House of Commons

Business, Innovation and Skills Committee

The Extractive Industries

Sixth Report of Session 2014–15

Report, together with formal minutes relating to the report

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Business, Innovation and Skills Committee

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Contents

Summary

During the course of our inquiry, we have considered the impact of the extraction of minerals, oil and gas both in the United Kingdom and across the world. The inquiry took us as far as South Africa and we have heard from stakeholders from the industry, charities, pressure groups, local communities and Government. Three main themes emerged from those discussions.

Global extractive companies listing in London

Extractive companies contribute directly to the UK in a number of ways. Both domestic companies and global companies listed in London contribute through taxes, dividends, licenses and the employment of British workers. However, the extractive sector is not without controversy, particularly when one considers reports of poor practice around the world. We heard that the UK is at risk of being associated with some of the negative practices often reported alongside the sector. To counter this, more needs to be done to improve to social and environmental performance, transparency and reputations of the companies it hosts. We recommend that the Government assesses and strengthens the level of information which is collected and published on the FTSE and the level of information companies are required to disclose. Furthermore, where the requirements in the UK fall short of international comparisons (specifically those in Johannesburg), they should be strengthened so that investors in the UK have the same opportunities and information about the environmental and social corporate governance practices of companies listed in the UK as they do on companies listed elsewhere. We strongly welcome the fact that the UK is embracing the EITI and forthcoming EU Directives on Transparency and Accounting. We have recommended that the UK becomes a beacon of best practice.

Extracting in the UK

The size of the UK's domestic extractive sector is well below its historical peak. However, we heard of optimism, development and investment in the sector. The Government has expressed support for the enlargement of the UK's domestic extractive sector and we support that. We have asked the Government to provide detail of this support in the form of a domestic extractives plan. Furthermore the Government should review its Industrial Strategies in the context of energy policy in the UK (upon which a large section of the extractives sector is reliant). In terms of accountability, the Minister in BIS should be given clear responsibility for overarching domestic extractive industries policies.

Skills

The UKTI is doing good work to promote the United Kingdom as a base for extractive companies to do business with the rest of the world. However, we have heard concerning evidence that the benefit of this to the UK will be diminished if our skill base is depleted. To counter this, both industry educational institutions and Government must promote

and excite the next generation of extractive workers. This should be done by encouraging more British students to study STEM-related subjects, engage with industry to encourage and promote mining as a rewarding and exciting career and encourage large mining companies to support the UK as a base for mining through funding and resources.

Glossary

AIM	Growth market on the London Stock Exchange
BIS	Department for Business, Innovation and Skills
DCLG	Department for Communities and Local Government
DECC	Department of Energy and Climate Change
DEFRA	Department for Environment, Food & Rural Affairs
EI	Extractive Industries
EITI	Extractive Industries Transparency Initiative
ESG	Environmental, Social and Corporate Governance
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
FTSE 100	An index composed of the 100 largest companies on the London Stock Exchange
FTSE	Main market on the London Stock Exchange
G8	Group of eight (seven of the world's leading industrialised nations and Russia)
IED	Industrial Emissions Directive
JSE	Johannesburg Stock Exchange
LSE	London Stock Exchange
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
SRI Index	Socially Responsible Investment Index
STEM	Science, Technology, Engineering and Mathematics
The Department	Department for Business, Innovation and Skills
UKCS	UK Continental Shelf
UKTI	United Kingdom Trade and Investment

Background

1. The extractive industries are an important sector in the UK economy which has been playing an increasing role in the main indices. We therefore decided to assess the state of the sector both in the UK and abroad, the competitive landscape for the extractive industries in the 21st Century and the UK's position as a global centre for companies to be based.

2. We received over 45 pieces of written evidence and took oral evidence on five separate occasions from a wide range of companies, stakeholders, campaigners and regulators.

3. We also visited South Africa to see, at first hand, the interplay between UK listed companies and their mining operations overseas. We are grateful to everyone who helped with our visit and contributed to the inquiry. A list of those companies and organisations we met can be found at Annex 3. Although formal evidence was not taken on this visit, the meetings held and the sites visited, have greatly informed us in our deliberations.

4. Our inquiry considered three interrelated themes: Extracting within the UK, the role of the UK in listing extractive companies which operate throughout the world, and finally the role of British companies, and the UK, in supplying extractive companies throughout the world.

1 Extracting in the United Kingdom

Background

5. The UK has a long history of extracting resources which, according to David Highley, formerly of the British Geological Survey, dates back to pre-Roman times with the ancient trading of Cornish tin. He wrote that mining developed significantly and was a key element of the Industrial Revolution. At that time Britain became the world's leading producer of a number of minerals, including coal, iron, tin, copper and lead ores. While those industries have declined during the 20th century, oil and gas extraction has become a significant extractive industry in the UK economy.[1] In its written evidence, CBI Minerals set out the industry's current contribution to the economy:

> The approximate total value of minerals produced in the UK (including oil and gas) was £37.7 billion in 2011. The industry (excluding oil and gas) usually extracts between 220 and 350 million tonnes of minerals per annum from the UK landmass, directly contributes over £10 billion a year to the economy and provides direct and indirect employment around 80,000 people.[2]

6. The contribution to the UK economy of offshore oil and gas is significant. Oil and Gas UK (a representative body for the UK offshore oil and gas industry) wrote to us and stated that:

> The UK's offshore oil and gas industry paid c£6.5bn in production taxes in 2012–2013, and UK Continental Shelf (UKCS) production supports the UK's Balance of Trade by c£32bn per year. In addition to this, the wider oil and gas supply chain is estimated to have paid a further £5bn in corporation and payroll tax.
>
> The UK oil and gas industry supports some 450,000 jobs, many of which are highly skilled, across the whole economy. Of these, 36,000 are employed by operating companies (12,500 of whom work offshore); 200,000 are employed in the supply chain (45,000 of whom work offshore); 112,000 in jobs induced by the economic activity of the above employees, and; 100,000 in the export of goods and services.[3]

7. David Hargreaves, a mining consultant and publisher of 'Week in Mining', explained that while the domestic mining industry was smaller than it was in historical terms, there was a positive outlook for the future of the extractive industries in the UK. His assessment for the future was positive stating that we could have a viable domestic industry in the future.[4] Jenny Willott, the Minister responsible for the extractive industries, shared that

1 David Highley (EIS 21) para 2

2 CBI Minerals Group (EIS 28) extract

3 Oil and Gas UK (EIS 22) extract

4 Q3

optimism. She noted that there remained “some interesting things under our feet”,[5] and that there would be an extractives industry in the UK “well into the future”.[6] In particular she highlighted rare earths and potash as examples.[7]

Future of UK Extraction

Extracting Oil and Gas

8. Oil and gas extraction is currently the largest of the domestic extractive sectors in the UK and will continue to grow in the medium term. Oil and Gas UK wrote to us to tell us about future investment in the sector:

> Capital investment in new fields in 2013 alone will rise to a record £13.5bn. Total capital investment committed to projects already in production or under development totalled £44bn at the start of 2013, £13bn higher than 12 months earlier.[8]

It concluded that “the UK oil and gas industry will remain of significant economic importance for many decades”.[9]

9. When we spoke to the Minister she believed that this was an area in which the Government had been both proactive and specific in its planning for the future, referring us to the fact that the Government had commissioned Sir Ian Wood to conduct a review of the oil and gas sector. Sir Ian reported in February 2014 and the Government appears to have accepted his recommendations. Commenting on the review, the Secretary of State for Energy and Climate Change stated that:

> We will continue this momentum to build an Oil and Gas Authority, with the skills, resources and powers to deal with the challenges facing the UK’s Continental Shelf (UKCS). This will empower a confident and credible regulator who is able to influence, facilitate, mobilise, and share its learnings and capability with operators across the sector and with Industry to realise the huge but challenging benefits on offer and ensure the sustainability of the UKCS for decades to come.[10]

Extracting minerals

10. The CBI Minerals Group told us that the UK has, in the past, supported an important metal mining industry and that this sector was poised to make an important contribution

5 Q372

6 Q366

7 Q366 and Q372

8 Oil and Gas UK (EIS 22) extract

9 Oil and Gas UK (EIS 22) extract

10 Department of Energy and Climate Change, *Government Response to Sir Ian Wood’s UKCS: Maximising Economic Recovery Review* (July 2014), pages 4–5

to the economy once again.[11] The Government has acknowledged the potential of mineral extraction in the UK and has included it in its National Planning Policy Framework. The Framework states that "minerals are essential to support sustainable economic growth" and that it was "important that there is a sufficient supply of material to provide the infrastructure, buildings, energy and goods that the country needs".[12] The Framework goes on to note that since minerals were a finite natural resource, it was "important to make best use of them to secure their long-term conservation".[13]

11. In evidence to us, the Minister told us how the Government would meet its objectives and help companies to identify new opportunities for extraction:

> The quarrying sector and the mining sector could benefit from coming together and identifying what they think needs to be done in order to be prosperous in the future and to develop those potential areas. If they then come to the Government with areas where they think we can help we will have a look at it.[14]

Industrial strategy

12. The Department has put in place 12 Industrial Strategies on those sectors that it believed had the most potential to create growth and value for the UK. These sectors are aerospace, agricultural technology, automotive, construction, information economy, international education, life sciences, nuclear, offshore wind, oil and gas, professional and business services. In respect of the oil and gas the Industrial Strategy aims to:

- maximise the economic production of the UK's offshore oil and gas resources;
- sustain and promote the growth of the UK industry's supply chain, in both domestic and international markets; and
- promote purposeful collaboration across industry and between industry and Government.[15]

The Government concluded that the oil and gas strategy worked to "put Government and industry on the right path to ensure future decades of investment and production in the North Sea".[16]

13. We received fairly mixed evidence about the need for a similar Industrial Strategy aimed at mineral extraction in the UK. A number of contributors supported the

11 CBI Minerals Group (EIS 28) extract

12 Communities and Local Government, *National Planning Policy Framework* (March 2012) page 32

13 Communities and Local Government, *National Planning Policy Framework* (March 2012) page 32

14 Q372

15 Department for Business, Innovation and Skills and Department of Energy and Climate Change, 'UK oil and gas Industrial Strategy' accessed 4 September 2014

16 Department for Business, Innovation and Skills and Department of Energy and Climate Change, 'UK oil and gas Industrial Strategy' accessed 4 September 2014

establishment of a mineral Industrial Strategy. They believed it would be beneficial for the industry, as it would give companies the confidence to make the large and long-term capital investments needed to secure the future extraction of minerals. For example, the CBI Minerals Group referred to the UK's successful history in mining and told us that "the Government should champion a UK Minerals Strategy which puts indigenous minerals extraction at the centre of its Industrial Strategy to ensure we do not lose that status".[17]

14. Dean Thornewell, President of Joy Global (Eurasia), argued that confidence and stability in the UK's future energy policy was needed to ensure longer-tem investment in the sector:

> Mining, in a way, is a by-product of a balanced energy policy, to a degree—or certain aspects of mining are. You need to have the right mining capabilities in place to meet the demands of the energy that you require. That is definitely part of it. That is more my concern, rather than saying that the country does not have a strategy for mining minerals.[18]

15. ***The Government has expressed support for the enlargement of the UK's domestic extractive sector. However, it is unclear how the Government intends to promote the growth of this sector. We recommend that the Department publishes a domestic extractives plan setting out the extent and range of its support—both structural and financial—and how it intends to realise that ambition. We welcome the Minister's offer to meet with industry and deal with roadblocks. We further recommend that the Government sets out in its response the best mechanism for taking this forward.***

16. ***The Government has focussed its Industrial Strategies on areas where it can have a greatest impact on the UK economy. However, we are concerned that these strategies do not currently offer explicit support to the extractives industry beyond oil and gas. We recommend that the existing Industrial Strategies be amended to take into account energy policy in the UK, upon which a large section of the extractives sector is reliant. That policy should explicitly take account of the UK's domestic extractive sector and the Government should consider other strategic minerals such as potash and rare earths.***

Ministerial support

17. Finally we received evidence that that the political landscape in the extractive sector, in terms of regulation and liaison within Government, was confusing. This was demonstrated when Nigel Jackson, Chairman of the CBI Minerals Group, explained how there was "no clear vision on the overall need for minerals, whether they be energy or non-energy".[19] He went on to say:

> Planning is owned by DCLG [Department for Communities and Local Government]; that is where the primary driver for the availability of resources sits.

17 CBI Minerals Group (EIS 28) para 10.1

18 Q330 [Dean Thornewell]

19 Q111

> [...] DEFRA [Department for Environment, Food & Rural Affairs], however, are very much concerned with the operational permitting aspects, and the link between DEFRA and DCLG is not as strong and co-ordinated as it could be; this applies to the agencies as well. DECC [Department of Energy & Climate Change] are clearly very focused on energy and carbon issues and BIS [Department for Business, Innovation and Skills] are there to champion the interests of industry.[20]

18. The confusion facing companies wishing to engage with the Government was highlighted when the Minister came before us to give evidence. The Minister struggled to give comprehensive answers to our questioning on no fewer than eight occasions because the remit to govern elements of the extractive industries fell between so many Departments.[21] To address this, the Environmental Sustainability Knowledge Transfer Network recommended that:

> A single Government representative should be given the responsibility for the oversight of the development of the extractive industries in the UK to ensure close co-ordination of the activities of all relevant departments.[22]

The Minister agreed and conceded that there was a role for her Department to coordinate inquiries from the sector:

> It would depend entirely on what the sector identified as their main issues. If they brought them to BIS we would obviously have a look and see what they were concerned about and see whether there was an area where the Government could help.[23]

19. ***When we took evidence from the Minister, it became apparent that the domestic extractive industry sector crossed the portfolios of several Ministers. Greater clarity of authority would be beneficial. We recommend that, in addition to coordinating and taking responsibility for the delivery of the domestic extractives plan, the Minister in BIS be given clear responsibility for leading policy in this area. This must include coordination with the devolved administrations where appropriate.***

20 Q111

21 For example Q370, Q372, Q373, Q379, Q380, Q381, Q391 and Q393

22 Environmental Sustainability Knowledge Transfer Network (EIS 12) para 33

23 Q374

2 Hosting a global industry

Listing on the London Stock Exchange

20. While the UK's domestic extractive industry is smaller than it was at its peak, the UK remains an attractive place to host publicly listed extractive companies. The London Stock Exchange has two exchanges, the FTSE (incorporating the FTSE100, FTSE250 and the All Share Index) and the AIM. The FTSE is generally seen as the 'Main Market' to list in the UK, where companies are regulated by the Financial Conduct Authority (FCA) and the Listing Authority. These companies tend to be larger, established organisations and have access to wider finance because of the perceived security provided by a listing on the FTSE.

21. The AIM is generally considered to be the 'Growth Market' exchange for newer, smaller and growing companies. Because of the nature of the companies on the exchange, listing on the AIM offers lower access to capital, because investors may see an AIM listing as more risky and, therefore, demand a higher return on their investments. Within the mining sector, many exploration companies are listed on the AIM, whereas the FTSE exchanges hold more of the larger producers.

22. The Financial Conduct Authority told us the size of the extractive sector on the London Stock Exchange's Main Market had more than doubled in value since 2000.[24] That strength has also carried over to the AIM, where oil and gas production was now the largest sector listed.[25] In addition, the FCA stated that mining was also larger as a percentage of the total market on AIM, having more than tripled in size from 2.2 per cent of the market to 7.1 per cent between 2000 and 2013.[26]

Table 1: Analysis of Main Market sector weightings, July 2013 v July 2000[27]

	Numbers		Market Cap £m		Market Cap %		Position of sector	
	2013	2000	2013	2000	2013	2000	2013	2000
Oil & Gas	42	42	597,752	671,876	14.3%	12.4%	Second	Second
Mining	38	50	197,602	69,682	4.7%	1.3%	Fourth	Eighteenth
Others	1,236	2,334	3,397,034	4,678,160	81.0%	86.3%		
Total	**1,316**	**2,426**	**4,192,388**	**5,419,718**	**100.0%**	**100.0%**		

24 Financial Conduct Authority (EIS 32) para 13

25 Financial Conduct Authority (EIS 32) table 1

26 Financial Conduct Authority (EIS 32) para 14

27 London Stock Exchange monthly list of all companies, July 2013 and July 2000; FCA analysis

Table 2: Analysis of AIM sector weightings, July 2013 v July 2000[28]

	Numbers		Market Cap £m		Market Cap %		Position of sector	
	2013	2000	2013	2000	2013	2000	2013	2000
Oil & Gas	108	14	12,230	462	19.1%	3.1%	First	Eighth
Mining	141	15	4,547	320	7.1%	2.2%	Fifth	Fifteenth
Others	837	411	47,399	14,064	73.9%	94.7%		
Total	**1,086**	**440**	**64,175**	**14,847**	**100.0%**	**100.0%**		

23. Ros Lund, Senior Manager at Mining on Top, a training organisation, explained the advantages to companies of listing in London:

> The competitive advantages they have are there are a lot of support services based in the UK. We are still regarded as a centre of financing for the development of mining companies. There is the London Metal Exchange. A lot of prices are set here. Because of those things and our heritage, there is a hub of service companies that provide services to the industry that are based here. There are construction companies. There are consultants: Mott MacDonald, SRK and the like. There are the big accountancy firms: KPMG and the like. There are all sorts of people who are based here in insurance. All the services that a mining company needs, they can easily access here.[29]

She concluded that London remained a "hub that people from other mining centres come through on their way to somewhere else".[30]

Benefits to hosting extractive companies

24. The position of the UK as a global centre for listing extractive companies has wider benefits for the country. The CBI Minerals Group told us that the Minerals Products Association had recently commissioned Capital Economics to assess the contribution the mineral products sector makes to the UK economy.[31] This work highlighted a number of benefits to the UK of companies listing on the London Stock Exchange. In financial terms, we heard that the industry contributed over £1 billion of taxes annually, accounted for over £4 billion to the UK's Gross Value Added (GVA) each year; and paid over £1 billion of taxes annually.[32]

28 London Stock Exchange monthly list of all companies, July 2013 and July 2000; FCA analysis

29 Q11

30 Q11

31 CBI Minerals Group (EIS 28) para 1.6

32 CBI Minerals Group (EIS 28) para 1.6

25. A number of contributors to this inquiry were keen to highlight the direct benefit to the UK exchequer of companies listing on the LSE. This applied to companies involved in both domestic and international extraction.

26. Companies extracting in the UK contribute in a number of ways, through licences, dividends and taxation. Oil and Gas UK told us that in the UK, the offshore oil and gas industry paid around £6.5bn in production taxes in 2012–2013.[33] In addition, the UK Continental Shelf (UKCS) production supported the UK's Balance of Trade by around £32bn per year.[34] Furthermore, the wider oil and gas supply chain was estimated to have paid a further £5bn in corporation and payroll tax.[35]

27. Global companies, with only a listing presence in this country (i.e. no domestic extraction), also contribute to the UK's public finances. Rio Tinto Plc stated that it had paid "approximately £95 million in taxes" in the UK including corporation tax, payroll taxes and local taxes.[36] Glencore also summarised the contribution to the exchequer of extractive industry companies listing in the UK:

> The extractive sector accounts for 2.3 per cent of the UK's gross domestic product. According to figures from HM Revenue and Customs, the annual taxation revenue from the UK oil and gas sector over the last five years has ranged between £5 billion and £12 billion, with the fluctuations being due to changes that include tax rates, investment levels and production.[37]

28. As the UK's largest listed company, Shell International said that its contribution to the UK covered employment, tax revenues and investment, which, it argued boosted the economy.[38] It stated that "£1 out of every £10 of all dividends paid in the FTSE 100 last year came from Shell".[39] In addition to the financial benefits, we consider the employment benefits to hosting extractive companies later in this Report.

Concerns and risks

29. However, NGOs who gave evidence to us believed that there were significant risks attached to such companies listing on the LSE. The pressure group PWYP (Publish What You Pay) highlighted concerns about a lack of transparency in what it described as "profit shifting, transfer mispricing, secret deals and the use of secretive shell companies and tax havens".[40] It argued for an open public registry of ownership in order to stop the possibility of both "profit shifting" and the use of "tax secrecy jurisdictions (tax havens)".[41] This was

33 Oil and Gas UK (EIS 22) extract
34 Oil and Gas UK (EIS 22) extract
35 Oil and Gas UK (EIS 22) extract
36 Rio Tinto Plc (EIS 33) extract
37 Glencore Xstrata (EIS 30) section 3.1
38 Shell International Ltd (EIS 34) extract
39 Shell International Ltd (EIS 34) extract
40 Publish What You Pay UK (EIS 19) para 1.1
41 Publish What You Pay UK (EIS 19) para 1.3

supported Christian Aid, who told us that a lack of clarity over the ownership of extractive companies had the potential to facilitate "corruption" and "tax avoidance".[42] WWF-UK said that, amongst other factors, tax evasion/avoidance and transfer mispricing have resulted in "suggestions that the reputation of the extractives industry is at an all-time low".[43] Christian Aid also believed that greater transparency was necessary:

> Public registries of the real, beneficial owners of companies would provide a way to identify those profiting from extractives and hold them to account, and also deter any corrupt or tax evading practices.[44]

30. That said, Christian Aid believed that some companies in the sector also supported greater transparency:

> It is something that we have seen from some of the companies themselves, in saying "actually, we would like more transparency so that we can have the diligence over who we are being asked to go into partnership with".[45]

31. Shell was one such company. Ed Daniels, the Chairman of Shell UK, argued that Shell's and other companies' contribution to the UK should be more well known.[46] However, he explained that there were some legal constraints to delivering on this:

> The practicality is we are absolutely supportive of publishing our revenues and taxation in countries around the world, and it is available on our website if you wish to see it. The reality is that we operate in lots of different countries, in two of which I know for certain it is against the law of that country for us to publish the tax receipts in that particular nation.[47]

32. When we asked the Minister about the veracity of the taxation accounting practices in this sector she stated that the Government and the Office for Budget Responsibility, had not reported any significant tax-gap. She was therefore of the view that the industry was not avoiding its tax responsibilities to a scale that caused concern:

> The gap is not very big. In 2011–12, the OBR forecast £11.2 billion and we collected £10.9 billion. In 2012–13, the OBR forecast £6.5 billion and we collected £6.1 billion.[48]

33. ***We heard from several experts that extractive companies—both domestic extractors and global companies listed in London—directly contribute to the UK exchequer in a number of ways. In terms of UK tax receipts, the Government did not believe that the sector was substantially avoiding its tax obligations. However, a number of NGOs***

42 Q308
43 WWF-UK (EIS 06) para 1
44 Christian Aid (EIS 23) extract
45 Q308
46 Q198 [Ed Daniels]
47 Q198 [Ed Daniels]
48 Q409

warned that UK listed companies may be involved in tax avoidance tactics such as profit shifting and transfer pricing overseas. The introduction of EU Directives and registers of beneficial ownership may help to stop such practices but we look to the Government to take further action where companies continue to avoid paying taxes overseas in this way.

Employment

34. The Minerals Products Association also highlighted the wider benefits to the UK of hosting companies in the extractive industries. It said that it supported a supply chain industry with a turnover of £400 billion, was the largest supplier to the construction industry and employed over 70,000 people.[49]

35. In addition to tax receipts, the extractive companies in the UK benefit the UK in terms of employment, in particular in mining operations in the UK. Engineering the Future told us that, the oil and gas extraction industry in the UK generated significant employment in Aberdeen with oil and gas service companies and related employment through suppliers in Glasgow, Edinburgh, Newcastle, Cheshire, North Wales, Norfolk, Reading, London and the Home Counties.[50] It went on to state that in addition to supporting 450,000 jobs in the UK, there were "several tens of thousands" of UK citizens working overseas in the oil and gas industry who sent back "significant wealth" to the UK during their overseas employment, to support families and homes.[51]

36. Even companies which have no mining operations on the UK contribute to employment. Rio Tinto told us that although it did not operate in the UK, it employed a large number of staff in administrative and professional capacities.[52]

37. Despite this, listing and hosting companies require different sets of skills and the UK can benefit from supplying those skilled workers. Glencore Xstrata, argued that while not a major source of employment, these services should not be underestimated:

> The UK is an important source of professional staff in the areas of finance, accountancy and law as well as engineering skills, project management, marketing and trading. In addition to direct employment opportunities in the UK and ancillary services overseas, the UK is a global centre for the procurement of mining finance and business services which in turn creates indirect employment in Britain.[53]

38. Figures from the Office for National Statistics support the argument that the extractive sector has a positive, though not enormous, impact on UK employment.

49 CBI Minerals Group (EIS 28) para 1.6

50 Engineering the Future (EIS 25) para 3.5

51 Engineering the Future (EIS 25) para 3.5

52 Rio Tinto Plc (EIS 33) para 4

53 Glencore Xstrata (EIS 30) para 3.2

Table 3: Employment in the UK extractive industries [54]

Employment by sector in Great Britain Employees only	**2009**	**2010**	**2011**	**2012**	**2013**	**Change between '09 & '13**	**% change between '09 & '13**
Mining for coal	5,900	5,900	6,400	6,900	4,600	-1,300	-22%
Extraction of crude petroleum and natural gas	12,300	11,500	13,200	15,600	15,500	3,200	26%
Other mining and quarrying	17,700	16,100	16,800	19,200	14,300	-3,400	-19%
	35,900	**33,500**	**36,400**	**41,700**	**34,400**		
Mining support service activities	19,900	20,700	21,100	22,900	21,600	1,700	9%

Notes: Figures rounded to the nearest 100

Estimates are subject to sampling errors which increase as geographic areas become smaller and industry more detailed. Please see http://www.nomisweb.co.uk/articles/774.aspx to guage the magnitude of these errors.

39. ***More than 34,000 people in the UK are directly employed by the extractive industries. An additional 21,600 people are employed if the connected mining support services are included. The UK clearly has built a strong reputation in supplying services to listed UK listed companies—including finance, accountancy and law. Preserving this reputation is key factor in retaining the UK as a centre for the extractive industries. We recommend that the Government implements a review of the impact of the global extractives sector on UK employment and on British workers finding employment overseas.***

54 House of Commons Library analysis of Office for National Statistics Business Register and Employment Survey data

3 Regulatory control

40. The UK is seen as one of the strongest regulatory regimes in the world. In evidence to us, the CBI Mineral Group summarised the UK's regulatory position:

> The UK's strong listing and corporate governance standards are vital for continuing to attract international companies to list here. Development of the UK's corporate governance regime has enabled London's markets to flourish. The UK is consistently ranked as having the world's strongest standards of corporate governance.[55]

41. If a company is listed in the UK, it must abide by UK standards, regardless of where it operates. Given the high level of standards attached to a UK listing, there is therefore a perception that for a company to list elsewhere would mean that it would be listing in a less rigorous regulatory framework where disadvantage would inevitably fall on those least able to resist it (the poorer workers and local populations). From that point of view, it is beneficial for the UK to continue to hold the listings of as many of the extractive companies as possible so that it can exert a level of control over their conduct. Christian Aid wrote to us and summarised this point, it said:

> Given the number of extractives companies listed on the London Stock Exchange, and therefore subject to UK regulation, the UK has a substantial degree of influence in regulating the extractives industry worldwide and ensuring the population of developing countries benefit from their mineral wealth.[56]

42. The CBI Minerals Group agreed and argued that the benefits of a strong regulatory regime were also felt by companies:

> Strong listing and corporate governance provides a stable base on which a company can operate, and also generates investor conference in that company. Therefore strong corporate governance and listing standards are not just important for how a company is perceived by investors, they, they also have a bearing on a company's long term financial performance.[57]

BHP Billiton, one of the largest extractive companies, also said that the strong regulatory framework in the UK provided "clarity and confidence to investors".[58]

55 CBI Minerals Group (EIS 28) para 9.1
56 Christian Aid (EIS 23) para 2.3
57 CBI Minerals Group (EIS 28) para 9.1
58 BHP Billiton (EIS 11) para 38

Risks to hosting extractive companies

43. However, a number of organisations which submitted evidence believed that improvements should be made to the regulatory framework. WWF-UK argued for a further tightening of the regulatory regime:

> In spite of threats to the contrary, companies rarely relocate due to an increase in regulation. Instead they simply adapt and, especially with new environmental regulations, compliance with them usually amounts to less than two per cent of business costs. Therefore, we would strongly support greater levels of regulation to improve the environmental and social governance of UK and UK listed companies.[59]

44. WWF-UK went on to argue that the existence of a core of potentially unpopular companies based in the UK presented the country with potential reputational risks. In particular it said that when the reputation of one company was undermined, the reputations of its peers also suffered, and that, "unfortunately, UK or UK-listed companies are often included in these allegations".[60]

45. In a similar vein, the London Mining Network submitted evidence outlining several examples of extractive companies which were listed in the UK which it said had been reported as being connected to poor behaviour abroad.[61] It told us that if the UK continued to host those companies, there was the potential for a negative outcome for the UK's reputation.[62] This argument was echoed by Publish What You Pay:

> Corporate governance concerns about EI companies listed and registered in the UK, and reputational risks for the UK and for UK financial institutions, are considerable and will remain significant and in some cases high for as long as the EI globally exhibit a lack of transparency and accountability and do not visibly contribute to equitable and sustainable patterns of economic development.[63]

46. When were in South Africa, these concerns were raised by the Bench Marks Foundation—a Johannesburg organisation which is a non-profit, faith-based organisation operating in the area of corporate social responsibility. It told us how it monitors corporate performance against international measuring instruments known as the Bench Marks Principles. It was clear from our conversations with the Bench Marks Foundation that mining companies do not always live up to the high standards we would expect from either UK mining companies or companies listed in the United Kingdom. Specifically, the Bench Marks Foundation highlighted its own research into the corporate responsibility of mining companies in South Africa known as the 'Policy Gap Series' on the legislative environment

59 WWF-UK (EIS 06)

60 WWF-UK (EIS 06) para 10

61 London Mining Network (EIS 43)

62 London Mining Network (EIS 43) para 3.9

63 Publish What You Pay UK (EIS 19) para 2.2

and the policies and practices of mining corporations in Southern Africa.[64] It told us that that work had helped to shed further light on the running of those companies as well as highlighting deficiencies in accountability, transparency and several other aspects related to sustainable development and corporate social responsibility.

47. Alexander Scrivener, Policy Officer at the World Development Movement, questioned the ambition for London to be the leading centre for the extractives industry:[65]

> When we talk about a fundamental reorientation of the economy, we are asking why we want to be a centre for an industry that, if we are to keep our legally binding targets, we need to be moving away from. Why can we not be a world centre for renewable investment, for example? Those are the kind of fundamental reorientations that we are advocating: a move away from 19th and 20th century history and a move towards the 21st century.[66]

48. When she gave evidence, the Minister agreed that there was room for improvement in the listing landscape. That said, she was confident that the benefits to the UK of hosting companies in the extractive industries outweighed the reported risks:

> As long as we adapt our listings rules and ensure our corporate governance structure is adequate and strong, we will be able to mitigate those reputational risks. The advantages to getting companies operating in a strong, trusted environment outweigh some of the reputational risks, because we can have a positive impact on the way companies behave in developing countries.[67]

49. **The extractive industries sector is always likely to be controversial. Negative impacts on local and indigenous communities abroad could undermine the reputation of the sector more widely, including the UK, where many companies are hosted. We therefore welcome the work being done to increase transparency and improve corporate governance in the industry—in particular by organisations such as the Bench Marks Foundation. Notwithstanding controversies, we believe that the benefits to the United Kingdom of hosting extractive companies outweigh the risks, providing that the UK aspires to lead the world in both the transparency and corporate social responsibility agendas.**

Listing Regulations

50. Listings regulation is overseen by the Financial Conduct Authority (FCA). When he gave evidence to us David Lawton, Director of Markets at the FCA, summarised the process of being listed on the LSE:

64 More information on the Bench Marks Foundation and its research may be found here

65 Q277 [Alex Scrivener]

66 Q277 [Alex Scrivener]

67 Q377

> In order to be listed, an issuer would have to take a number of steps. The first is, typically, it would have to appoint some advisers to work with it to prepare it to go through the process. If an issuer wanted to be on the premium segment of the Official List […] it would also have to appoint a sponsor, typically an investment bank, to co-ordinate the process. It would have to produce a prospectus, which sets out details about the company, its business plan, its revenue expectations and so on, in order to provide investors with all the information that they need to make an informed assessment about the pricing of the security, and then it would need to apply to us for admission to the List and satisfy the admission criteria. In parallel, it would also need to apply to an exchange to be admitted to trading.[68]

51. While this is a thorough process, we received submissions which argued that the concentration on financial checks was not enough to ensure that undesirable companies could not base themselves in the UK. The World Development Movement told us that the FCA's remit was too restrictive and should be expanded to include social, environmental and climate criteria in order to "prevent firms with dubious records from using London as a base to raise money for their destructive activities".[69]

52. Christian Aid argued that the FCA should be enabled to "hold companies to account for their behaviour",[70] and gave examples of other stock exchanges (for example the Hong Kong Exchange) which it claimed had "higher reporting requirements for the environment and human rights".[71] The organisation concluded that:

> The adoption of similar reporting requirement to that of the Hong Kong Exchange would certainly improve the capacity of the FCA to implement due diligence.[72]

53. In response to those arguments, the FCA wrote to us in the following terms:

> Our review of an application for listing focuses on ensuring the applicant meets the admission criteria and is therefore *eligible* for listing. We do not consider whether it is *suitable* for listing [FCA's emphasis]: so for example, we take no view on the appropriateness of an issuer's business model, nor whether it might be the sort of company that we would like investors to have the opportunity to invest in. Similarly, in our engagement with existing listed companies, we do not challenge the merits of any particular commercial proposal or course of action; rather, we consider when such a proposal needs shareholder approval, disclosure to the market in a particular form, or some other regulatory process designed to keep investors informed and able to exercise their rights.[73]

68 Q125

69 World Development Movement (EIS 20) para 10

70 Christian Aid (EIS 23) para 4.3

71 Christian Aid (EIS 23) para 4.3

72 Christian Aid (EIS 23) para 4.3

73 Financial Conduct Authority (EIS 32) para 7

54. When we asked the Minister why the FCA's remit was limited in this respect, she said that there were concerns that a wider remit would conflict with existing corporate governance rulings.[74] For example, there was a requirement for companies to provide information about risk and identify certain types of corporate behaviour, but that this was covered by corporate governance policies—overseen by the Financial Reporting Council (FRC)—and not by the FCA.[75] She further argued that additional regulatory requirements would be brought in under new EU Directives:[76]

> It would be very different from its role in other ways. Our rules on corporate governance and transparency, and the increasing transparency we will have following the implementation of the [EU] Transparency Directive and the [EU] Accounting Directive, will mean that the information that is out there for members of the public, civil society organisations, shareholders and so on will be much better. Members of the public and organisations will be in a much better position to challenge companies and Governments.[77]

55. We discuss the EU Directives in more detail later in this Report. The Minister repeated the view that the Government did not see the FCA's role in the policing of social, environmental or corporate governance:

> The listing rules are administered by the FCA. In the Government's view, the FCA is not the right body to look at human rights abuses, environmental impact and so on. The way that we ensure that information is made available publicly so companies can be held to account for their activities is through the corporate governance rules, which are going to be extended.[78]

56. There is a wider discussion related to the regulation of the activities of these companies. We were reminded of our recent inquiry into the Kay Review. In that inquiry we scrutinised the role of the proactive shareholder and made recommendations on how to ensure that these shareholders were equipped with the information to hold these companies to account. In that Report we discussed reporting outside of financial accounting and felt that narrative reporting was one solution. We recommended that "the Government outlines how it proposes to implement auditing and monitoring of narrative reports". We concluded that "ongoing shareholder scrutiny and transparency must be at the heart of this".[79]

57. When we visited South Africa we witnessed at first hand, how the reporting of data other than finances was helping responsible investors and shareholders to hold their

74 Q387

75 Q387

76 Details on the EU Transparency Directive (2013/50/EU) may be found here, Details on the EU Accounting Directive (2013/34/EU) may be found here [accessed 6 October 2014]

77 Q389

78 Q393

79 Business, Innovation and Skill Committee, Third Report of Session 2013–14, *The Kay Review of UK Equity Markets and Long-Term Decision Making*, HC 603 para 79

companies to account, and therefore were influencing and encouraging good behaviour in the companies that they owned. We report in detail about the methodology of doing this through an alternative 'Socially Responsible Index' but are encouraged that a country as reliant on the extractive industries as South Africa has found a positive way for its listing authority to positively engage with and meet the needs of shareholders as well as businesses. We look to the UK Listing Authority to learn from this good practice.

58. ***The current regulations governing transparency and reporting in the industry will be enhanced by forthcoming EU Directives. We believe that the Government should consider expanding the FCA's remit to include not only oversight of financial transparency, but also the social, environmental and corporate governance reporting for companies applying to list on the London Stock Exchange. If it is not felt appropriate for the FCA, the Government should determine which body should have the remit to do so.***

Premium listing and the role of the sponsor

59. When a company lists on the FTSE, it may also decide to hold a Premium Listing.[80] Such a listing is advantageous to the company as it allow greater access to finance because potential investors are given an additional level of confidence with which to invest. The London Stock Exchange summarised the Premium Listing as follows:

> A Premium Listing is only available to equity shares issued by trading companies and closed and open-ended investment entities. Issuers with a Premium Listing are required to meet the UK's super-equivalent rules which are higher than the EU minimum requirements. A Premium Listing means the company is expected to meet the UK's highest standards of regulation and corporate governance—and as a consequence may enjoy a lower cost of capital through greater transparency and through building investor confidence.[81]

60. A full description of the process for achieving Premium status in the FTSE is outlined at Annex 1. New applicants for a Premium Listing are required to submit a three year revenue-earning record which has been be independently audited without qualification. Furthermore, any prospectus accompanying the float is required to make an unqualified statement that the company has sufficient working capital for the company's present requirements. According to the FCA, any application for a Premium Listing also needs to be accompanied by:

> Confirmation from a 'sponsor firm' that, having made due and careful enquiry, the directors have a reasonable basis for the statement on working capital (that will be contained in the prospectus) and have established procedures which provide them with a reasonable basis on which to make proper judgments on an

80 The features and requirements of a premium listing on the FTSE are outlined in detail in Annex 1.

81 London Stock Exchange, 'Listing Regime' accessed 4 September 2014

> ongoing basis as to the financial position and prospects of the applicant and its group.[82]

61. However, the FCA told us that not all of these requirements applied to mineral companies wishing to gain a Premium Listing. In particular, mineral companies were not required to supply the three-year earnings track record. However, any record a company has would still need to be independently audited and reported on without modification. The FCA also explained that companies did not need to control their assets, but if they did not they would have to "demonstrate they have a reasonable spread of direct interests in the mineral resources and rights to participate actively in their extraction".[83]

62. David Lawton, Director of Markets at the FCA, explained the rationale for this position:

> It is largely due to the technical nature of the industry. It is certainly not the case that the different criteria imply a lesser standard. [...] In relation to mineral companies, the thing that investors particularly focus on is an independent expert's report on the reserves and mineral assets that they have access to, so that takes the place of the three-year track record.[84]

63. In order to ensure that there was no less rigour in the process, the FCA emphasised the fact that an applicant company would still have to employ a sponsor:

> The rules require premium listed companies to retain a sponsor firm in certain instances to advise the company on its obligations under the listing regime and to report to the FCA.[85]

64. When we questioned the FCA and the Minister on the potential for a conflict of interest in the role of the Sponsor—in so far as its fees and future fees depended on a successful application—David Lawton told us that there was a process to prevent the sponsor acting inappropriately. He explained that the FCA had the ability to take action "including discipline" where necessary and confirmed that this had happened in the past.[86]

65. The Minister agreed that the current powers available to the FCA were sufficient to prevent any potential conflict of interest from materialising or affecting the listing regime's reputation in a negative fashion:

> In general terms, there are rules around the behaviour of sponsors, as part of the listing rules. The FCA does work with sponsor companies. It must approve companies if they are to be on the list of those that may act as sponsors. When there are conflicts of interest and so on, it is the responsibility of the sponsor company to have in place appropriate policies to identify when there are potential

82 Financial Conduct Authority (EIS 32) appendix 1

83 Financial Conduct Authority (EIS 32) appendix 1

84 Q144

85 Financial Conduct Authority (EIS 32) appendix 1

86 Q147 and Q148

> conflicts of interest, and policies to identify how they would then tackle them, and if they do think there is a conflict of interest it is their responsibility to cease to act as a sponsor. Those are monitored by the FCA reasonably closely, to make sure that companies do have those policies in place and that they are able to act accordingly.[87]

66. ***Both the FCA and the Government have acknowledged the risk of a conflict on interest in the role of a company's sponsor for a Premium listing. Whilst they indicated that they were alive to that risk, both must guard against the fact that the perception of potential misconduct could be as damaging as the practice itself. The Government should review the role of the sponsor and consider strengthening the terms attached to the role along with the range of a sponsor's remit.***

A social index

67. During the course of our inquiry, we considered whether the London Stock Exchange and the Financial Conduct Authority could—or should—influence the corporate, social and environmental governance and behaviour of a company. When we were in South Africa we met senior executives of the Johannesburg Stock Exchange (JSE) to discuss the work of the JSE in this area. Mr Rothschild, Head of Government and International Affairs at the JSE, explained that the JSE had established a Socially Responsible Investment (SRI) Index which collected and published additional data on companies' social, corporate and environmental records. The SRI Index's objectives are to:

- identify those companies listed on the JSE that integrate the principles of the triple bottom line and good governance into their business activities;
- provide a tool for a broad holistic assessment of company policies and practices against globally aligned and locally relevant corporate responsibility standards;
- serve as a facilitation vehicle for responsible investment for investors looking for non-financial risk variables to include in investment decisions, as such risks do carry the potential to have significant financial impacts; and
- contribute to the development of responsible business practice in South Africa and beyond.[88]

68. When ranking companies the SRI Index considers four main areas of corporate impact:

Environment

- Addressing all key issues

87 Q379

88 Johannesburg Stock Exchange, *SRI Index: Background and Criteria* (2014) page 2

- Working toward environmental sustainability

Society

- Training and development
- Employee relations
- Health and Safety
- Equal opportunities
- Community relations
- Stakeholder engagement
- Black economic empowerment
- HIV / AIDS

Governance and related sustainability concerns

- Board practice
- Ethics
- Indirect Impacts
- Business value and Risk management
- Broader economic issues

Climate change

- Managing and reporting on efforts to reduce carbon emissions and deal with the anticipated effects of climate change[89]

However, we also heard in meetings with the JSE, that if a company holds a dual listing (on both the LSE and JSE) and has Premium Listing status in London then it is exempt from engaging with the SRI.

69. In written evidence, WWF-UK compared the requirements of the JSE to the London Stock Exchange:

89 Johannesburg Stock Exchange, *SRI Index: Background and Criteria* (2014) page 5

Table 4: Brief comparison of the Johannesburg Stock Exchange (JSE) and the London Stock Exchange (LSE)[90]

	Description of sustainability reporting initiative	Scope of companies	Disclosure model	Sustainabilty reporting	Multi-stakeholder approach	Sustainability guidance	Incentives for disclosure	Accessibility of disclosures	Third-party assurance	Advocates for reporting initiative
JSE (self-regulatory; supervisded by Finacial Services Board)	Requires companies to comply with the King Code, which promotes sustainability disclosure and integrated reporting, and requires listed companies to publish an integrated report	All	Comply or Explain	Yes	Yes	Yes	Yes	Yes	No	Yes
LSE (regulated by the FCA)	The companies Act 2006 requires companies listed on the Main Market of the London Stock exchange to report scope 1 and 2 GHG emissions; also applies to British incorporated companies listing on foreign exchanges	All	Mandatory	No	Yes	No	Yes	Yes	No	No

70. In 2001, a series of environmental and social corporate governance focussed indices were launched called FTSE4GOOD.[91] The FTSE website stated that FTSE4GOOD was "designed to measure the performance of companies demonstrating strong environmental, social and governance practices".[92] It went on to explain that companies were included in the FTSE4GOOD indices if they met a number of environmental, social and governance criteria which were set by "NGOs, governmental bodies, consultants, academics, the investment community and the corporate sector".[93] For a company to be included is a demonstration that they are considered to be environmentally and socially responsible. FTSE4GOOD fulfils an important role and supports the call for of responsible investment. That said, it was not cited any of our by witnesses in either written or oral evidence.

71. ***There is a demonstrable benefit in the Government introducing enhanced transparency and accountability in the mining sector. We recommend that the Government conducts a detailed comparison of the Socially Responsible Investment (SRI) index (found on the Johannesburg Stock Exchange) and the FTSE4GOOD index which features on the LSE. That assessment should demonstrate both the levels of information which are collected and published and the level of information companies are required to disclose. The Listing Authority should consider whether the FTSE4GOOD indices can be adapted to address transparency in the extractive industries, or whether a separate Social Responsible Index for extractive companies is required in the UK.***

90 WWF-UK (EIS 44) extract

91 A full list of the FTSE4GOOD ESG focussed indices may be found here

92 FTSE, 'FTSE4Good Index Series' accessed 14/10/14

93 FTSE, 'FTSE4Good Index Series Factsheet' accessed 14/10/14 (The full inclusion criteria for FTSE4GOOD may be found here)

72. ***Where the requirements in the UK (including those of the FTSE4GOOD initiative) fall below those in Johannesburg, they should be strengthened so that investors in the UK have the same opportunities and information about the environmental and social corporate governance practices of companies listed in the UK as they do on companies listed in Johannesburg or other exchanges. We further recommend that the Government looks to close the potential loophole in which a company can avoid engaging with the SRI index by holding a Premium Listing on the LSE.***

4 The Extractive Industries Transparency Initiative

73. In September 2002, the then Prime Minister, Rt. Hon. Tony Blair launched the Extractive Industries Transparency Initiative (EITI). The aim of the EITI was to provide a forum and method for monitoring the activities of extractive companies. At the time of its launch, the Department for International Development said that the EITI sought to:

> Increase the transparency of payments by oil, gas, and mining companies to governments, as well as the transparency of revenues received by governments. The aim is to ensure that revenues from the extractive industries fulfil their potential as an important engine for economic growth in developing countries, instead of leading to conflict, corruption, and poverty.[94]

An explanation of the full EITI standard and compliance process is outlined in Annex 2. Meeting the EITI conditions consists of achieving minimum standards for reporting on (but not restricted to) payments made between extractive companies and the countries (and their Governments) in which they operate.[95] Eddie Rich, the Deputy Head of the EITI international secretariat, told us that before a country can become EITI compliant it first has to produce a report setting out the revenue position of the sector in that country. Mr Rich explained that this report included how much money was coming in, in terms of tax, royalties and signature bonuses.[96] In addition, companies were required to disclose how much they had received in tax, royalties and signature bonuses. The two figures would then be reconciled.[97]

74. Mr Rich then went on to outline how the initiative benefited both countries and the companies working within them:

> There are about 185 of those reports around the world. That is the heart of the EITI. The soul of the EITI is the multi-stakeholder group in each country. This is a national committee of government, company and civil society representatives that sits in each country and oversees the process, decides the scope of the process, and tries to use the information to create a public debate to inform public policy.[98]

75. At the time of writing this Report the EITI stated that 29 countries were compliant, 17 countries had candidate status and a further 35 countries had produced EITI reports.[99]

94 *Extractive Industries Transparency Initiative*, Standard Note SN/BT/6479, House of Commons Library, November 2012

95 The requirements for the EITI are set out in Annex 2

96 Q41

97 Q41

98 Q41

99 Extractive Industries transparency Initiative, 'Seeing results from natural resources' accessed 8 September 2014

76. Despite launching the initiative in 2002, the United Kingdom only agreed to sign up to the EITI in May 2013.[100] After nine years of Governments of both colours, the Government confirmed that its position was not to become EITI compliant. In September 2011, it was reported in the *Daily Telegraph* that the Government argued that the UK was "already a strong international supporter of the EITI" but that did not believe it is appropriate for the UK to implement the EITI because the UK was "not defined as a resource rich country by the International Monetary Fund".[101] At the time this decision was slated as "pure hypocrisy" by Richard Murphy, on behalf of Tax Research LLP.[102] On 28 November 2012, Eric Joyce MP initiated a debate in the House on UK-Listed Mining Companies, which had cross-party support.[103] Responding to that debate the Minister, Jo Swinson, spoke in general terms, agreeing that "for far too long, the world's poorest people have struggled to benefit from the vast natural resources in their countries".[104] She went on to state that the UK was "leading efforts in the EU to require oil, gas and mining companies to publish details of the payments they make to Governments".[105] However, at that time the UK had still not committed to signing up to the EITI. Subsequently, on 23 May 2013, the UK made that commitment.[106] The Prime Minister, Rt. Hon. David Cameron used the UK's presidency of the G8 to persuade other G8 Countries to sign up to the EITI standard.

77. The Department told us a number of potential EITI countries had been deterred from joining the initiative because of the perception that EITI was designed for poor and corrupt countries.[107]

78. We also heard that some countries were reluctant to sign because the initiative appeared to be targeted only at developing countries. When we were in South Africa we discussed the EITI with a number of stakeholder organisations and this perception was confirmed. The fact that the UK was not EITI compliant was not lost on our interlocutors and the absence of the UK and other developed nations from the EITI appeared to be a factor in South Africa's reluctance to sign up.

79. ***We support the decision of the UK to sign up to the EITI but we regret that it took so many years to do so. The Government should now make up for lost time by proactively selling the benefits of EITI compliance and become a beacon for best practice.***

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100 Department for Business, Innovation & Skills, Prime Minister's Office, 10 Downing Street, Department for International Development, The Rt Hon Dr Vince Cable MP, The Rt Hon David Cameron MP, The Rt Hon Justine Greening MP and Jo Swinson MP, 'G8 transparency: UK and France join the Extractive Industries Transparency Initiative' accessed 8 September 2014

101 "*UK refuses to sign up to oil, mining and gas transparency initiative*", The Telegraph, 21 September 2011

102 "*Pure hypocrisy from the UK by refusing to join the Extractive Industries Transparency Initiative*", Tax Research UK, 22 September 2011

103 HC Deb, 28 November 2012, col 101WH

104 HC Deb, 28 November 2012, col 120WH

105 HC Deb, 28 November 2012, col 121WH

106 Department for Business, Innovation & Skills, Prime Minister's Office, 10 Downing Street, Department for International Development, The Rt Hon Dr Vince Cable MP, The Rt Hon David Cameron MP, The Rt Hon Justine Greening MP and Jo Swinson MP, 'G8 transparency: UK and France join the Extractive Industries Transparency Initiative' accessed 8 September 2014

107 Department for Business, Innovation and Skills (EIS 37) para 8.1

80. The Department's written evidence acknowledged that the UK needed to take an more active position in relation to the EITI:

> The UK getting our own house in order will encourage others, including emerging economies, to sign up. As more countries join the EITI, overall global standards of transparency are raised, and together with mandatory reporting, this levels the playing field for UK companies.[108]

81. Eddie Rich, the Deputy Head of the EITI international secretariat, told us that, while the UK had provided much of the necessary information, there was not yet a process in place to present it in a compliant format.[109] This, he argued was a key aspect of the EITI:

> Presenting it in the right way, to make it accessible and understandable for public consumption, is clearly the road that needs to be travelled. It is not necessarily a matter of the information being there; it is how it is presented.[110]

Mr Rich concluded that there was "a significant amount of work" which needed to be done before the UK could be seen as compliant".[111]

82. Several contributors, while supportive of the EITI, warned against its implementation being over-burdensome.[112] The British Aggregates Association argued that it should not impose any additional burdens on what it described as an "already overburdened and regulated domestic minerals industry compared to our colleagues in other countries".[113]

83. We also received evidence from the All-Party Parliamentary Group on Anti-Corruption which argued that the EITI should also to consider the needs of the domestic sector and smaller companies based in the UK. It made the following recommendation

> We strongly urge the Government to implement the EITI Standard in a way that truly benefits our domestic extractive industries. While the sentiment of OECD countries who comply with EITI principles out of solidarity with poorer nations is to be commended, we recommend an approach based on robust consideration of what the principles mean in our specific regulatory framework.[114]

The APPG concluded that "thought should be given to how reporting commitments can improve governance of North Sea oil and inform the current debate around fracking".[115]

108 Department for Business, Innovation and Skills (EIS 37) para 8.5

109 Q69

110 Q69

111 Q69

112 For example: British Aggregates Association (EIS 04), Mining Association of the United Kingdom (EIS 05), BHP Billiton (EIS 11), All-Party Parliamentary Group on Anti-Corruption (EIS 14), Oil and Gas UK (EIS 22)

113 British Aggregate Association (EIS 04) extract

114 All-Party Parliamentary Group On Anti-Corruption (EIS 14) para 8

115 All-Party Parliamentary Group On Anti-Corruption (EIS 14) para 9

84. When she came before us, the Minister acknowledged that providing the necessary information would create additional work for the industry and that there would be an associated cost to be borne by the extractive industries.[116] In supplementary evidence, the Department argued that these burdens had been accepted by the industry:

> Industry is fully involved with the implementation of EITI, where the detail of the application and the reporting process is decided by the Multi-Stakeholder group (MSG). This consists of representatives from industry, civil society and government who take responsibility for ensuring that the views of the constituencies are reflected in the implementation of the EITI.[117]

The Minister concluded that the EITI was, on balance, good for the industry and wider societies:

> The value to civil society of being able to have access to this, and the value to the industry of that transparency, outweighs the cost of providing and gathering that information.[118]

85. While this may be the case, we heard that not all domestic companies and stakeholders had been consulted on the implementation of EITI. For example, the Confederation of UK Coal Producers told us that there had been "no contact to involve coal mining companies in discussion of the possibility of signing up to the EITI".[119] It went on to call for "urgent dialogue on the status of UK based extraction under EITI".[120] This view was reinforced by the Mineral Products Association:

> The Government's decision to sign up to the EITI initiative was taken without consultation with the largest element of the extractive industry in the UK, represented by the Mineral Products Association.[121]

86. ***We welcome the fact that the UK has now signed the EITI. However, the lengthy delay in doing so has lessened the benefit of the initiative. The Government must now take the role of a vocal advocate of the adoption of the Extractive Industries Transparency Initiative to encourage other industrialised countries to sign up.***

87. ***Given the amount of time it took to sign up to the EITI, we were disappointed that the Government's engagement with stakeholders does not appear to have been comprehensive, with stakeholders such as the Mineral Products Association asserting that it was left out of consultation on the EITI. We recommend that the Department undertakes a programme of detailed engagement with businesses in the Extractive***

116 Q418

117 Department for Business, Innovation and Skills (EIS 48) extract

118 Q418

119 Confederation of UK Coal Producers (EIS 18) extract

120 Confederation of UK Coal Producers (EIS 18) extract

121 Mineral Products Association (EIS 39) extract

Industries so that all stakeholders in the industry both understand and actively support the EITI.

EU Directives

88. The UK will be implementing two EU Directives in the near future which have the potential to affect the reporting and accounting landscape of companies, particularly those in the extractive industries. The Directives are the EU Accounting Directive[122] and the EU Transparency Directive.[123]

89. The Government said that EU Accountancy Directive "introduces a building block approach to the statutory financial statements that companies prepare".[124] It went on to explain that there would be:

> Increasing levels of disclosure dependant on the size of the undertaking. It seeks to increase the comparability of financial reports across Member States by reducing the number of options available to the preparers of financial statements in respect of recognition, measurement and presentation".[125]

Furthermore, Chapter 10 of the EU Accountancy Directive specifically introduces "new reporting requirements for large companies operating in the extractive industries—that is those engaged in the mining, oil, gas and forestry sectors and logging of primary forests".[126] On its website, the Government stated that "these requirements support the government's ambition for strong extractives reporting",[127] in particular highlighting that "companies will be required to report payments to governments for financial years from 1 January 2015".[128]

90. The Minister told us that "the [EU] Accounting Directive and the [EU] Transparency Directive have identical measures in them but […] apply to different companies".[129] Publish What You Pay explained this:

> The Accounting Directive, which regulates the provision of financial information by all limited liability companies registered in the European Economic Area (EEA), requires the disclosure of payments to governments by covered oil, gas, mining and logging companies.

122 Details may be found here

123 Details may be found here

124 Department for Business, Innovation and Skills, *UK Implementation of the EU Accounting Directive*, BIS/14/1025, August 2014, page 4

125 Department for Business, Innovation and Skills, *UK Implementation of the EU Accounting Directive*, BIS/14/1025, August 2014, page 4

126 Department for Business, Innovation and Skills, 'EU Accounting Directive: extractive industries reporting', accessed 7 October 2014

127 Department for Business, Innovation and Skills, 'EU Accounting Directive: extractive industries reporting', accessed 7 October 2014

128 Department for Business, Innovation and Skills, 'EU Accounting Directive: extractive industries reporting', accessed 7 October 2014

129 Q421

> Inclusion of the same disclosure requirements in the revised Transparency Directive applies the requirement to all relevant companies listed on EU regulated markets even if they are not registered in the EEA and are incorporated in other countries.[130]

91. The anticipated implementation of those Directives was a reason many companies were relatively relaxed by the UK's adoption of the EITI. For example, BHP Billiton told us that:

> The UK's membership of the EITI should not greatly increase costs for UK businesses since some are already reporting members, while many others will now be captured by the reporting requirements of the recently passed EU Accounting and Transparency Directive.[131]

Rio Tinto agreed:

> In addition to EITI, Rio Tinto will be subject to compulsory reporting of payments to governments under the Dodd Frank Act and the EU Accounting Directive once this legislation comes into force. It is important that evolving global transparency initiatives and national mandatory reporting legislation and regulation develop in a consistent and complementary fashion to ensure the reporting burden on business is manageable and is fit for purpose.[132]

However, the company concluded that it supported "consistent global standards for extractives to report the payments they make to Governments".[133]

92. The Minister explained that the two Directives have a significant amount of overlap but would be overseen by two different Departments, clarifying that the Accounting Directive fell "under the responsibility of BIS", while the "Transparency Directive is the accountability of Her Majesty's Treasury".[134]

93. The Department was keen to describe these Directives as a positive development for companies:

> Transparency also makes good business sense—those who invest in companies must consider a wide range of issues and many will welcome additional information to enable them to make investment decisions. Project level reports provide greater insight into how the industry operates and the range of economic contributions that can result.[135]

130 Publish What You Pay, 'EU rules for disclosure of payments to governments by extractive companies', accessed 7 October 2014

131 BHP Billiton (EIS 11) para 29

132 Rio Tinto Plc (EIS 33) para 34

133 Rio Tinto Plc (EIS 33) para 34

134 Q421

135 Department for Business, Innovation and Skills, *UK Implementation of the EU Accounting Directive*, BIS/14/1006, August 2014, page 3

94. The Minister reinforced this position in evidence. She stated that "the benefit to society and to companies" outweighed the costs attached to the Directives and that:[136]

> Opening up the company so that people can see how much is paid in different countries and for the subsidiaries and so on is a very important part of it.[137]

95. This view was shared by a number of NGOs. Christian Aid applauded the Government for embracing the Directives:

> The UK, through support for the EU Accounting and Transparency Directives, has played a key role in new laws that will increase the transparency of payments made by extractive industries to governments in every country. This will help citizens in many countries hold their governments to account and begin to tackle some of the problems of corruption in and around extractives projects and developments.[138]

However, it believed that the Directives should go further:

> Without further information beyond details of payments, it is impossible to place the information on payments in context and go beyond the simple question of what governments are doing with the money they receive, to being able to hold both governments and companies accountable for the terms under which such revenues are received, to ensure they are both correct and a good deal for citizens.[139]

96. The Government's impact assessment of its preferred option for implementation of the EU Accounting Directive estimated transition costs of £36.7 million (for companies making changes to their financial reporting systems) followed by additional ongoing costs of £12.4 million per annum (associated with the requirement for companies to produce an annual report).[140] The EU Directive does not require countries to comply until July 2015. However, the Government has stated its intention to implement early "with reporting requirements to apply to reporting periods commencing on or after 1 January 2015".[141]

97. We asked the Minister why she had chosen to impose this cost on businesses earlier than required, particularly when her Department's own assessment stated that "the early implementation of the Directive is classified as gold plating under the better regulation guidance".[142] She said that the Government's intention was "to implement by the end of

136 Q425

137 Q425

138 Christian Aid (EIS 23) para 3.2

139 Christian Aid (EIS 23) para 3.3

140 Department for Business, Innovation and Skills, *UK Implementation of the EU Accounting Directive: Impact Assessment*, BIS/14/669, March 2014, page 4

141 Department for Business, Innovation and Skills, *UK Implementation of the EU Accounting Directive: Impact Assessment*, BIS/14/669, March 2014, page 1

142 Department for Business, Innovation and Skills, *UK Implementation of the EU Accounting Directive: Impact Assessment*, BIS/14/669, March 2014, para 77

the year [2014]”,[143] because “it is definitely worth paying for”.[144] The Department also stated that:

> Given that it is not possible to monetise the majority of the costs and benefits, it is not possible to recommend either of the options on economic efficiency grounds alone. However, it is clear that there is a strong international equity argument for implementing the Directive early.[145]

98. ***We support the Government’s intention to implement the EU Directives on both accounting and transparency. These should be implemented in a timetabled and proportionate manner to minimise the cost to industry. We expect the Government to send us a progress report on the timetable for adoption and any changes it intends to make to the original Directives before any legislation is laid before Parliament. In each case it must provide an updated Impact Assessment on the timing of implementation.***

99. ***The introduction of the EU Directives and EITI will impact on the work of other government Departments, particularly the Department for International Development (DFID). It would further debate if DFID, or the International Development Committee, shared with us any evidence they had received about the combined impact of these measures on supporting development and international tax transparency.***

143 Q424

144 Q425

145 Department for Business, Innovation and Skills, *UK Implementation of the EU Accounting Directive: Impact Assessment*, BIS/14/669, March 2014, page 6

5 Supplying the extractive industries

100. In addition to hosting extractive companies, the UK also plays an important global role in supplying equipment and skilled labour to the industry.

Supplying equipment

101. The Department outlined the importance not just of the extractive industries to British business, but also how important those businesses were to the extractive industries:

> UK firms are involved across the mining supply chain from the provision of components to manufacture of completed items of equipment which are exported across the globe. With limited domestic opportunities, UK mining equipment companies have had to develop innovative products and technologies to compete internationally.[146]

102. The Environmental Sustainability Knowledge Transfer Network agreed with this view:

> There are global supply chains for resources employed in the extractive industry including equipment for the discovery, development, extraction and refining of minerals. Although with the decline of coal mining and the consolidation of the businesses producing mineral processing equipment the direct sale of major plant and equipment manufactured in the UK has declined there are still significant global opportunities for manufacturers to sell into this sector.[147]

It concluded by telling us that a healthy domestic extractive industry was a good way to maintain a competitive advantage:

> To secure access to the elements required it is important that the UK is engaged in the global supply chain for minerals—produced in the UK or anywhere in the world. The development of the industrial economy in the UK was based on the extractive industries and there is renewed interest in the potential for development of mineral resources in the UK.[148]

103. Representatives from Joy Global (an American mining supply company that has significant presence and employees in the UK) confirmed that it had based a significant part of its business (including its Eurasia division) in the UK because of its rich history of mining, as well as the availability of skills:

> From the very early days, when mechanised mining began, the expertise lay within the UK. It has remained so, exporting that to other regions of the world. The

146 Department for Business, Innovation and Skills (EIS 37) para 4.2

147 Environmental Sustainability Knowledge Transfer Network (EIS 12) para 4

148 Environmental Sustainability Knowledge Transfer Network (EIS 12) para 6

> mining supply and environment in the UK is substantially different now. That could bring along a lot of discussions about skills and going forward. Predominantly, historically, we have had the skills, resources and capabilities in the UK to export.[149]

104. However, Joy Global cautioned that the future of this was dependent on a healthy domestic industry:

> You have got to have an extractive industry that is growing, and creating that demand. Whether you are mining potash, polyhalite, gold, diamonds, coal or any of those minerals, then the more of them you take out of the ground, the higher the demand for labour, technology and equipment, which will then drive higher demand for engineering, design, etc.[150]

105. It argued that the Government should focus its efforts on creating and building demand in the domestic sector because "once that demand is there, all of the things to support that demand will develop".[151] Joy Global also acknowledged that this approach would require "investment from companies like ours" and "companies like the mining houses".[152]

106. In this context we were pleased to hear that the Crown Estate was focussed on supporting British suppliers in its current and future domestic extraction of minerals:

> Whilst minerals guidance is set out under the National Planning Policy Framework, with local aggregates assessments undertaken by Local Authorities, consideration of other sources, such as marine minerals (which are outside of the spatial demarcation of a Local Authority) is needed as part of broader supply chain considerations. Clear policy guidance ensuring that marine minerals contribution continues, in the context of UK supply of minerals, will maximise the overall benefit to the UK economy.[153]

107. We sought similar assurances from the Minister that the Government was aware of the importance of a healthy supply chain and that there was continuity of policy throughout the Government. She told us that the Government was focussing on the larger global market in this area, and that this was being coordinated by the UK Trade and Investment (UKTI):

> UKTI has prioritised getting UK companies to win contracts on major global projects, and it has been working closely with the industry. The UK has a very strong track record on its supply chain, and so on. UKTI has a high value

149 Q318

150 Q350 [Dean Thornewell]

151 Q350 [Dean Thornewell]

152 Q350 [Dean Thornewell]

153 The Crown Estate (EIS 16) extract

> opportunities programme, and one strand of that is the global mining supply chain, because there is a real opportunity for the UK in that particular area.[154]

108. The Minister concluded that the UKTI was "working to try to identify and pursue opportunities globally".[155] Tara Hopkins, Head of UK and EU Government Affairs at Rio Tinto plc, supported the work of the Government in this area. She said that UKTI had helped them with "looking at the UK from the procurement and supply chain perspective",[156] and were clearly focussed on "the benefit to the UK" of promoting the industry.[157] Ros Lund, Senior Manager at Mining on Top, agreed that the UKTI had a good presence globally, and highlighted some of its specific work and advertising campaigns.[158]

109. However, we did receive some evidence which highlighted risks for the future. Namely, that an increasingly mobile and connected global economy would lead to higher competition and that the UK would need to fight for its position as a world leader in supplying the extractive industries. For example IntierraRMG (UK) told us that:

> Competition will increase with regard to the UK's supply of equipment and services, so domestic companies must focus on the quality and reliability of their offerings. This will be made easier if the UK (and London in particular) is able to maintain its role as a global centre of excellence.[159]

110. **It is clear that suppliers to the extractive industries value the United Kingdom as a base from which to do business with the rest of the world. We commend the work of the UKTI in both attracting foreign companies to base in the United Kingdom, and also for promoting British companies abroad. It is clear that to retain a leading position, the UK will have to remain a centre for extractive industries' skills.**

Supplying labour

111. When compared to the success story of Britain supplying technology and machinery to the extractive industries, we were concerned there was a greater threat to skills and labour. Dr Foster, Senior Lecturer in Mining Engineering from the Camborne School of Mines, told us that "there has been a massive contraction in the number of universities where you can study mining engineering",[160] and stated that over the last 20 years, that number had dropped "from seven down to one".[161] Engineering for the Future told that this had already affected the industry and the UK's position as a supplier to it:

154 Q438

155 Q438

156 Q197 [Tara Hopkins]

157 Q197 [Tara Hopkins]

158 Q33 [Ros Lund]

159 IntierraRMG UK (EIS 08) para 10

160 Q435

161 Q324 [Dr Foster]

> In today's market, the [UK] skills base is regarded to be just adequate. The fact that there is only one university providing undergraduate courses in mining engineering and a few more offering related MSc qualifications is a cause for concern. Furthermore, there is no doubt that there is a skills gap in specific areas relevant to extraction, specifically in geomechanics, that mining and oil companies are finding increasingly significant.[162]

112. This dramatic fall in centres for education has a negative impact on the UK's reputation as a centre for innovation, training and excellence in skills and we heard that the effect was already being felt by industry. For example, Sirius Minerals told us that the UK was "not producing enough people with technical skills and qualifications".[163] Mining on Top agreed and argued that the UK industry skills base was diminishing:[164]

> The numbers of geology and mining engineering students is reducing and those that do train often migrate to other mining jurisdictions where the industry is better supported, salaries are higher and jobs more plentiful—Western Australia, Canada and the Nordic regions.[165]

Sirius Minerals attributed this to "a lack of support for the industry, combined with lower commodity prices and the reduced ability to attract investment in the current global economic climate".[166]

113. The Camborne School of Mines told us that if the UK lost its reputation as a centre of excellence, student intake would fall to such a level that the school would close. This in turn could result in irreversible damage to the UK's reputation as a centre of excellence in mining:

> Camborne has a historical reputation that most of its graduates have gone overseas. It has got an extremely strong brand name around the world but, having said that, the majority of our students that now come through the doors are UK students. If we lose that reputation as a centre of excellence, that will hit hard on our intake. We still get a fair few from overseas, but that would not be enough to sustain us.[167]

114. **The technology involved in modern mining is both substantial and exciting and requires specialist staff to thrive. It is clear that the both industry and Government should do more to highlight these aspects of extracting to boost the sector as an attractive career.**

162 Engineering the Future (EIS 25) para 8.3

163 Sirius Minerals (EIS 10) extract

164 Mining on Top (EIS 13) extract

165 Mining on Top (EIS 13) extract

166 Mining on Top (EIS 13) extract

167 Q324 [Dr Foster]

Demand for STEM graduates

115. Sirius Minerals suggested that the decline in UK skilled labour could be addressed by the Government encouraging more Science Technology Engineering and Maths (STEM) qualifications.[168] This call was supported by Dr Foster, from Camborne School of Mines, who believed that the Government had failed to "encourage more students to come in and study STEM-related subjects in university".[169] Representatives from the industry appeared to agree. Glencore Xstrata argued that the Government needed to place "particular emphasis" on investing in skills-based learning to ensure that young British people were able to "take advantage of the opportunities presented by energy and mining companies, active both in the UK and overseas".[170]

116. The Department wrote to us and told us of its efforts to increase the take up of STEM subjects:

> Across all sectors of the UK economy, we have acknowledged the broader challenge to improve science, technology, engineering and mathematics (STEM) skills. The Government is funding a number of initiatives aimed at increasing the number of young people taking STEM subjects and improving the image of manufacturing and engineering.[171]

117. However, Mr Thornewell of Joy Global, was concerned that there remained a problem in manufacturing skills reflected in the age demographic of his workers. He told us that the average age of field engineers was 54 years old and that the average age of people who have worked in coal mines was a little lower than that".[172] Mr Thornewell concluded that:

> There is definitely an air gap in the system, which over the next three to five years will be a significant challenge. If we were in a position as a country to begin to grow the extractive sector, we will be very hard pressed to find the mining resources, the leadership and also the substantially qualified individuals to be involved in that, such as the geologists and whatever else you have.[173]

Oil and Gas UK confirmed that the age profile was already impacting on the industry:

> This global shortage is most acute at mid-career engineer level, with virtually all disciplines affected, and is making it increasingly difficult to deliver offshore projects on time and within budget. Further, the shortage of skilled personnel is resulting in a wage spiral which is increasing lifting costs in what is already a relatively expensive basin.[174]

168 Sirius Minerals (EIS 10) extract

169 Q326 [Dr Foster]

170 Glencore Xstrata (EIS 30) para 3.7

171 Department for Business, Innovation and Skills (EIS 37) para 7.8

172 Q349 [Dean Thornewell]

173 Q349 [Dean Thornewell]

174 Oil and Gas UK (EIS 22) extract

118. ***We recommend that the Government works with educational institutions to promote and excite the next generation of extractive workers. In particular, the Government should collaborate with the education sector to encourage more students to study STEM-related subjects in university. This will help not only the extractive industries but also the other many industries that need STEM graduates. To do this effectively the Government should perform a STEM skills audit in order to assess:***

> ***1) The number of vacancies in the UK which require a STEM qualification;***
>
> ***2) The number of students currently studying STEM subjects;***
>
> ***3) The number of school leavers intending to study STEM subjects in the next two to three academic years; and***
>
> ***4) What industries/sectors STEM graduates enter after completing their studies.***

The perception of the extractive industries

119. We heard that a misperception of the characteristics of the extractive industries was putting young graduates off. Paul Burton, Director of Service at Joy Global (Eurasia) summarised the problem:

> When you talk about mining, the mining industry, raising the profile and making it more palatable, the layman would look upon the miners' strikes, dark pits with pit ponies in there, and stuff like that. Nothing could be further from the truth.[175]

Mr Burton went on to explain that modern mining was exciting and the Government, educators and employers should advertise that fact better:

> The technology involved in mining now is substantial. We have concept mines, now, and concept machines. We are even looking at seabed mining, for example, and even mining asteroids for NASA. The technology is pushing the boundaries right out there.[176]

Mr Burton told us that concept mining was "where you are exploring the possibility of mining the seabed and exploring the possibility, in conceptual terms, of how this would work".[177] He concluded that his company was "pushing the envelope all the time on our technology and traditional mining methods".[178]

120. Dr Foster, from Camborne School of Mines, was keen to highlight the opportunities for a new graduate in the sector and agreed that better promotion of the benefits attached to a career in mining would help the perception of the sector as a whole. He cited good

175 Q326 [Paul Burton]

176 Q326 [Paul Burton]

177 Q327

178 Q327

employability rates,[179] the opportunity of international travel[180] and the chance to work on new and exciting projects in the UK.[181]

121. In its original submission, the Department stated that it would continue to improve the responsiveness of the skills system to the needs of business, and that it was "promoting greater employer leadership and closer collaboration between business and higher education and further education colleges".[182] However, it believed that business should take the lead in developing the skilled workforce required to maintain the competitiveness of the UK's extractive industries sector and to enable its future growth.[183]

122. While collaboration between the industry and universities occurs, there were concerns that this relationship was not sufficiently deep. Joy Global said that more could be done to formalise the relationships between companies and education institutions. Dean Thornewell, the President of Joy Global (Eurasia), told us of where he saw the shortcomings:

> We do have collaborations, from time to time, with various universities and institutions. It is not what I would call an ongoing relationship whereby we meet every month or anything like that, but certainly the School of Mines has been involved in projects over the years.[184]

123. Dr Foster, from the Camborne School of Mines, also called for better institutional collaboration:

> We are looking to all the companies that are in the UK, particularly based in London […] for more support, in terms of providing scholarship opportunities and supporting lecturing staff there, so that they are putting support into institutions, like they do in other countries where they operate.[185]

124. ***Given the difficulties in obtaining sufficient numbers of STEM graduates, we recommend that the Government uses its engagement with industry to actively encourage and promote mining as a rewarding and exciting career. Concept mines, concept machines, seabed mining and even mining asteroids for NASA are part of the potential future for mining and students' perception of mining needs to be updated.***

179 Q326

180 Q323

181 Q330

182 Department for Business, Innovation and Skills (EIS 37) paras 7.6

183 Department for Business, Innovation and Skills (EIS 37) paras 7.6–7.7

184 Q328

185 Q326 [Dr Foster]

The role of the Government and industry

125. While we agree that the industry should have a key place in outlining future demand for skills there is a role for Government in coordinating this education and funding. The Government told us that:

> We expect businesses to work closely with bodies such as EU Skills (the Sector Skills Council for Energy and Utilities), Cogent (Chemicals, Nuclear, Oil and Gas, petroleum and Polymers) and OPITO (Skills for Oil and Gas) to help identify the sectors current and future skills challenges.[186]

126. The Minister confirmed that the identification of "shortages" and "gaps" in provision was being undertaken and that they would be addressed:

> The Government have done quite a lot in this area, because it is part of a broader picture of where we have skills gaps in certain parts of the economy. Particularly in engineering and that sort of area, we do have gaps and shortages. It is quite clear that the industry feels that that needs to be tackled.[187]

As part of that work, the Oil and Gas Industry Council was identifying where the gaps were and what could be done to tackle them. The Minister said that the plan was to "come forward by the autumn with some proposals that we could then work with it to implement".[188]

127. ***We recommend that the Government encourages large mining companies to support the UK as a base for mining through funding and resources, including active engagement from school level onwards. This should include the provision of scholarship opportunities and supporting lecturing staff so that they are putting support into institutions where they list, as well as in countries where they operate.***

186 Department for Business, Innovation and Skills (EIS 37) para 7.7

187 Q431

188 Q431

Conclusions and recommendations

Industrial strategy

1. **The Government has expressed support for the enlargement of the UK's domestic extractive sector. However, it is unclear how the Government intends to promote the growth of this sector. We recommend that the Department publishes a domestic extractives plan setting out the extent and range of its support—both structural and financial—and how it intends to realise that ambition. We welcome the Minister's offer to meet with industry and deal with roadblocks. We further recommend that the Government sets out in its response the best mechanism for taking this forward.** (Paragraph 15)

2. **The Government has focussed its Industrial Strategies on areas where it can have a greatest impact on the UK economy. However, we are concerned that these strategies do not currently offer explicit support to the extractives industry beyond oil and gas. We recommend that the existing Industrial Strategies be amended to take into account energy policy in the UK, upon which a large section of the extractives sector is reliant. That policy should explicitly take account of the UK's domestic extractive sector and the Government should consider other strategic minerals such as potash and rare earths.** (Paragraph 16)

Ministerial support

3. **When we took evidence from the Minister, it became apparent that the domestic extractive industry sector crossed the portfolios of several Ministers. Greater clarity of authority would be beneficial. We recommend that, in addition to coordinating and taking responsibility for the delivery of the domestic extractives plan, the Minister in BIS be given clear responsibility for leading policy in this area. This must include coordination with the devolved administrations where appropriate.** (Paragraph 19)

Concerns and risks

4. **We heard from several experts that extractive companies—both domestic extractors and global companies listed in London—directly contribute to the UK exchequer in a number of ways. In terms of UK tax receipts, the Government did not believe that the sector was substantially avoiding its tax obligations. However, a number of NGOs warned that UK listed companies may be involved in tax avoidance tactics such as profit shifting and transfer pricing overseas. The introduction of EU Directives and registers of beneficial ownership may help to stop such practices but we look to the Government to take further action where companies continue to avoid paying taxes overseas in this way.** (Paragraph 33)

Employment

5. **More than 34,000 people in the UK are directly employed by the extractive industries. An additional 21,600 people are employed if the connected mining support services are included. The UK clearly has built a strong reputation in supplying services to listed UK listed companies—including finance, accountancy**

and law. Preserving this reputation is key factor in retaining the UK as a centre for the extractive industries. We recommend that the Government implements a review of the impact of the global extractives sector on UK employment and on British workers finding employment overseas. (Paragraph 39)

Risks to hosting extractive companies

6. The extractive industries sector is always likely to be controversial. Negative impacts on local and indigenous communities abroad could undermine the reputation of the sector more widely, including the UK, where many companies are hosted. We therefore welcome the work being done to increase transparency and improve corporate governance in the industry—in particular by organisations such as the Bench Marks Foundation. Notwithstanding controversies, we believe that the benefits to the United Kingdom of hosting extractive companies outweigh the risks, providing that the UK aspires to lead the world in both the transparency and corporate social responsibility agendas. (Paragraph 49)

Listing Regulations

7. The current regulations governing transparency and reporting in the industry will be enhanced by forthcoming EU Directives. We believe that the Government should consider expanding the FCA's remit to include not only oversight of financial transparency, but also the social, environmental and corporate governance reporting for companies applying to list on the London Stock Exchange. If it is not felt appropriate for the FCA, the Government should determine which body should have the remit to do so. (Paragraph 58)

Premium listing and the role of the sponsor

8. Both the FCA and the Government have acknowledged the risk of a conflict on interest in the role of a company's sponsor for a Premium listing. Whilst they indicated that they were alive to that risk, both must guard against the fact that the perception of potential misconduct could be as damaging as the practice itself. The Government should review the role of the sponsor and consider strengthening the terms attached to the role along with the range of a sponsor's ***remit.*** (Paragraph 66)

A social index

9. There is a demonstrable benefit in the Government introducing enhanced transparency and accountability in the mining sector. We recommend that the Government conducts a detailed comparison of the Socially Responsible Investment (SRI) index (found on the Johannesburg Stock Exchange) and the FTSE4GOOD index which features on the LSE. That assessment should demonstrate both the levels of information which are collected and published and the level of information companies are required to disclose. The Listing Authority should consider whether the FTSE4GOOD indices can be adapted to address transparency in the extractive industries, or whether a separate Social Responsible Index for extractive companies is required in the UK. (Paragraph 71)

10. Where the requirements in the UK (including those of the FTSE4GOOD initiative) fall below those in Johannesburg, they should be strengthened so that investors in the

UK have the same opportunities and information about the environmental and social corporate governance practices of companies listed in the UK as they do on companies listed in Johannesburg or other exchanges. We further recommend that the Government looks to close the potential loophole in which a company can avoid engaging with the SRI index by holding a Premium Listing on the LSE. (Paragraph 72)

The Extractive Industries Transparency Initiative

11. We support the decision of the UK to sign up to the EITI but we regret that it took so many years to do so. The Government should now make up for lost time by proactively selling the benefits of EITI compliance and become a beacon for best practice. (Paragraph 79)

12. We welcome the fact that the UK has now signed the EITI. However, the lengthy delay in doing so has lessened the benefit of the initiative. The Government must now take the role of a vocal advocate of the adoption of the Extractive Industries Transparency Initiative to encourage other industrialised countries to sign up. (Paragraph 86)

13. Given the amount of time it took to sign up to the EITI, we were disappointed that the Government's engagement with stakeholders does not appear to have been comprehensive, with stakeholders such as the Mineral Products Association asserting that it was left out of consultation on the EITI. We recommend that the Department undertakes a programme of detailed engagement with businesses in the Extractive Industries so that all stakeholders in the industry both understand and actively support the EITI. (Paragraph 87)

EU Directives

14. We support the Government's intention to implement the EU Directives on both accounting and transparency. These should be implemented in a timetabled and proportionate manner to minimise the cost to industry. We expect the Government to send us a progress report on the timetable for adoption and any changes it intends to make to the original Directives before any legislation is laid before Parliament. In each case it must provide an updated Impact Assessment on the timing of implementation. (Paragraph 98)

15. The introduction of the EU Directives and EITI will impact on the work of other government Departments, particularly the Department for International Development (DFID). It would further debate if DFID, or the International Development Committee, shared with us any evidence they had received about the combined impact of these measures on supporting development and international tax transparency. (Paragraph 99)

Supplying equipment

16. It is clear that suppliers to the extractive industries value the United Kingdom as a base from which to do business with the rest of the world. We commend the work of the UKTI in both attracting foreign companies to base in the United Kingdom, and also for promoting British companies abroad. It is clear that to retain a leading position, the UK will have to remain a centre for extractive industries' skills. (Paragraph 110)

Supplying labour

17. The technology involved in modern mining is both substantial and exciting and requires specialist staff to thrive. It is clear that the both industry and Government should do more to highlight these aspects of extracting to boost the sector as an attractive career. (Paragraph 114)

Demand for STEM graduates

18. We recommend that the Government works with educational institutions to promote and excite the next generation of extractive workers. In particular, the Government should collaborate with the education sector to encourage more students to study STEM-related subjects in university. This will help not only the extractive industries but also the other many industries that need STEM graduates. To do this effectively the Government should perform a STEM skills audit in order to assess*:*

1) The number of vacancies in the UK which require a STEM qualification;

2) The number of students currently studying STEM subjects;

3) The number of school leavers intending to study STEM subjects in the next two to three academic years; and

4) What industries/sectors STEM graduates enter after completing their studies. (Paragraph 118)

The perception of the extractive industries

19. Given the difficulties in obtaining sufficient numbers of STEM graduates, we recommend that the Government uses its engagement with industry to actively encourage and promote mining as a rewarding and exciting career. Concept mines, concept machines, seabed mining and even mining asteroids for NASA are part of the potential future for mining and students' perception of mining needs to be updated. (Paragraph 124)

The role of the Government and industry

20. We recommend that the Government encourages large mining companies to support the UK as a base for mining through funding and resources, including active engagement from school level onwards. This should include the provision of scholarship opportunities and supporting lecturing staff so that they are putting support into institutions where they list, as well as in countries where they operate. (Paragraph 127)

Annex 1: Listing in London[189]

The following are the key features of the Premium Listing regime:

Admission criteria

New applicants for Premium Listing need to have a three year revenue earning record which must be independently audited without qualification. They need to control a majority of their assets and carry on an independent business. The prospectus accompanying the float needs to make an unqualified statement that they have sufficient working capital for the company's present requirements. Their application needs to be accompanied by confirmation from a 'sponsor firm' (explained below) that, having made due and careful enquiry, the directors have a reasonable basis for the statement on working capital (that will be contained in the prospectus) and have established procedures which provide them with a reasonable basis on which to make proper judgments on an ongoing basis as to the financial position and prospects of the applicant and its group.

Mineral companies have slightly modified admission criteria: they do not need a three year track record, though what track record they do have must still be independently audited and reported on without modification. (NB: a prospectus outlining a flotation of a mineral company will include a full technical appraisal of the company's reserves and resources base by an independent expert.) They do not need to control their assets, but if they do not, they need to demonstrate they have a reasonable spread of direct interests in the mineral resources and rights to participate actively in their extraction.

Sponsor rules

The rules require premium listed companies to retain a sponsor firm in certain instances to advise the company on its obligations under the listing regime and to report to the FCA. A sponsor is a professional advisory firm, typically an investment bank, which is regulated specifically for the purpose by the FCA under special rules in the UK listing regime. Such circumstances include but are not limited to instances when an issuer is to submit documents to the FCA in connection with an application for admission of equity shares to Premium Listing, undertakes significant transactions or related party transactions, or is required to submit circulars to the FCA for vetting and approval. Sponsors report to FCA on such matters as the adequacy of an issuer's working capital for its present requirements and its financial control environment. Such reports must be made after due and careful enquiry. The sponsor rules therefore build due diligence into the regime.

Rules on transactions with related parties

Example of 'related parties' are substantial shareholders or directors of the company. Where transactions with related parties are proposed, certain requirements must be

189 Financial Conduct Authority (EIS 32)

adhered to depending on the size of the transaction. These range from informing the FCA, confirmation from a sponsor that the terms are fair and reasonable and including details of the transaction in the next published annual accounts, to gaining shareholder approval for the proposed transaction or arrangement. Our engagement with stakeholders on our current consultation on the listing regime and companies with controlling shareholders has demonstrated the importance stakeholders attribute to the related party rules and how they build confidence in the regime.

Substantial transaction rules

The rules contain requirements to stage shareholder votes on substantial corporate transactions, i.e. large mergers, acquisitions and disposals. The rules also require a circular to be sent to shareholders in such instances and set out in detail the required content which includes audited financial information on the target and a working capital statement accompanied by a confirmation from a sponsor firm that it has been made after due and careful inquiry.

Pre emption rights

Premium listed companies proposing to issue equity securities for cash must first offer those securities to existing shareholders of that class in proportion to their existing holdings. This requirement can be removed by a vote of shareholders.

Annex 2: The EITI Standard[190]

A country intending to implement the EITI is required to undertake a number of steps before applying to become an EITI Candidate:

1.1 The Government is required to issue an unequivocal public statement of its intention to implement the EITI.

1.2 The government is required to appoint a senior individual to lead on the implementation of the EITI.

1.3 The government is required to commit to work with civil society and companies, and establish a multi-stakeholder group to oversee the implementation of the EITI.

1.4 The multi-stakeholder group is required to maintain a current workplan, fully costed and aligned with the reporting and Validation deadlines established by the EITI Board.

When the country has completed these steps and wishes to be recognised as an EITI Candidate, the government should submit an EITI Candidate Application [link to revised application form] to the EITI Board.

Implementation requirements

1. The EITI requires effective oversight by the multi-stakeholder group.

The EITI requires effective multi-stakeholder oversight, including a functioning multi-stakeholder group that involves the government, companies, and the full, independent, active and effective participation of civil society. The key elements of this requirement include: (1.1) government commitment; (1.2) government oversight; (1.3) the establishment of a multi-stakeholder group; and (1.4) an agreed workplan with clear objectives for EITI implementation, and a timetable that is aligned with the deadlines established by the EITI Board (1.6-1.8).

2. The EITI requires timely publication of EITI Reports.

EITI Reports are most useful and relevant when published regularly and contain timely data. Requirement 2 establishes deadlines for timely EITI Reporting.

3. The EITI requires EITI Reports that include contextual information about the extractive industries.

In order for EITI Reports to be comprehensible and useful to the public, they must be accompanied by publicly available contextual information about the extractive industries. This information should include a summary description of the legal framework and fiscal regime (3.2); together with an overview of: the extractive industries (3.3); the extractive industries' contribution to the economy (3.4); production

190 Extractive Industries Transparency Initiative, 'The EITI Requirements' accessed 8 September 2014

data (3.5); state participation in the extractive industries (3.6); revenue allocations and the sustainability of revenues (3.7–3.8), license registers and license allocations (3.9–3.10); and, any applicable provisions related to beneficial ownership (3.11) and contracts (3.12). The multi-stakeholder group should agree on who prepares the contextual information for the EITI Report (3.1).

4. The EITI requires the production of comprehensive EITI Reports that include full government disclosure of extractive industry revenues, and disclosure of all material payments to government by oil, gas and mining companies.

An understanding of company payments and government revenues can inform public debate about the governance of the extractive industries. The EITI requires a comprehensive reconciliation of company payments and government revenues from the extractive industries. Requirement 4 outlines the steps that the multi-stakeholder group needs to consider in order to ensure that the EITI Report provides a complete account of these payments and revenues. Section 4.1 sets out the requirements related to the types of payments and revenues to be covered in the EITI Report. Section 4.2 specifies which companies and government entities, including state-owned enterprises, should be required to report.

5. The EITI requires a credible assurance process applying international standards.

Requirement 5 seeks to ensure a credible EITI reporting process so that the EITI Report contains reliable data. The EITI seeks to build on existing audit and assurance systems in government and industry and to promote adherence to international practice and standards. The multi-stakeholder group is required to appoint an Independent Administrator to reconcile the data submitted by companies and government entities (5.1). Section 5.2 outlines the issues that the multi-stakeholder group and the Independent Administrator need to consider in agreeing the terms of reference for the reconciliation. This includes the assurances that need to be provided by the reporting entities. Section 5.3 empowers the Independent Administrator to assess the comprehensiveness and reliability of the data and to make recommendations for the future. The EITI Report must be endorsed by the multi-stakeholder group (5.4).

6. The EITI requires EITI Reports that are comprehensible, actively promoted, publicly accessible, and contribute to public debate.

Regular disclosure of natural resource revenue streams and payments from extractive companies is of little practical use without public awareness, understanding of what the figures mean, and public debate about how resource revenues can be used effectively. Requirement 6 ensures that stakeholders are engaged in dialogue about natural resource revenue management.

7. The EITI requires that the multi-stakeholder group takes steps to act on lessons learned and review the outcomes and impact of EITI implementation.

EITI Reports lead to the fulfilment of the EITI Principles by contributing to wider public debate. It is also vital that lessons learnt during implementation are acted upon, that discrepancies identified in EITI Reports are explained and, if necessary, addressed, and that EITI implementation is on a stable, sustainable footing.

Annex 3: Visit to South Africa

We are grateful to all parties who assisted with the Committee's visit to South Africa. During the visit, we met with the following organisations:

- Anglo American
- Association for the study of Peak Oil South Africa
- Australian Trade Commission
- Bench Marks Foundation
- Botswanan Trade Commission
- British Foreign and Commonwealth Office, including the High Commission
- Canadian Trade Commission
- Congress of South African Trade Unions
- Economic Justice Network
- Glencore Xstrata
- Greencape
- Institute of Marine and Environmental Law
- Johannesburg Stock Exchange
- Lonmin
- Makause Combined School
- Namibian Commercial Counsel
- Namibian High Commission
- Mr Martin Kingston
- RES Southern Africa
- Shell
- South African Institute of International Affairs
- The National Union of Mineworkers
- The South African Government
- Thubelihle Community Health Centre

- Thuthukani Community Hub
- University of Cape Town
- Zambian High Commission

Formal Minutes

Tuesday 21 October 2014

Members present:

Mr Adrian Bailey, in the Chair

Mr William Bain
Mr Paul Blomfield
Caroline Dinenage
Ann McKechin
Robin Walker

Draft Report (*The Extractive Industries*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 127 read and agreed to.

Annexes agreed to.

Summary agreed to.

Resolved, That the Report be the Sixth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Tuesday 28 October at 9.45 am

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the Committee's inquiry page at www.parliament.uk/bis.

Tuesday 19 November 2013	*Question number*
David Hargreaves, Mining Consultant and Publisher, Week in Mining, **Ros Lund**, Senior Manager, Mining on Top, **Ben Peachey,** Communications Director, International Council on Mining and Metals and **Ken Cronin,** CEO, UK Onshore Operators Group	Q1-38
Eddie Rich, Deputy Head, Extractive Industries Transparency Initiative	Q39-70
Robert Fenton, Business Consultant and Secretary, Mining Association of the UK, **Nigel Jackson**, Chairman, CBI Minerals Group, **David Odling**, Energy Policy Manager, Oil & Gas UK, **Kevin McCullough**, Chief Executive, UK Coal and **Nigel Holmes,** Corporate Affairs Manager, GDF Suez E&P UK and spokesperson for Oil and Gas Independents Association	Q71-121
Tuesday 26 November 2013	
David Lawton, Director of Markets, Financial Conduct Authority (UK Listing Authority)	Q122-187
Charles Watenphul, Director of Corporate Affairs, Glencore Xstrata, **Ed Daniels**, Chairman of Shell UK Limited, Shell International Limited and **Tara Hopkins**, Chief Adviser, External Affairs, Europe, Rio Tinto	Q188-269
Tuesday 4 March 2014	
Susanne Schmitt, Extractives and Infrastructure Manager, WWF-UK, **Joseph Stead**, Senior Economic Justice Adviser, Christian Aid, **Richard Solly**, Co-ordinator, London Mining Network and **Alexander Scrivener**, Policy Officer, World Development Movement	Q270-313
Tuesday 6 May 2014	
Dean Thornewell, President and **Paul Burton**, Director of Service, Joy Global (Eurasia), and **Dr Patrick Foster**, Senior Lecturer in Mining Engineering, Camborne School of Mines	Q314-363
Thursday 5 June 2014	
Jenny Willott MP, Parliamentary Under-Secretary of State for Employment Relations and Consumer Affairs, Department for Business, Innovation and Skills	Q364-444

Published written evidence

The following written evidence was received and can be viewed on the Committee's inquiry web page at www.parliament.uk/bis. INQ numbers are generated by the evidence processing system and so may not be complete.

1 Africa Appg (EIS0041)
2 All-Party Parliamentary Group on Anti-Corruption (EIS0014)
3 BHP Billiton (EIS0011)
4 British Aggregates Association (EIS0004)
5 British Antarctic Survey (EIS0001)
6 British Geological Survey (EIS0003)
7 Camborne School of Mines (EIS0046)
8 Carbon Tracker (EIS0024)
9 CBI Minerals Group (EIS0028)
10 Christian Aid (EIS0023)
11 Christian Aid (EIS0045)
12 Cleveland Potash Ltd (EIS0015)
13 Confederation of UK Coal Producers (Coalpro) (EIS0018)
14 David Highley (EIS0021)
15 Department for Business, Innovation and Skills (EIS0048)
16 Department for Business, Innovation and Skills (EIS0037)
17 Engineering the Future (EIS0025)
18 ENRC (EIS0038)
19 Environmental Sustainability KTN (EIS0012)
20 Financial Conduct Authority (EIS0032)
21 Glencore Xstrata ("Glencore") (EIS0030)
22 IntierraRMG (EIS0008)
23 London Mining Network (EIS0043)
24 London Mining Network (EIS0047)
25 Mineral Products Association (EIS0039)
26 Mining Association of the United Kingdom (EIS0005)
27 Mining On Top (EIS0013)
28 Natural Environment Research Council (EIS0007)
29 Oil & Gas UK (EIS0022)
30 Publish What You Pay UK (EIS0019)
31 Rio Tinto Plc (EIS0033)
32 Shell International Ltd (EIS0034)
33 Sirius Minerals (EIS0010)
34 Tearfund (EIS0017)
35 The Crown Estate (EIS0016)
36 The Geological Society (EIS0029)
37 United Kingdom Minerals Forum (EIS0002)
38 World Development Movement (EIS0020)
39 World Vision (EIS0026)

40 WWF-UK (EIS0006)

41 WWF-UK (EIS0044)

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the Committee's website at www.parliament.uk/bis.
The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2014–15

First Report	Royal Mail Privatisation	HC 539-I/II
Second Report/First Joint Report	Scrutiny of the Government's UK Strategic Export Controls Annual Report 2012, the Government's Quarterly Reports from October 2012 to September 2013, and the Government's policies on arms exports and international arms control issues	HC 186
Third Report	Student Loans	HC 558
Fourth Report	The Implications for Scottish Independence on Business; Higher Education and Research; and Postal Services	HC 504
Fifth Report	Adult Literacy and Numeracy	HC 557
Sixth Report	The Extractive Industries	HC 188

Session 2013–14

First Report	Women in the Workplace	HC 342-I/II/III(*Cm 8701*)
Second Report/First Joint Report	Scrutiny of Arms Exports and Arms Control (2013): Scrutiny of the Government's UK Strategic Export Controls Annual Report 2011 published in July 2012, the Government's Quarterly Reports from October 2011 to September 2012, and the Government's policies on arms exports and international arms control issues	HC 205
Third Report	The Kay Review of UK Equity Markets and Long-term Decision Making	HC 603(HC 762)
Fourth Report	Consultation on a Statutory Code for Pub Companies	HC 314
Fifth Report	Open Access	HC 99-I/II(HC 833)
Sixth Report	Draft Consumer Rights Bill	HC 697-I/II/III
Seventh Report	Payday Loans	HC 789

Session 2012–13

First Report	The Hargreaves Review of Intellectual Property: Where Next?	HC 367-I/II(HC 579)
Second Report/First Joint Report	Scrutiny of Arms Export Controls (2012): UK Strategic Export Controls Annual Report 2010, Quarterly Reports for 2010 and January to September 2011, the Government's review of arms exports to the Middle	HC 419

	East and North Africa, and wider arms control issues	
Third Report	Post Office Network Transformation	HC 84(HC 678)
Fourth Report	Overseas Students and Net Migration	HC 425(*Cm 8557*)
Fifth Report	Apprenticeships	HC-I/II/III(HC 899)
Sixth Report	The Insolvency Service	HC 675 (HC 1115)
Seventh Report	Too Little, Too Late: Committee's observations on the Government Response to the Report on Overseas Students and Net Migration	HC 1015(*Cm 8622*)
Eighth Report	Pre-appointment hearing of the Government's preferred candidate for the post of Groceries Code Adjudicator	HC 1011
Ninth Report	Local Enterprise Partnerships	HC 598

Session 2010–12

First Report	The New Local Enterprise Partnerships: An Initial Assessment	HC 434 (HC 809)
Second Report	Sheffield Forgemasters	HC 484 (HC 843)
Third Report	Government Assistance to Industry	HC 561
Fourth Report / First Joint Report	Scrutiny of Arms Export Controls (2011): UK Strategic Export Controls Annual Report 2009, Quarterly Reports for 2010,licensing policy and review of export control legislation	HC 686
Fifth Report	Government Assistance to Industry: Government Response to the Committee's Third Report of Session 2010–11	HC 1038
Sixth Report	Is Kraft working for Cadbury?	HC 871
Seventh Report	Rebalancing the Economy: Trade and Investment	HC 735 (HC 1545)
Eighth Report	Trade and Investment: China	HC 1421 (HC 1568)
Ninth Report	Time to bring on the referee? The Government's proposed Adjudicator for the Groceries Code	HC 1224-I
Tenth Report	Pub Companies	HC 1369-I/II *(Cm 8222)*
Eleventh Report	Time to bring on the referee? The Government's proposed Adjudicator for the Groceries Code: Government Response to the Committee's Ninth Report of Session 2010-12	HC 1546
Twelfth Report	Government reform of Higher Education	HC 885-I/II/III (HC 286)
Thirteenth Report	Pre-Appointment Hearing: Appointment of Director of the Office for Fair Access	HC 1811
Fourteenth Report	Debt Management	HC 1649 (HC 301)
Fifteenth Report	Stamp Prices	HC 1841-I/II