

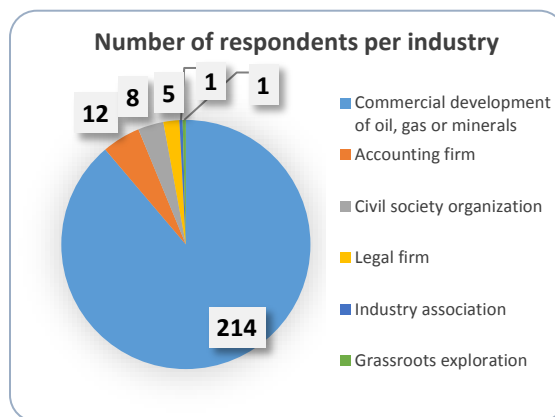
# Extractive Sector Transparency Measures Act Stakeholder Questionnaire: Overview and Findings

## Introduction

The purpose of this report is to highlight key findings from a voluntary electronic questionnaire provided to stakeholders in June 2017 regarding the first year of the implementation of the *Extractive Sector Transparency Measures Act* (ESTMA or “the Act”). The results of the questionnaire will assist Natural Resources Canada (NRCan) in improving processes, guidance, and tools made available to stakeholders to facilitate compliance with the Act, with the objective of further enhancing the transparency that the Act seeks to create.

The following summary presents the comments and input received throughout the feedback process. This report presents the views of ESTMA stakeholders, and does not reflect the views of NRCan itself.

The questionnaire, comprised of fifteen questions, had an average completion time of nine minutes and eighteen seconds. It is again important to note that this questionnaire was voluntary, and specificity of detail was encouraged, but not required. NRCan received 328 total responses to the survey, with 200 respondents having completed all fifteen questions.



The majority of respondents were entities involved in the commercial development of oil, gas, and mining. Other respondents were members of stakeholder groups, including legal and accounting firms, as well as civil society organizations.

The ESTMA questionnaire gave NRCan valuable insight into some of the challenges and lessons learned in the inaugural year of reporting. The questionnaire provided stakeholders the option to delve into greater detail on three core themes:

1. Enrolment process and contact form
2. Reporting process and template
3. Issues requiring additional guidance

## Improving the Enrolment Process and Contact Form

The survey revealed that the enrolment process was well received, where 84% of respondents rated the process as very or somewhat easy, and only 4% noted difficulties. For the enrolment and contact form process, feedback shows that some minor improvements can be made in various areas.

## **Guidelines and examples**

Participants generally viewed the enrolment process as simple, but noted that it would be beneficial to have tangible examples available to help identify what constitutes a reporting entity. These examples could be provided on the NRCAN website in a FAQ section, or emailed out to potential reporting entities. Likewise, it was suggested in the questionnaire that guidelines could be further developed to aid and support the enrolment process, with an aim to avoid further confusion and ambiguity in the future.

## **Joint ventures and subsidiaries**

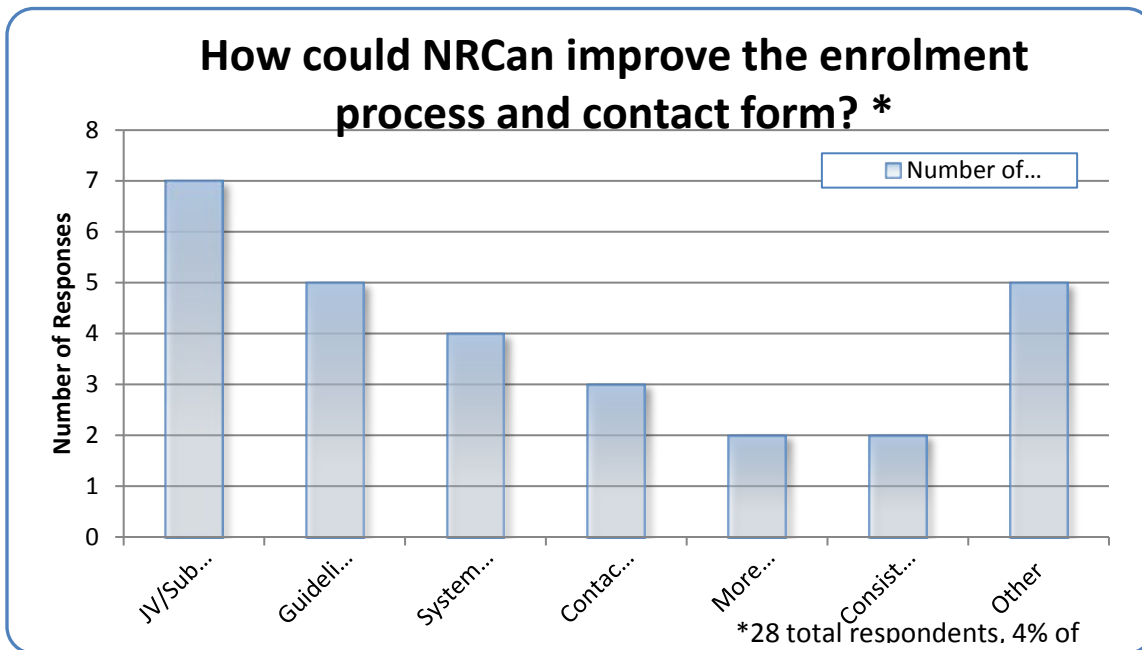
Of the small number of companies reporting issues with the enrolment process, the most common issues raised include the need for further clarity on the enrolment obligations of subsidiary companies and members of joint ventures. Questions arose around both the need for wholly-owned subsidiaries to enrol separately from their parent companies, and the requirement for parties involved in joint ventures to enrol with NRCAN to obtain ESTMA ID numbers. Participants suggested that the legislation, and associated tools and guidance, were ambiguous on this matter.

## **System retooling and contact improvement**

Several respondents suggested that, instead of a form relying on user inputs of data, that an online database could be created to contain and update relevant information about the company.

Participants also thought that correspondence between NRCAN and reporting entities could be improved by providing specific contacts within NRCAN with which reporting entities could communicate, rather than have a generic mailbox for correspondence.

In sum, the enrolment process and contact forms posed only minor challenges with ESTMA stakeholders. Ambiguity was noted in interpreting the requirements for subsidiaries and members of joint ventures to enrol and a need for more examples was expressed. However, the majority expressed that the overall process is easy to use, and that communication is thorough and in line with the legal requirements of the legislation and other tools.



## Improving the Reporting Process and Template

Participants were asked if NRCan could improve the reporting process and reporting templates as a means for reducing costs and improving clarity of data, amongst other items. About 58% responded 'Yes'.

### Can NRCan improve the reporting process and template?

<u>Response</u>	Percentage	Count
Yes	58%	110
No	42%	79
Total Responses		189

### Guidance and clarity of terminologies

The survey showed that some of the information provided in the ESTMA process was too vague, and left many companies wondering as to the best reporting practices. Some respondents pointed out in the survey that vague guidance on important aspects of the reporting process leads to unintentional over- or under-reporting in fear of submitting a late or incorrect report.

The communications process between entities and NRCan were highlighted by some as another issue in the reporting cycle. The survey results noted that at times, NRCan's responses to technical questions were vague. Respondents understood that legal jargon is often vague, but still felt it was time consuming and added to the reporting cost.

Participants remarked that some definitions, such as "payee" and "project" were unclear. Issues arose in regards to disclosing subgroups of local and federal payees, such as different ministries and departments. Recommendations were made to consolidate the payee and projects page, as many respondents noted that this would reduce the amount of reconciliation work required, and reduce the amount of work needed to input data into separate pages.

In addition to requests for more consistent and clear guidance where possible, there were also suggestions for mock reports and further examples.

### **Accounting challenges**

Participants noted various challenges in creating ESTMA reports, particularly in regards to best accounting practices. Some stakeholders voiced concern over the nature of reporting payments in gross dollars, as opposed to reporting on a net basis, which would account for any credits or refunds. Data derived from the questionnaire shows that most companies have accounting systems that record financial information on an accrual basis. The process of converting payments into gross dollars was resource consuming for many reporting entities.

Likewise, the differing accounting systems leads to possibilities of inaccurate data and human error. Since the reporting guidelines do not allow for the use of accruals, there is a chance that submitted data is not recorded in the right time period and added incorrectly.

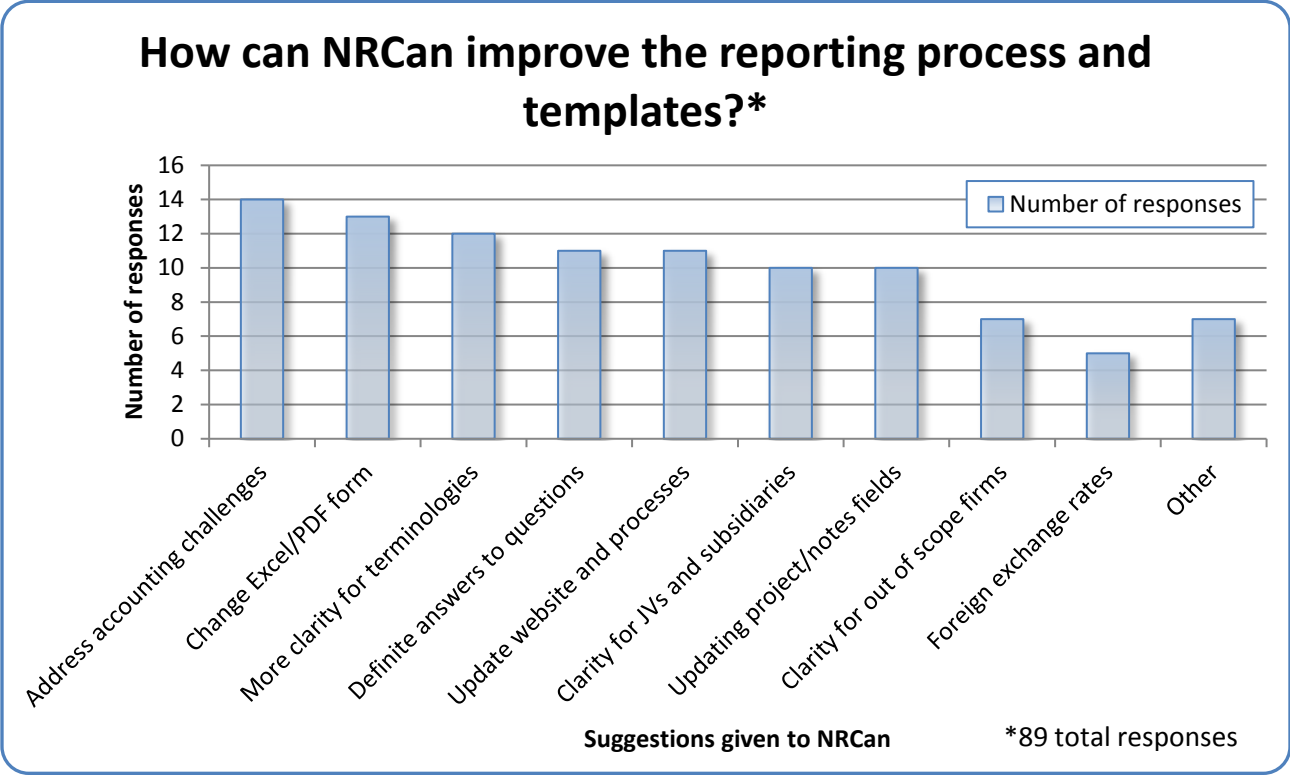
### **Recommendations for PDF/Excel Templates**

Overall, respondents were pleased with the simplicity of the ESTMA reporting template. Having the choice between using an Excel spreadsheet or PDF form allowed for flexibility. However, the templates also posed some challenges. Due to the rigidity of the templates, data can become truncated and hard to read. Likewise, it was noted that inputted data in some cases looked messy and was not user friendly.

The results of the ESTMA questionnaire were in favour for the creation of a 'reporting currency field' on the reporting template. Respondents said that the disclosure requirements for foreign exchange rates were unclear and confusing, and it was noted that it may make future data analysis easier if foreign exchange rates were presented in a cleaner manner.

Participants also suggested a retooling of the "notes" section, advocating for a separate notes section that would allow for full disclosure and explanation of information. Respondents recalled that this would allow for greater specificity and make the data look cleaner, while providing the user with greater context.

Some respondents proposed that the templates could be available as a web form, which could then be aggregated to allow for a searchable database. Having a searchable database with the ability to condense reports on a case-by-case basis was something suggested in the survey results.



### Issues Requiring Additional Guidance

Concluding the survey was an open-ended question that allowed respondents to voluntarily specify different issues and challenges that would benefit from additional guidance for future reporting years. Approximately 69% of respondents to this question elected to specify their needs, whereas 31% chose the “none” option.

#### How can NRCan provide additional guidance?

Response	Percentage	Count
Please specify	69%	134
None	31%	59
Total Responses		193

#### Social payments and payment categories

Many respondents felt that more guidance is required in regards to what constitutes a social payment, and what sorts of payments fall specifically under each payment category. It was suggested that NRCan provide reporting entities more concrete examples of what each payment

category includes. Some companies noted that payment types were being reported under different categories by different companies – which ultimately caused confusion for other entities. A clear distinction in the guidance should be made between donations and other contributions between reportable social payments.

### **Reporting under joint arrangements**

Participants highlighted that reporting under joint arrangements is a significant grey area and would benefit from more clarity in the future. Particularly for non-operating companies, there was uncertainty in the requirement for them to report. It was also noted that reporting under joint operating arrangements is complex as there are differences in accounting structures between companies.

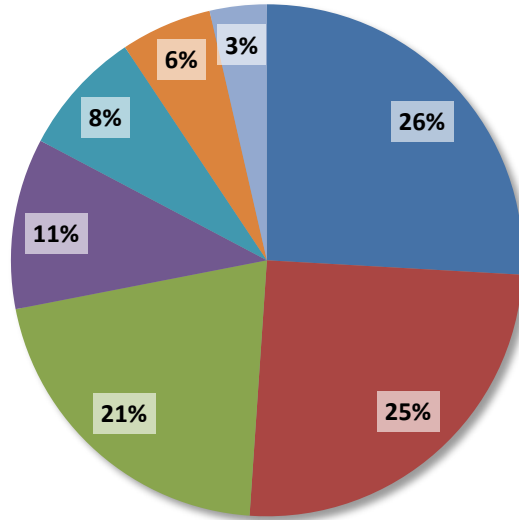
### **Indigenous governments and payments**

It was suggested that guidance is needed in defining a payee in regards to Indigenous governments. Some respondents noted that companies do business with Indigenous governments in various countries, and that governmental structures will differ from place to place. Likewise, land access agreements between entities and Indigenous governments are not defined clearly under the payment categories. Respondents requested more clarity in this aspect, recommending a FAQ page.

### **Payees and projects**

It is apparent through questionnaire results that there was some confusion regarding the definition of payee. Additional guidance on the definition, under the Act, of a project was also requested. It was noted that it appears that some companies report projects on a geographical basis rather than on a specific, substantially-interconnected project. It was recommended that companies who identify specific geographic regions should be required to explain why this constitutes a substantially interconnected project.

## On what issues would you ask that NRCan provide additional guidance?



■ Social payments    
 ■ Payment categories    
 ■ Joint arrangements    
 ■ Indigenous payments  
■ Payees and projects    
 ■ Foreign jurisdictions    
 ■ Excluded payments

### General Comments and Final Thoughts

In conclusion, the electronic questionnaire conducted by NRCan shows that guidance and tools provided were well received by companies and other stakeholders, but a number of improvements can be made.

In regards to processes, guidance, and tools available for stakeholders, the questionnaire gave NRCan valuable insight into some of the challenges faced during the reporting period. Improvements to the enrolment process were highlighted by a need for more clarity on the requirements for entities to enrol with NRCan. Moreover, the reporting process was seen as well-designed, but in need of further clarity on certain aspects. Future efforts would be best focussed on retooling of systems and the increasing the usability of reporting templates and accessibility of data. In addition, more specific guidance and best practices are needed to clear up vague and challenging aspects of the Act, including reporting under joint ventures, payments to Indigenous governments, and definitions of items including payees, projects, and social payments.

The comments, concerns and suggestions provided through the questionnaire will be considered as NRCan explores options to improve ESTMA tools and guidance in the second reporting cycle. NRCan extends their thanks to all participants.