

There are two separate but complementary extractives transparency initiatives – one is the Extractives Industry Transparency Initiative (EITI) and the other is Chapter 10 of the EU Accounting Directive.

EITI

EITI is a global standard which ensures transparency of payments from natural resources.

The UK would need to meet the following requirements before it can apply to the EITI Board to be accepted as a candidate:

The government is required to:

- issue an unequivocal public statement of its intention to implement the EITI.
- commit to work with civil society and companies on implementation;
- appoint a senior individual to lead on the implementation;
- establish a multi-stakeholder group to oversee the implementation (comprising business, civil society and government).

And the multi-stakeholder group has to:

- agree and publish a fully costed work plan, containing measurable targets, and a timetable for implementation and incorporating an assessment of capacity constraints.
- Once accepted as a candidate, the UK will have 18 months **to publish an 'EITI report'**
- The UK would need 2.5 years to reach compliance. To do this it would undergo an **independent validation** to check that it is complying with EITI rules.

The PM announced the UK would sign up to EITI on 22 May in a joint announcement with France.

EU Accounting Directive

The Directive requires extractives companies to publish the payments they make to governments in all the countries where they operate. The intention is to give citizens the information they need to hold governments to account over how these huge sums of money are spent.

The requirements will apply to all EU listed companies and large registered extractives companies.

For the purposes of this Directive, a company is defined as large if it fulfils **2 out of these 3 criteria**:

- A balance sheet of more than €20 million

- A net turnover of more than €40 million
- More than 250 employees

Reports must be published annually. They will:

- Be prepared on the basis of individual projects (as opposed to country level reports)
- Include all payments totalling over €100,000 (approx. £80,000) that are made in money or in kind to national, regional and local governments, and state owned organisations.

Key differences between EITI and the Accounting Directive:

- Geographical coverage: EITI will provide information about payments by UK firms to the UK Government while the AD will require the publication of all payments to all governments that the extractives company operates in.
- Stakeholder engagement: Civil society and industry are central to the EITI process – they will come together in a multi stakeholder group to agree the UK standard. The AD has no requirements for formal stakeholder engagement; in the UK stakeholders are involved developing guidance.
- Whilst EITI is a voluntary scheme, all listed companies and large registered extractive companies will be obliged to report under the Directive.

Contacts

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