prior to and after vessel discharge. This document is not a certificate of seaworthiness and only applies to the cargo discharged at this date, time and place with the vessel's Master being responsible for stowage, lashing and seaworthiness of the vessel at all times.

Upon our client's request, this Certificate has been issued in **two (2) original**

For and Behalf of Intertek Testing Services Co., Ltd. Shanghai
17 October 2014

This certificate (Report Number: **RMIN148739W & RMIN148740W -R**) is issued in **two (2)** original (Report Number: **RMIN148739W & RMIN148740W -R**). The former (Report Number: **RMIN148739W & RMIN148740W -R**) is invalid.

Certificate of Quality (assay). Ni grade = 1.56% (Third party surveyor)

MIN1 0

Our Reference Number: **MIN1409100725H & MIN1409100735H**
 Report Number: **RMIN148739Q & RMIN148739R**
 (Certificate issued 2 of 2 original)

CERTIFICATE OF QUALITY

This is to report that Intertek Testing Services Co., Ltd. Shanghai, at the request of our Principal, we performed the quality inspection for the under-mentioned material and report as follows:

At the specific request and as per instructions provided from our Principal, manual increments sampled approximately six (6) kilograms were collected at approximately 2,500 wet metric ton sub-lot in during the discharge period.

Name of Vessel: **MV RUI NING 5 VOY. NO. 1413**
 Name of Commodity: **SAID TO BE NICKEL ORE**
 Port of Discharge: **Ganyu Port & Chenjiagang, China**
 Date of Inspection: **19 to 23 September 2014**
 Bill of Lading Quantity: **50,680 Wet Metric Tons (WMT)**
 Sampling Number of increments: **1,023 primary increments**
 Mass of increment: **Approximately 6 kilograms**
 Sub-lots: **Approximately every 2,500 wet metric tons**

Calculated Average Test Results (percentage on dry basis)

| | |
|------------------|--------------------|
| ELEMENTS | Percent (%) |
| Ni | 1.56 |
| Fe | 12.14 |
| SiO ₂ | 36.93 |
| MgO | 29.15 |
| P | 0.0026 |
| S | 0.008 |

FREE-MOISTURE CONTENT
 Percent: **28.39 Percent (%) twenty-eight-point-three-nine percent**

Test Methods:
 Chemistry assay
 Moisture Determination


Drafts based on XRF analysis accurate to within 0.05 percent.
 Percentages based on mass of original sample at 105 °C until constant weight obtained.

Upon our client's request, this Certificate has been issued in **two (2) original**

For and Behalf of Intertek Testing Services Co., Ltd. Shanghai
17 October 2014

MGB Mineral Ore Export Permit

MGB Ore Transport Permit



Republic of the Philippines
Department of Environment and Natural Resources
MINES AND GEOSCIENCES BUREAU
Regional Office No. XIII
Km. 2 National Highway, Surigao City
Tel No. (+63 86) 226-2236; Fax No. (+63 86) 226-1041; E-mail: info@mgbr.13.ph; www.mgbr.13.ph

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MGEXIII- 14-594

ORE TRANSPORT PERMIT

Date : September 02, 2014

1. Permit No./CA No. TAGANITO MINING CORPORATION
(Contractor/Permit Holders/Leasing Rights Holder)

2. Date of Issue July 28, 2008 Mineral Production Sharing Agreement No. 286-2008-XIII-SMR
TIN No. 000-145-459

3. Operator NOT APPLICABLE
(Name & Address)

4. Transporter Dump Trucks and Wheel Loaders
or Ship Registry No. NOT APPLICABLE

5. Buyer DH KINGSTONE HOLDING CO., LTD.
4th Floor Scotta Centre, George Town, Cayman Islands
(Name & Address)

6. Commodity Nickel Ore

7. Specification 1.50% Ni, 18% Fe, and 35% moisture

8. Tonnage/Volume 52,000 WMT (±10%)

9. Value US\$2,954,000.00 @ 57 US\$/WMT
(Bonded Corporation under Bond No. BD-NIL-HO-14-0086514-02-D/Tax
Clearance Certificate issued by Mr. Gerry M. Mordeno, EXTA V with O.R. No.
002785-000895 dated August 26, 2014 in Butuan City)

10. Source Taganito, Claver, Surigao del Norte

11. Destination: TMC Port in Taganito,
Claver, Surigao del Norte

Expiry Date: September 16, 2014


Notes:
1. The 5% Royalty due the Government in the amount of Php26,162,640.00 paid on August 26, 2014 to the Mines and Geosciences Bureau Regional Office No. XIII with OR No. 0088916 is computed based on the supplied volume and subject to final completion upon submission of final commercial invoice.
2. Subject to post-sale validation.


Application Fee 2,000.00
Certification Fee 500.00
O.R. No. 0365914 C
Date August 26, 2014

*Mining shall be pro-people and pro-environment
wealth creation and improved quality of

Leo L. Sasareno
Director
pop's

Republic of the Philippines
Mines and Geosciences Bureau
Date of Issue





Republic of the Philippines
Department of Environment and Natural Resources
MINES AND GEOSCIENCES BUREAU
Regional Office No. XIII
Km. 2 National Highway, Surigao City
Tel No. (+63 86) 226-2236; Fax No. (+63 86) 226-1041; E-mail: info@mgbr.13.ph; www.mgbr.13.ph

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MGEXIII- 14-570

MINERAL ORE EXPORT PERMIT

Permit Number DENR-MGBXIII- 14-570
Date of Issuance September 03, 2014
Duration/Validity One (1) month from the date of issuance
Issued to TAGANITO MINING CORPORATION
(Contractor/Permit Holders/Leasing Rights Holder/Operator/Authorized Truck)

OTP Number MGEXIII 14-594

Mining Tenement Mineral Production Sharing Agreement No. 286-2008-XIII-SMR
Contractor TAGANITO MINING CORPORATION

Date Granted July 28, 2008

Location/Source Taganito, Claver, Surigao del Norte

Commodity Nickel Ore

Specification 1.50% Ni, 18% Fe, and 35% moisture

Volume/Tonnage 52,000 WMT (±10%)

Buyer DH KINGSTONE HOLDING CO., LTD.

Destination China

Transporter M/V RUI NING or any substitute
To be submitted prior to shipment

Port Location TMC Port in Taganito, Claver, Surigao del Norte

Estimated Gross Value of the Commodity Php 129,162,228.00 @US\$ 57.00 / WMT and PpP 43,577 / US\$
(US\$ 2,954,000.00)


Estimated Excise Tax Php 2,563,244.56

Subject to the following conditions:
a. Post-sale validation.
b. In case the grade exceeds 18.50% Fe, the excise tax due the Government shall be computed based on the market price of US\$57.00/WMT plus US\$0.01/WMT for every 0.01% Fe above 18%.

For the Republic of the Philippines
(Grantor)

By Authority of the Director:
pop's
DANILO D. DELEÑA
Officer-In-Charge, Mining Tenements Management Division

Republic of the Philippines
Mines and Geosciences Bureau
Date of Issue



**MONITORING OF
REMOVALS
OF MINERAL
PRODUCTS**

I. Assignment of Revenue-Officers-On-Premise (ROOPs)

- Monitors daily transactions and movements of transactions pertaining to extraction/production of mineral products
- ROOPS to be provided with suitable office space and necessary equipment for use; the office space shall be located and positioned in such a suitable manner that ROOPs can have a clear and unobstructed view of the quarry site, processing plant and removal activities
- ROOPs shall ensure that excise taxes are paid upon removal

II. Process application for Permit to Export (LT – FOD / EXTA)

- Verifies whether the removal is covered by excise tax payment / deposit or sufficient bond to allow payment of excise tax within 15 days after the end of the calendar quarter when such products were removed.
- Verifies proofs of exportation of previous shipments
 - Final Assay / Final Invoice
 - Bank Remittance Advice / Actual Proceeds
 - Reconciliation Report

III. Maintenance of Official Register Book and Submission of Regular Reports

- Official Register Book shall be maintained in the plant where all quarrying activities shall be properly recorded and a monthly report shall be submitted in duplicate to Office of LTPMPD on or before the 8th day of the month immediately following the month of operation
- A duly notarized Sworn Declaration shall be submitted to the Chief, ELTFOD on or before the last working day of January of each year or as often as may be required, showing among others:
 - ❖ Kind, quantity, actual market value of the mineral product quarried
 - ❖ Cost of Production and expenses incurred or to be incurred until the aforesaid mineral product are finally sold
- A report of the volume of the mineral product actually extracted, quarried, processed and removed shall be submitted to the Office of ELTFOD not later than Tuesday immediately after the week of operations

IV. Conduct of Audit / Investigation (Audit Division)

- Validate the value of minerals removed as declared in the Summary of Removals and Excise Tax Due on Mineral Products Chargeable Against Payments (Schedule 1 of BIR Form 2200 M), as well as volume thereof against the supporting pertinent documents, such as:
 - ❖ Sales Contract
 - ❖ Ore Transport Permit
 - ❖ Mineral Ore Export Permit
 - ❖ Export Declaration
 - ❖ Reconciliation between Provisional and Final Invoice
 - ❖ Official Register Book
 - ❖ Proof of Exportation
 - ❖ MGB Production Report
 - ❖ Audited Financial Statements



Thank you

PH-EITI VALIDATION SELF-ASSESSMENT EXERCISE SUMMARY

On June 3, 2015, the EITI International Secretariat conducted a self-assessment validation exercise with members of PH-EITI MSG. MSG members were divided into groups to evaluate their compliance with EITI standards based on the following general categories: MSG oversight, licensing and contracts, production and monitoring, revenue collection, revenue allocations, social and economic contribution, outcomes and impact

The following are the key results:

- I. **MSG OVERSIGHT:** All requirements under the EITI standards are met.
 - a. Points discussed: Appointment of senior individual to lead EITI implementation --- The group discussed how “senior individual” should be defined. It was agreed that it refers to a person who 1. has the decision making power or 2. has access to decision makers. Using this definition, the group agreed that the requirement was met.

- II. **LICENSING AND CONTRACTS:** All requirements were met but there were questions raised on the following:
 - a. If licenses were awarded, does the EITI Report state any non-trivial deviations from the stipulated licensing procedure? The International Secretariat (IS) inquired whether the bidding rounds stated in the report actually took place and whether there’s a narrative of how each permit/license was awarded i.e. whether there were deviations from the process or a categorical statement that the procedures were followed for each approved license.
 - b. Does the EITI Report include any additional information about the allocation of licenses, such as e.g. efficiency and effectiveness of licensing systems? MGB has recommended to indicate this provision in the report; how to measure the efficiency, effectiveness of licensing. (Note: this is merely encouraged under the Standard)
 - c. MGB’s license register does not have all the information in one document, e.g. coordinates are in the contract but not in the cadaster. The IS commented that this is alright but there should be a description in the report on where to find all these separate information. The report should provide the link in the report.
 - d. For DOE, there should be a publicly accessible license register
 - e. Discussion on beneficial ownership does not include list of beneficial owners but only an overview. (Note: This information is only encouraged under the Standard)

- f. State owned enterprises: The report does not contain information on how much PMDC's contractors pay to PMDC. It also does not contain information on PMDC's and PNOC's revenues and how they are spent. The next report should identify the details regarding the contracts between PMDC, PNOC and other companies.
- g. The IS commented that if the information is not applicable to the Philippines, then it should categorically state so in the report.

III. **PRODUCTION AND MONITORING:** Generally, the requirements were met except for the following:

- a. Production volume for mining is not disaggregated by company or by region. Coal production only came from the agency, not from company
- b. Export data: Export data is not disaggregated by company or by region

IV. **REVENUE COLLECTION:** Generally, the requirements were met except for the following:

- a. Not all LGUs submitted their reporting templates, and there was no assessment in the report on the impact of this non-submission. Of particular relevance is the LGU where Semirara operates. Since not all LGUs submitted their templates, then the requirement is not met according to the IS.
- b. On the non-participating companies, the IS commented that there should be an assessment of the impact of this on the coverage of the report. i.e., how much is not captured in the report in terms of revenues? The non-participation of Semirara could be critical to the country's validation. The IS commented that in Peru, one company which accounts for 5% of revenues did not participate. They failed validation because of this.
- c. On the companies' audited financial statements, the IS commented that there should be a categorical statement in the report that their AFS are audited according to international standards.
- d. On the in-kind revenues, the MSG noted that this is not applicable to the Philippines. The IS commented that if this is the case, then the report should state so, and it should be shown that this was discussed by the MSG, and the basis for this conclusion should be cited.
- e. On subnational payments, there is no reconciliation of subnational payments and distribution of LGU shares from the national government because the existing data is not disaggregated.
- f. On transactions between SOEs and government entities, the IS commented that the report is unclear on the type of financial transactions between SOEs and government. Do they pay to the government or do they collect revenues on behalf of the government? This is not clear from the report.
- g. On the collections and income of SOEs, the gap in the report is that the payments made by PMDC's contractors to PMDC are not disclosed. The

income retained by PMDC and PNOG from its collections are also not disclosed.

- V. **REVENUE ALLOCATION:** The report only contains information on the legal framework for revenue allocation at the national and local level. There is no data available for allocation of revenues from the extractive sector, so it was not possible to include in in the first report.
- VI. **SOCIAL AND ECONOMIC CONTRIBUTION:** Generally, all requirements are met except for the following:
 - a. There is no information on SOE's quasi-fiscal expenditures. There is also no discussion whether this is applicable or material.
 - b. There is no information on material in-kind mandatory social expenditures
 - c. There is no information on third-party recipients of mandatory social expenditures
- VII. **OUTCOMES AND IMPACT:** All requirements are met.

GENERAL COMMENTS ARISING FROM THE DISCUSSIONS DURING THE WORKSHOP:

1. The level of detail required by the checklist was too stringent. Some details in the checklist, while applicable, were not relevant to the Philippine context and were thus excluded in the report.
2. Importance should be given to information included in the report which are not required under the Standard but which are important to stakeholders in the country. Example: IP processes and the extensive discussion on subnational payments in the contextual information
3. Comments were also made regarding the wording of the self-assessment tool, as some questions were not answerable simply by indicating whether the requirement was "met" or "unmet"
4. Some members asked what is the scale of assessing compliance? Will there be substantial compliance? Is the assessment all or nothing? What happens when one or two requirements are not met? There were no categorical answers provided during the workshop.
5. One issue that the MSG should decide on is whether it should remedy the gaps of the first report for purposes of validation, or aim instead for a more complete 2nd report and spend more time and resources on that.
6. The MSG should also decide when it would want to undergo validation, i.e. last quarter of 2015, in which case the first report will be validated; or 1st quarter of 2015, in which case, the 2nd report will be validated.