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PH-EITI
Philippine Extractive Industries Transparency Initiative

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3 **59th Multi-stakeholder Group (MSG) Meeting**
4 7 July 2019 | 9:00 AM – 3:00 PM
5 Conference Room B, Podium, Department of Finance, Manila
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8 **Attendees**
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10 **Government**
11 Undersecretary Bayani Agabin   Department of Finance (DOF)
12 Assistant Secretary Ma. Teresa Habitan   DOF
13 Ms. Febe Lim   DOF
14 Director Araceli Soluta   Department of Energy (DOE)
15 Director Jesus Tamang   DOE
16 Engr. Earl Nera   DOE
17 Mr. Jeffrey Prestado   Union of Local Authorities of the Philippines
18
19 **Industry**
20 Atty. Ronald Rex Recidoro   Chamber of Mines of the Philippines
21 Atty. Francis Ballesteros   Philex Mining Corporation
22 Ms. Belinda Racela   Chevron Malampaya LLC
23 Mr. Jhon Osorio   Chevron Malampaya LLC
24
25 **Civil Society Organization (CSO)**
26 Ms. Pamela Grafilo   Bantay Kita – Publish What You Pay Philippines
27 Dr. Buenaventura Maata, Jr.   Philippine Grassroots Engagement in Rural
28   Development Foundation, Inc.
29 Dr. Nelson Conigundo Cuaresma, Jr.   Concerned Advocates Saving Terrestrial and
30   Marine Ecosystems, Inc.
31 Dr. Glenn Pajares   Sectoral Transparency Alliance on Natural
32   Resource Governance in Cebu, Inc.
33 Ms. Ladylyn Mangada   Philippine Political Science Association
34 Mr. Chito Trillanes   Social Action Center – Ecology Desk, Diocese
35   of Tandag, Surigao del Sur
36 Ms. Aniceta Baltaar   Concerned Citizens of Abra for Good
37   Governance
38
39 **PH-EITI Secretariat**
40 Atty. Maria Karla Espinosa
41 Mr. Marco Zaplan
42 Ms. Mary Ann Rodolfo
43 Ms. Joylin Saquing
44 Mr. Eastword Manlises
45 Mr. Ryan Justin Dael
46 Ms. Roselyn Salagan
47 Ms. Rhea Bagacay
48 Ms. Rhoda Aranco

1   Mr. Jaime Miguel
2   Mr. Ricardo Evora
3   Ms. Angelina Alba
4   Ms. Lucielle Campanero
5
6
7   **Agenda**
8   ▪ Approval of the Agenda
9   ▪ Approval of the Minutes of the 58th MSG Meeting
10   ▪ Matters arising from previous MSG Meetings
11   ▪ Main Business
12   • Report on and approval of 5th Report Addendum (final reconciliation results)
13   • Updates on Beneficial Ownership Roadmap
14   • Updates on Mainstreaming Roadmap
15   • Updates on 6th Report
16   • Report on
17   - TWG meeting (13 June 2019)
18   - ORE Workshop (13 June 2019)
19   • Approval of TWG recommendations
20   ▪ Other Matters
21   • Report on 2019 Global Conference
22   - 2019 EITI Standard
23   - New EITI logo
24   • Updates on 2019 National Conference and Roadshow
25   • Report on and approval of Annual Progress Report
26   • Setting of next MSG meeting
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29   **1. Call to order**
30
31   DOF Undersecretary Bayani Agabin chaired the 59th MSG meeting. There being a
32   quorum, the meeting started at 9:13 a.m.
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34   **2. Approval of the agenda**
35
36   The Chair asked the members for any additional item for inclusion in the agenda. The
37   secretariat suggested moving the discussion of the Annual Progress Report from Main
38   Business to Other Matters, right before the setting of the next MSG Meeting. There being
39   no objection, the suggestion was adopted and the agenda was approved.
40
41   **3. Approval of the Minutes of the 58th MSG meeting**
42
43   The Chair asked the members to send within five (5) days comments, if any, on the
44   minutes of the 58th meeting. Any comment on format and style shall be adopted by the
45   secretariat moving forward. Any substantive comment will be opened for discussion in
46   the next meeting.
47

4. Matters arising from previous MSG meetings

The secretariat recalled that in previous meetings, pending matters included the planned meetings with the heads of the following PH-EITI implementing agencies: SEC, DILG, and DENR. As of this meeting, however, there is no urgency to meet with the agency heads.

A matter arising from the 58th meeting is a request from members to see and peruse in advance any video presentation to be shown at the National Conference. Responding to the request, the secretariat prepared a draft of the video on Agency Updates, which is a progress reporting of government actions on MSG recommendations and other EITI initiatives. The secretariat said the video will be shown later in the Main Business, so that the members could watch and provide comments for improvement.

In anticipation of PH-EITI's second validation in 2020, a CSO representative proposed to include in the agenda a discussion of PH-EITI's operational plan. The Chair clarified if he was referring to the operational plan for the remaining six (6) months of 2019, or the entire 2020. The CSO representative replied that the proposed discussion would cover the remaining budget for 2019 in view of PH-EITI's validation the following year.

The Chair noted that for the said purpose, it may be better for the secretariat to first present a draft budget to serve as basis for the discussion, as brainstorming for the budget might take up much time. Since the MSG meets quarterly, the secretariat may call for a special meeting that would focus on budget discussion.

The secretariat informed the body that the first five (5) items in the Main Business are related to the PH-EITI work plan. Discussion of the said items will also touch on the operational plan, but not so much on the budget. If the body agrees with the Chair, the secretariat can prepare the budget for presentation later in the meeting or call for a separate meeting for the said purpose.

An industry representative suggested that each sector review the work plan and suggest changes or new items for inclusion. If there would be any changes, the body could take them up. Otherwise, he suggested sticking with the approved work plan, which includes activities related to beneficial ownership disclosure, mainstreaming, and the annual roadshow.

The same CSO representative explained that there are updates in EITI implementation at the international level, which the body can discuss and immediately incorporate in the work plan. He emphasized the necessity of discussing MSG priorities in view of the second validation.

5. Main Business

The Chair suggested that the secretariat proceed with the presentation of updates on the first five (5) items under Main Business. The members may provide comments after the updates. For any serious or urgent comment, a member may raise his or her hand and be acknowledged.

Report on and approval of 5th Report Addendum (final reconciliation results)

The secretariat recalled that the reconciliation chapter of the 5th Report could not be finalized until the independent administrator submitted a re-work of the reconciliation of the Bureau of Customs (BOC) figures. There was a need to address possible lapses that may have been committed due to time and other constraints in producing the 5th Report.

After the reconciliation re-work, the following results were posted:

- Overall variance went down to 0.42%;
- Total reconciled revenues went up from P36 billion to P39.1 billion;
- DOE recorded the lowest variance at 0.1%;
- NCIP remains to have the highest variance at 102%;
- Revenue collection went up by 43% from P27 billion in FY 2016 to P39 billion in FY 2017. Revenue collection increase is attributable to added government share in oil and gas, added non-metallic projects, and rebound in mineral prices.

For more details, annexed to these minutes is a copy of the presentation on the final reconciliation results of the 5th Report (**Annex A**).

Updates on Beneficial Ownership Roadmap

The secretariat reported that based on PH-EITI's Beneficial Ownership (BO) Roadmap for 2017-2020, the Philippines is ahead in its implementing milestones. For instance, the development of the ORE or Online Reporting in the Extractives Tool and its pilot testing are scheduled for 2019 but have already been accomplished in 2018. A plan that has yet to be executed is the integration of BO disclosure in the PH-EITI Contracts Portal.

BO will be discussed more at a later part of the agenda, during the report on the TWG meeting held on June 13.

Updates on Mainstreaming Roadmap

The secretariat recalled that the MSG members were furnished a copy of the results of the Mainstreaming Feasibility Survey. Based on the survey results, the secretariat developed a working roadmap for mainstreaming patterned after the BO roadmap. The secretariat presented the working roadmap to the TWG on June 13, 2019. The Mainstreaming Roadmap will have the following milestones:

- Centralization of data collection and disclosure;
- Harmonization of existing reporting systems and disclosures;
- Application for mainstreaming to the EITI Board;
- Review of MSG roles and responsibilities;
- Outreach to stakeholders; and
- Trainings on mainstreaming and online portals.

Annexed to these minutes is the detailed mainstreaming roadmap (**Annex B**).

Updates on 6th Report

The secretariat recalled that, as approved by the MSG, the 6th Report will target 62 companies (5 oil and gas, 20 nonmetallic mines, and 37 metallic mines). Reporting is open to both producing and non-producing operating metallic mines (28 producing, 7 non-producing). All targeted oil and gas companies have already submitted BIR waivers. For targeted metallic and nonmetallic mining companies, the submission rates are 98.75% and 17.8%, respectively.

The secretariat also mentioned that there is an online dashboard where reporting entities can see and monitor their progress. It has a time-stamp feature to help the MSG monitor submissions and determine nominees for the Transparency Awards. In addition to this, the PH-EITI website has a page dedicated for the Country Report.

The secretariat also reported that a workshop on the ORE Tool was held in DOF last June 13 in partnership with COMP. Overall assessment of the workshop based on participant feedback was 4.6 out of 5, with high ratings for venue and logistics.

After all the updates, the Chair opened the floor for comments and feedback from the members.

The Alternate Chair inquired on the accessibility of the PH-EITI Contracts Portal. She asked whether the portal is already part of the DOF website.

The secretariat said that the main PH-EITI website is already lodged in the DOF system, and that the Contracts Portal will soon be part of the site. The portal is presently up and running, and there is no reported problem with access. It is expected that the portal will be more reliable once it is integrated in the DOF site.

An industry representative asked how BO data could be verified. He cited that at the international level, there is recognition that it is difficult to obtain BO data. Specifically, ownership can change overnight. He asked how data could be verified as accurate and up to date. He also asked whether verification and validation is part of the BO roadmap.

The secretariat explained that, while it may not be explicit in the roadmap, such process was discussed and integrated in the course of the implementation of the roadmap. The secretariat asked the body if it prefers verification and validation explicitly mentioned in the roadmap.

A CSO representative shared that even at the international level, there is no clear procedure on how BO information is gathered. He recalled that in previous meetings, the body agreed on a 5% threshold for BO disclosure. He urged the body to encourage companies to participate in BO disclosure to further improve PH-EITI's standing.

The Chair acknowledged MSG efforts to reach that goal, but reminded the body that mining companies are mostly owned by holding companies.

Another CSO representative said that verification must be explicitly mentioned in the roadmap.

The Chair inquired whether the end goal is doable or not. He said that others might measure PH-EITI against the roadmap. He suggested making requirements incremental. He explained that some companies are layered. Sometimes it is just a tax measure system. He asked up to what level the MSG is going for.

The secretariat re-checked the BO roadmap and found that verification is already captured in recommendation no. 6 which is about "assuring the accuracy of the data". It is already recommended that PH-EITI "ensure that data are accurate, validated, and reliable" by hiring "a third party researcher to gather data from SEC and relevant government agencies, generate a list of beneficial owners, and compare the same with data from the companies".

Report on TWG Meeting and ORE Workshop on June 13, 2019

▪ Approval of 5th Country Report (Addendum)

The TWG meeting was held at the DOF and attended by Director Soluta of DOE, Engr. Aguilos of MGB, Atty. Recidoro of COMP, Mr. Osorio of PAP, and Ms. Grafilo of Bantay Kita. Agenda of the meeting included the 5th Country Report addendum, BO roadmap, and mainstreaming roadmap.

The TWG recommended approval of the 5th Country Report Addendum. The Chair opened the table for approval of the country report.

Without any further issues, the 5th Report was approved. The Chair thanked the TWG for the time and effort in finalizing the 5th Report.

▪ Beneficial Ownership (BO) Disclosure

The secretariat enumerated the BO issues that were discussed and the corresponding recommendations of the TWG:

Issue	TWG Recommendation
How to approach BO disclosure this year in view of 2020 deadline - The MSG has already approved parameters such as the scoping study, definitions, 5% threshold, template, and pilot report - The SEC has issued Memorandum Circular No. 17, s. 2018 (MC 17).	PH-EITI to have its own BO reporting under status quo terms (i.e., MSG-approved threshold and template) until SEC MC gets fully implemented. - BO disclosure will be integrated in and done through ORE. - If no individual BO is surfaced in the first layer, MSG will consider the directors and officers as BOs of the company. - Officers and directors will be subjected to PEP declaration. Include in ORE a tick box

	to indicate whether a director/officer is a PEP and a field for how he/she is politically exposed.
How to validate PEPs	No recommendation yet
Whether or not to include BO reporting in EITI participation for purposes of DAO 2017-07 enforcement	No recommendation yet

1

2

3 The secretariat said that there were previous discussions on whether to align with SEC MC
4 implementation as part of mainstreaming or to have EITI do its own BO reporting. It was
5 noted that SEC had issues and challenges with the implementation of MC 17 which it has
6 targeted to implement by end of July 2019. The TWG recommended a status quo, or for EITI
7 to have its own BO reporting independent of SEC. The BO disclosure template would be
8 integrated in ORE so that it will be part of the annual reporting cycle.

9

10 A CSO representative requested COMP to urge its members to participate in filling out the
11 BO template. He requested the MSG to hold meetings with industry members. He recalled
12 that, before, several companies volunteered to fill out BO disclosure templates; yet only one
13 company participated in the actual exercise.

14

15 Another CSO representative recalled the suggestion regarding getting champions for
16 beneficial ownership. He said companies represented in the MSG should start as champions
17 or models for others to follow.

18

19 An industry representative said that it is not only about having champions; there is also need
20 for a system that can stand alone. He explained that the people who will fill out the template
21 do not have a way to know the exact beneficial owners of their respective companies, as
22 most of shareholders are holding companies. The BO roadmap includes getting a third party
23 researcher for this purpose, but he is wary of its sustainability.

24

25 Another industryb representative asked if there is any issue with declaring company
26 directors as the company's beneficial owners. She said that that could be checked easily
27 with the SEC, as names of company directors appear on the GIS.

28

29 The Chair said that there must be a deed of trust before a director's name is indicated as
30 beneficial owner. The person, however, is not exactly the real owner. The question now is
31 would the MSG allow names of directors to be indicated as beneficial owners only to satisfy
32 the BO disclosure requirement of EITI. In the case where no name is given, the Philippines
33 may be deemed noncompliant. The Chair, then, suggested including a discussion of the
34 legal framework that will be the basis of this arrangement. The discussion should explain
35 that company directors are holding a trust in behalf of the companies they represent.

36

37 The industry representative sought clarification as to the definition of BO and the rationale of
38 BO disclosure. She said that if names of holding companies would suffice, then why not just
39 put the names of companies.

The secretariat explained that the EITI Standard defines BO as a "natural person". The MSG has the liberty to define the term further, but it has to comply substantially with the EITI definition. The EITI international Board, nevertheless, recognizes that there are challenges in BO disclosure, which is why it is expected to be more flexible in implementing the requirement.

The Chair suggested two approaches: (1) put the name of the company and explain the Philippine setting, and (2) put the name of the directors with a colatilla explaining that they are, in fact, trustees.

The secretariat reported that the TWG recommends proceeding with EITI BO reporting under the terms agreed upon by the MSG in previous meetings, i.e., using the BO reporting template and 5% ownership threshold. The TWG agreed that if there are no identified natural-person BOs in the first layer, the names of the directors will be indicated as the BOs, then these names will be identified as either PEP or not PEP.

The matter of which government agency would validate PEP information was also raised in the TWG meeting, but the TWG did not come up with a recommendation for it yet.

An industry representative commented that whether to report directors or not should not be an issue, as their names are already declared in the GIS requirement of the SEC.

A CSO representative remarked that members of boards of directors are legal representatives of their respective companies. To subject all of them to PEP validation would be complicated, as to be identified a PEP connotes corruption.

The Chair said that the MSG may opt to approve any of the two approaches. Either way, a colatilla will be added to explain the context and process.

Another CSO representative suggested identifying who influences company decisions aside from identifying the holding companies.

The Alternate Chair asked if the body prefers listing down the names of directors should the first layer of disclosure reveal holding companies (instead of natural persons) as BOs.

An industry representative responded in the affirmative in the case where a director owns a minimum 5% share in the company; otherwise, the director will only be deemed as a proxy.

A CSO representative asked whether proxies are accepted.

Another CSO representative opined that that is not ideal but it is a good start. She recommended adopting the TWG recommendation.

The Chair reiterated the necessity of an explanation as to the limitations of the declaration.

The body then approved the TWG recommendation and the inclusion of a colatilla in the disclosure.

A CSO representative requested that an industry representative present the BO reporting template to members of the industry and encourage them to accomplish the same. Another CSO representative seconded the request.

The requested industry representative explained that filling out the template is not really the issue; the problem is the accuracy of data.

The secretariat recapped the agreement: The MSG approved the TWG's recommendation, that is, to proceed with BO reporting under status quo, using the approved template/form and the 5% threshold. Company officers and members of board of directors will be deemed as the company's BOs (proxy) in cases where the first layer of BO disclosure reveals holding companies (instead of natural persons) as BOs.

The secretariat then brought attention to the matter of scope. It relayed that, for purposes of the 2020 deadline, the tentative proposal is for the first run (of BO reporting) to cover only the companies participating in EITI, with focus on those not publicly listed. The implication of this proposal, though, is PH-EITI may need to apply for adapted implementation.

An industry representative opined that forcing companies which are not part of EITI to comply would be a challenge. She agreed with keeping the scope among EITI reporting entities and applying for adapted implementation.

The secretariat then raised the question of whether or not to include BO reporting as part of reckoning compliance/participation in relation to DENR DAO 2017-07.

An industry representative requested the MSG to go a little soft on mining companies on the matter of BO disclosure and not allow the imposition of DAO 2017-07 penalties on companies who fail to disclose BO. He said that doing so will be tantamount to penalizing companies unnecessarily. He asked the members to consider the scenario where mining companies cannot identify their natural-person owners and cannot complete the template. If BO disclosure is made mandatory (under DAO 2017-07), these companies would get their ECCs suspended or would be denied Ore Transport Permit (OTP), even when the MSG itself could not yet agree on how BO information would be validated.

A CSO representative pointed out that it has already been settled that holding companies and members of board of directors will be indicated as BOs since these are information disclosed with the SEC anyway.

The Alternate Chair requested that the MSG's memory be refreshed as to the relevant provisions of DAO 2017-07.

The secretariat said that under DAO 2017-07, all mining contractors are mandated to participate in EITI reporting, the requirements of which include the submission of BIR waiver, filling out of reporting templates (submission of data), and submission of supporting documents as part of the reconciliation process. The penalties for non-compliance are suspension of ECC and non-issuance of OTP or mineral export permit. The secretariat noted that SEC MC 17 does not impose any penalty, only fines.

The Alternate Chair said that as long as the companies fill out the template they would be deemed compliant. There will be no judgment as to whether the disclosure is complete or not.

An industry representative inquired as to how the MSG would like to go about the PEP declaration.

The secretariat relayed the TWG recommendation to include in the BO template a tick box and a description field through which PEP declaration would be done. However, the TWG has no recommendation for validation.

A CSO representative asked how other countries deal with PEP declaration.

The Alternate Chair responded that BO disclosure is a new requirement, and other implementing countries, like the Philippines, are only beginning to explore how disclosure will be done.

The secretariat then asked the MSG for guidance on the scope and parameters of PEP declaration.

The Alternate Chair said that in previous discussions, the definition of PEP has remained general. She encouraged members to suggest ideas to moderate the extent of PEP declaration.

The secretariat also inquired regarding the period (length of time) or timeframe of being a PEP that would require a BO to disclose PEP information.

The Alternate Chair suggested covering appointed and elected officials in the last 10 years.

An industry representative shared that in Chevron, company officials who have served in public office in the last three years are the only ones required to disclose such information. She said five years should be reasonable.

A CSO representative requested clarification on the relevance of this temporal aspect to PEP coverage.

Another CSO representative explained that such information would help shed light on the extent of a PEP's influence. He also suggested looking into the political affinity of BOs.

Another CSO representative suggested going back to the goal of BO and PEP disclosure. She asked how the requirement contributes to transparency and accountability.

The secretariat explained that BO disclosure is a requirement that came about as one of the corollaries of the financial data scandal that was the Panama Papers, as a deterrent to corruption and illicit financial flows. Accordingly, the Philippines, through the SEC, has adopted BO disclosure requirements for companies. For purposes of extractives transparency, the MSG has the liberty to decide on the parameters of BO disclosure in the

sector. On the matter of PEP, the secretariat sought instruction on the level (seniority) and temporal (period of holding office) aspects of the covered PEPs. The MSG, for instance, may opt to use salary grade (SG) level as a parameter to tighten the scope.

An industry representative suggested holding a separate TWG meeting to discuss PEP declaration. She also suggested including in the reporting template a question that specifically pertains to PEP, such as, "did you hold or have you held public office in the last x years?".

The Alternate Chair commented that people who serve in public office may be bureaucrats or appointive. She asked whether the MSG prefers limiting PEP disclosure to appointive officials.

An industry representative opined that conflict of interest may happen at different levels, even among the rank-and-file. He suggested limiting the scope to extractives-relevant agencies instead.

The Alternate Chair said that the SALN (Statement of Assets, Liabilities and Net worth) of public officials require the disclosure of business interests.

At this point, the secretariat summed up the proposals so far: PEPs are those that held public office, whether appointed or elected, in the past six years. For those appointed, only officials from division chief level and up, and only those in extractives-relevant agencies, will be required to declare political exposure.

An industry representative moved to adopt the proposals.

Another industry representative inquired as to the rationale for setting the six-years threshold.

A CSO representative explained that personalities who have held public office in the last six years could be deemed completely exposed to politics. Retired officials are not included; officials from division chief level and up must be active government employees.

An industry representative opined that personalities who have held position in the last six years could have retained certain influence. If an official had been gone from office for seven years already, it would be safe to assume that the official does not have that strong an influence anymore.

Another CSO representative said that the explanation is more suited for appointed officials. For elected officials, their influence can last longer. For instance, barangay officials may serve a maximum term of up to nine (9) years.

The industry representative pointed out that if more than six (6) years have already lapsed since a BO was last in government service, the BO would not be checked for political exposure.

The secretariat then suggested removing the temporal element, and just phrasing the question as "Are you holding or have you held public office?", with a blank/box/field where the details of political exposure (such as position and duration) can be indicated or elaborated. A tick/check box or other attestation mechanism can be included in the form as a way for users to confirm that they have filled out the template to the best of their knowledge.

The MSG adopted the suggestion.

Mainstreaming Roadmap

The secretariat presented the proposed mainstreaming roadmap and requested for approval.

Issue	TWG Recommendation
Finalization and approval of mainstreaming roadmap	Approve milestones/phases: • Centralize data collection and disclosure. • Harmonize existing reporting systems. • Review and amend MSG and secretariat roles and responsibilities. • Conduct outreach and capacity building (e.g., training/workshop on mainstreaming and online portals) to stakeholders. • Apply for mainstreamed implementation to the EITI Board. and other key features/elements: ▪ A third or independent party will still be engaged to investigate and reconcile initial discrepancies/variances.

A CSO representative said that MSG members should be able to understand the context of mainstreaming. For clarity, he asked for a copy of the mainstreaming roadmap.

The secretariat said that it can print out copies of the roadmap and the results of the mainstreaming feasibility survey previously conducted. The milestones that the TWG recommends are based on the feasibility survey results. If the request is to orient other members on mainstreaming, the secretariat said that a separate activity may be held for this purpose. For the time being, the secretariat asked for approval of the milestones at least.

An industry representative said that new members are already much informed about mainstreaming. He concurred with the need to approve the milestones.

A CSO representative inquired about the legal implications of the "review MSG roles and responsibilities" item.

The secretariat responded that the basis of the MSG's internal rules and terms of reference is EO 147, but clarified that the review does not necessarily mean amending the EO.

An industry representative said that more than possible implications for EO 147, the concern is the shrinking of civic space, since mainstreaming entails doing reports online. He said that the MSG has to define its role in a mainstreamed world.

Another CSO representative said that under mainstreaming, there would be no more thick reports. The MSG's role will focus more on analyzing data, its different uses, especially in informing policy decisions. The MSG will not be dissolved; it will remain as a civic space for discussions.

The Alternate Chair concurred with the TWG recommendation to create a centralized system for extractives data and to define the MSG's role when the Philippines implements mainstreaming. She said that free space for constructive engagement should not be lost.

The CSO representative who asked for a copy of the roadmap wanted the MSG to review the entire roadmap and see a detailed implementation plan. He said that mainstreaming in other countries just appeared to be mere integration in government.

Another CSO representative said that the review of the operational plan would be good to integrate developments, to see how the MSG can be more relevant in a mainstreamed world. She said that PH-EITI may have already addressed transparency, but how has it tackled accountability. She believes the extractives sector has not yet reached that stage.

Another CSO representative said that, to the civil society, the MSG serves as a space where community concerns may be raised.

The Alternate Chair said that the intent is not for the MSG to vanish. In fact, there is intent to raise more awareness about EITI and its relevance to national development. The MSG should recognize the milestones set for mainstreaming so that PH-EITI can plan in more detail and monitor progress.

The Alternate Chair opened the table for the approval of the TWG recommendation on mainstreaming, and the body approved the same.

6th Report

The secretariat reminded the MSG that it has an option not to publish and submit a country report this year, as PH-EITI would still be within the allowed two-year data timeliness gap if it goes for this option. The secretariat, however, also reminded the body that the Philippines will undergo second validation in 2020. If the MSG decides to forgo report publication and submission this year, it will be the 5th Report that will be subjected to validation next year. Unfortunately, the 5th Report is not exactly a "showcase" report for validation purposes, considering the problematic IA-related circumstances that attended its production. It is also expected that the validation will pay particular attention to the country's mainstreaming efforts.

In view of the foregoing, the secretariat reported on the following issues discussed by the TWG but the resolution of which the TWG agreed to submit to the collective decision of the MSG:

1

Issue	TWG Recommendation
- Finalization of approach to 6th Report ■ Whether or not to submit report to the IS/Board ■ Whether or not to apply for partial mainstreaming (if decision is to submit a report) ■ Whether or not to hire IA/consultant	- For discussion and resolution of the entire MSG ■ A third or independent party will still be engaged to investigate and reconcile initial discrepancies/variances.

2

3

4 The secretariat then asked the MSG if it would reconsider its previous decision to just
5 produce but not submit a partially mainstreamed 6th Report.

6

7 A CSO representative inquired about the requirements of partial mainstreaming and asked
8 whether a partially mainstreamed report is acceptable to EITI International.

9

10 The secretariat said that a partially mainstreamed report would be thinner and more concise;
11 the reconciliation report would be shorter and focused on data generated by the ORE Tool
12 and other MSG-agreed data sources.

13

14 The CSO representative said that if the 5th Report is not that presentable, then PH-EITI can
15 better comply with the Standard requirements by submitting a 6th Report. He, however,
16 asked how the MSG can ensure that the next IA will deliver.

17

18 The secretariat said that there will be an updated TOR for the MSG's approval.

19

20 The Alternate Chair provided some context by relating complications encountered in hiring
21 an IA, including the stringent requirements that make it difficult.

22

23 A CSO representative inquired about what validation focuses on and its implications for PH-
24 EITI operations.

25

26 The Alternate Chair explained that validation is done to check an EITI implementing
27 country's consistent compliance with the global standard for extractives transparency. The
28 International Secretariat, with the aid of a third party validator, administers the validation.
29 During the 2017 validation, the Philippines was found compliant with a mix of "satisfactory"
30 and "beyond satisfactory" ratings across the different requirement categories.

31

32 An industry representative said that under mainstreamed implementation, and for purposes
33 of the 6th Report, focus should be more on assessing the accuracy and acceptability of the
34 report. The IA should focus more on ensuring the reliability of the reporting system.

35

36 Another industry representative moved to approve the production and submission of the 6th
37 Report under a partially mainstreamed framework. The body approved. The secretariat
38 noted the approval.

39

The industry representative inquired whether PH-EITI has the necessary resources. The secretariat responded in the affirmative.

A CSO representative raised concern over the high variance in NCIP data. She asked what the MSG could do about the variance.

Another CSO representative related that the NCIP needs the help of the MSG. She said that if PH-EITI could take a more proactive approach, the NCIP would surely appreciate any support the MSG can give to help NCIP meet EITI expectations.

An industry representative pointed out that the NCIP is now under new leadership. He suggested meeting with the new NCIP officials to discuss EITI.

The Alternate Chair shared that the MSG has in fact supported NCIP in the past. PH-EITI has helped the agency develop tools to monitor royalty payments to Indigenous Peoples (IP). She agreed that a meeting with the new NCIP leadership might help.

A CSO representative encouraged the MSG to reach out more to vulnerable IP communities. He related that at the ground level, it is difficult to arrive at an agreement on CRDP, and that most royalties paid by companies go to waste.

Another CSO representative asked if it is possible to invite NCIP to make a presentation before the MSG. This way, he said, the MSG could see NCIP's limitations more clearly, and appropriate assistance may be given.

The Alternate Chair recalled that in 2014 to 2015, NCIP attended MSG meetings.

Another CSO representative said that NCIP lacks capacity to gather information. She said that there might be a need to identify the competencies of the NCIP. She encouraged the MSG to do a scoping mission to identify problems and see how the MSG can help at both the regional and national levels.

The secretariat said that the NCIP has monitoring power and functions. Ideally, the agency could use these to be able to provide data and supporting documents for the reconciliation of IP royalty payments. PH-EITI has also conducted consultative workshops with NCIP before.

An industry representative commented that the problem with NCIP may perhaps be all about commitment. She said that it is in the NCIP's interest to ensure that what the company pays as royalties benefit IP communities.

The Alternate Chair said that, compared with other agencies like BIR and BOC, NCIP does not receive any payments. The law provides that companies pay royalties directly to IPs.

A CSO representative suggested integrating in the annual roadshow discussion of monitoring of IP royalty payments with a view to addressing the high variance in NCIP data.

Another CSO representative said that some IP groups have trust issues with the NCIP. Another CSO representative concurred with this CSO representative's remark, saying that the NCIP appoints leaders who are not IPs.

Another CSO representative further explained that the NCIP identifies tribe leaders. Within IP groups, however, there may be a division of up to four tribes. Mining companies find it difficult to determine whom to give the royalty payments to. Royalty payments are, at times, withheld because companies do not know who the IP leaders are. He said that the NCIP should look for a strategy to address this trust issue.

Yet another CSO representative related an issue in Caraga where the NCIP regional director questioned payments to IP groups whose members/leaders reside in Manila and not in the ancestral domain. He said that the community suffers while extraction continues.

The Alternate Chair suggested highlighting in the country report issues on IP royalty payments, how these affect communities, and how the law mandating companies to pay IP royalties is enforced. She said that this is an area that EITI may focus on. She said that the MSG can only do so much to help the NCIP, since the problems are more political in nature. PH-EITI may, nonetheless, continue to provide dedicated workshops for NCIP.

Transparency Awards

The secretariat presented the following TWG recommendations in relation to the Transparency Awards:

Issue	TWG Recommendation	
- How to determine awardees	- Limit awards to *Excellence in Reporting.*	
- Approval of awardees identified through the agreed selection process	- Apply handicapping (volume of data [payments/receipts] reported] to come up with a shortlist, then give more weight to the comprehensiveness criterion.	
	- Approve and award the IA-identified and TWG-endorsed nominees:	
	Category	Awardee/s
	Metallic	1st - Taganito 2nd - Philex 3rd - Hinatuan
	Non Metallic	1st - Eagle Cement 2nd - Northern Cement 3rd - Republic Cement
	Oil and Gas	Tie - Shell Philippines Chevron Malampaya LLC
	NGA	Department of Energy
	LGU	1st - Claver, Surigao del Norte 2nd - Rosario, Agusan del Norte 3rd - Aroroy, Masbate

A CSO representative wants to review the selection process and consider small companies in setting the criteria for the awards.

Another CSO representative suggested looking into the different classifications of LGUs to help level the playing field.

Noting all the comments, the Alternate Chair asked for the MSG's approval of the endorsed recipients of the Transparency Awards. The MSG approved the list of awardees.

6. Other Matters

A CSO representative sought updates on the expiration of OceanaGold's FTAA. She said that operations in the mine site continue despite the expiration of FTAA last month.

The Alternate Chair instructed the secretariat to inquire about the matter with the MGB.

Report on 2019 Global Conference
- 2019 EITI Standard
- New EITI logo

The secretariat shared highlights of the recently concluded 2019 EITI Global Conference held in Paris, France last June.

The secretariat also reported that there is a new standard, the 2019 EITI Standard, as well as a new EITI logo. The presentation on the key features of the 2019 Standard is annexed hereto (**Annex C**).

The following Philippine entries/contestants also won or received citations in the competitions EITI held ahead of the conference:

- Photo, Honorable Mention: Ryan Dael
- Impact Story, Honorable Mention: Marco Zaplan
- Infographics, Honorable Mention: Ryan Dael
- Infographics, First Place: Madeleine Aloria

Mr. Dael's photo was also chosen as the cover photo of EITI International's annual progress report for this year.

DBM OIC-Secretary Usec. Janet Abuel headed the Philippine delegation. Members of the delegation included the following:

1. Ms. Isabel Taguinod — DBM Director
2. Mr. John Aries Macaspac — DBM Director
3. Atty. Wilfredo Moncano — MGB Director
4. Mr. Gerard Brimo — MSG Member/Chair, COMP

1	5. Atty. Ronald Rex Recidoro	MSG Member, Executive Director, COMP
2	6. Dr. Cielo Magno	EITI International Board
3	7. Dr. Buenaventura Maata, Jr. MSG	Member/Executive Director, PhilGrassrots
4	8. Dr. Filomeno Sta. Ana III	Former MSG Member, President, BK-PWYP
5	9. Ms. Pamela Grafilo	MSG Member/BK-PWYP National Coordinator
6	10. Ms. Leonora Aguilar	Former BK-PWYP National Coordinator
7	11. Ms. Madeleine Joy Aloria	UP/EITI Infographic Competition Winner
8	12. Mr. Hans Mohaimin Siriban	First Secretary/Consul, PH Embassy in France

9
10
11 The secretariat also presented preliminary studies of a new PH-EITI logo derived from or
12 following the new international EITI logo. The MSG requested that the studies be sent
13 through the e-group for comments and approval.

14
15 *Updates on 2019 National Conference and Roadshow*

16
17 The secretariat presented the program for the National Conference now set on August 7
18 (Wednesday) at Century Park Hotel. The detailed program is annexed hereto (**Annex D**).

19
20 As announced earlier during the "matters arising" part of the agenda, the secretariat then
21 played a six-minute video presenting updates from EITI implementing agencies, which is
22 intended to be shown during the National Conference. The secretariat sought the MSG's
23 comments afterwards. Some MSG members asked that the voice-over be improved and for
24 the new PH-EITI logo to be used in the video. The secretariat took note of the comments.

25
26 *Report on and Approval of Annual Progress Report (APR)*

27
28 The secretariat recalled that assessment for the July to Dec 2018 period has been done, and
29 that the next assessment should cover the January to June 2019 period. While a draft
30 progress report has been written, the secretariat reported that the 2019 Standard actually
31 gives the MSG more flexibility in how it assesses progress in EITI implementation.

32
33 The secretariat asked if the MSG would want to consider alternative ways of assessing or
34 measuring progress and impact. The MSG may decide on how to approach assessment so
35 long as it is consistent with the EITI Standard.

36
37 An industry representative suggested doing the assessment, first, individually, before coming
38 together for discussion.

39
40 A CSO representative suggested conducting workshops where smaller groups may be
41 formed to assess progress according to themes. He encouraged members to be more
42 critical of PH-EITI's performance as it is for the benefit of the initiative.

43
44 The secretariat said it can circulate a google document where MSG members can provide
45 initial comments, then a separate meeting can be held for the purpose of progress
46 assessment.

47

An industry representative suggested making it a workshop for a more substantive assessment.

A CSO representative said that some of the members were not part of the first validation. He said that an orientation on the validation process might be necessary to help members prepare for the exercise.

Another CSO representative inquired about updates on the PH-EITI budget.

The Alternate Chair replied that the national budget has been approved.

The CSO representative clarified that the inquiry was in connection with the frequency of MSG meetings, which has been turned from being a monthly activity to being a quarterly one. He asked if this was due to budget constraints.

The Alternate Chair said that the frequency of MSG meetings was trimmed down, but it was not mainly due to budget constraints. It was the National Conference that was more affected by the budget.

The secretariat mentioned that the shift to quarterly meetings was borne of efficiency considerations and is consistent with PH-EITI internal rules.

An industry representative suggested maintaining the quarterly meetings and holding more TWG meetings instead.

The Alternate Chair added that special meetings may always be called whenever necessary.

Setting of next MSG

The next MSG Meeting was set on the first Friday of October (October 4).

The secretariat announced the creation of an MSG Viber group to facilitate approvals and communication outside of the regular meetings. The secretariat will assist those who do not have the application. The MSG e-mail group will remain. Calls and SMS will also be employed for the benefit of members who might not have access to Viber and e-mail or otherwise adequate internet connection.

The secretariat also announced that there will be changes in the secretariat following the resignation of the following members:
- Atty. Maria Karla Espinosa
- Mr. Marco Zaplan
- Ms. Joy Saquing

The above members of the secretariat will be working in holdover capacity until October or until suitable replacements have been hired.

Without any other pending issue or matter, the meeting was adjourned at 1:52pm.

1

List of Annexes:

Annex A – 5th Country Report final reconciliation results

Annex B – Mainstreaming Roadmap

Annex C – EITI Standard 2019 Key Changes

Annex D – 2019 National Conference Program