

7. ANNEXES

Annex 1. Statement of materiality

The purpose of this statement of materiality is for the IA to understand the scoping work and associated decisions that have already been made by the MSG. The IA confirms the joint understanding of the scope of the services in the inception report. Annex 2 lists relevant attachments, including any scoping studies undertaken in the past. The scoping work is to be undertaken by the IA and forms part of the inception report.

1. Taxes and revenues to be covered in the PNGEITI Report (Requirement 4.1 of the 2023 EITI Standard)¹

With regards to the revenue streams set out in Requirements 4.1-4.2 and 4.6 of the 2023 EITI Standard, the MSG has agreed that the following revenue streams from the extractive sector are **material** and should be reconciled in the report. However, if there are any additions or exclusions, these will be determined by the MSG based on the scoping report to be done by the IA.

Table 1 – Material revenues to be reconciled

Revenue stream (The MSG should list the names of the extractive industry revenue stream that it has identified as material and should be included for reconciliation)	Estimated value and share of total extractive industry revenue (The MSG should indicate the estimated share of each revenue stream relative to total	Government recipient (The MSG should list the name of the government entity, including any subnational government entity that collects the revenue stream).	Additional commentary on work to be undertaken by the IA as necessary. (For each revenue stream, the MSG should indicate additional work to be undertaken by the IA, if any).
	revenues from the sector)		
1. Mining and Petroleum Tax (Corporate Income Tax)		Internal Revenue Commission (IRC)	The IA is to determine the quantum of mining and petroleum tax paid to IRC in 2023. This amount is to be verified by the data collected from the IRC.

¹ Guidance Note 13: on defining materiality, reporting thresholds and reporting entities, https://eiti.org/files/Guidance%20note%20on%20defining%20materiality_0.pdf

2. Royalties		Department of Petroleum and Energy (DPE) and Mineral Resource Authority (MRA)	<p>The IA is expected to reconcile payments of royalties made by petroleum companies to DPE for petroleum sector.</p> <p>For the mining sector, payments are not made to MRA but directly to the relevant beneficiaries such as individual landowners, their associations, future generation trust funds and provincial and local governments. MRA only issued receipts of payments made to these beneficiaries. The distribution of royalty payments is made in accordance with the benefits sharing agreements of each project. Therefore, in order to make it more relevant to PNG context and to stimulate discussion of how royalties are distributed, the IA should include information regarding royalty payment process and relevant information from the various benefits sharing agreements.</p> <p>In terms of verification and reconciliation of royalty payments, the IA may ask the companies to provide bank receipts of transactions made to nominated bank accounts.</p>
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3. Equity Distributions		Mineral Resources Development Company (MRDC), Kumul Minerals Holdings Limited, and Kumul Petroleum Holdings Limited (KPHL), (formerly Petromin)	The IA is expected to liaise with MRDC and Kumul Petroleum Holdings to determine equity/sales proceeds/distributions.
4. Production Levy		Mineral Resources Authority (MRA)	The IA is expected to verify production levy paid by mining companies to MRA.
5. Dividends		Department of Treasury and Department of Mineral Policy and Geo-hazards Management and Kumul Consolidated Holdings (formerly IPBC)	<p>The IA is expected to liaise with Ok Tedi, Kumul Petroleum Holdings (Previously Petromin) to identify dividends that were paid to the State in 2023. Furthermore, the IA is expected to liaise with Department of Mineral Policy and Geohazard Management on dividend payments made by Ok Tedi to Western Province Peoples Dividend Trust Fund.</p> <p>The IA is also expected to liaise with Highlands Pacific and Oil Search to identify dividends paid to Kumul Consolidated Holdings Limited (KCHL) in 2023.</p>
6. Development Levy	Southern Highlands and Hela Provincial Governments		The IA is expected to determine and quantify development levies paid by the companies and verify these with provincial government on
			receipts of these payments.

7. Infrastructure Tax Credits (ITC)		Department of National Planning and Monitoring and IRC	<p>The IA will need to continue liaising with resource companies that participated in undertaking ITC-related projects in 2023 and verify this with the Department of National Planning and Monitoring and the IRC to quantify ITC expenditure. The IA need to assess the process of ICT expenditure and do the reporting template accordingly in consultation with DNPM and IRC. The IA will also work with DNPM to explain the process of ITC expenditure, the guidelines and criteria used in approving ITC projects, and how these expenditures would be filled in the reporting templates.</p>
8. Group Tax (Taxes withheld on employees' salaries)		IRC	<p>The IA is expected to liaise with the IRC to disclose Group Tax. The MSG expects that this revenue/payment stream will be unilaterally declared by the IRC, including for all companies in advanced stages of exploration and development stages.</p>
9. Mandatory Social Expenditure		Reporting Companies	<p>Mandatory social spending is mandated by legislation or contractual obligations that requires the developer to fund or provide in-kind support for community development programs that are above and beyond those payments</p>

			<p>or other support required to construct and manage producing mine, oil or gas operations. (The payments streams identified in the scoping studies will be reported as Mandatory Social Expenditure for the PNGEITI Report. The MSG expect that the payments will be unilaterally declared by the companies when applicable. The MSG expects that companies provide a short narrative or description of how voluntary and mandatory payments are distinguished.</p>
10. Foreign Company/Contractor Withholding Tax		Internal Revenue Commission (IRC)	<p>The IA is expected to liaise with the IRC and provide background information for inclusion in a related annex; where data is available it will be provided as a unilateral disclosure (i.e. not for reconciliation) by sector. The 2013 to 2022 reporting years may pose some challenges for this reporting, but it is anticipated that related data availability will improve in later years.</p>
11. Additional Profits Tax (APT)		Internal Revenue Commission	<p>APT is a component of the tax application to PNG LNG project. It is part of the revenue stream to the government and will be reported by the IRC, if there were any payments made in the 2023 reporting year.</p>

The multi-stakeholder group has agreed that revenue streams from the extractive sector listed in Table 2 should be unilaterally disclosed by the government in the PNGEITI Report rather than reconciled with company figures. The reasons for unilateral disclosure rather than reconciliation should be documented by the MSG.

Table 2 – Material revenues to be unilaterally disclosed by the government

Revenue stream (The MSG should list the names of the extractive industry revenue streams that have been identified as material and should be included for reconciliation)	Estimated value and share of total extractive industry revenue (The MSG should indicate the estimated share of each revenue stream relative to total revenues from the sector)	Government recipient (The MSG should list the name of the government agency, including any subnational government agency that collects the revenue stream).	Additional commentary on data sources and the work to be undertaken by the IA as necessary. (For each revenue stream, the MSG should indicate additional work to be undertaken by the IA, if any).
License fees		DPE, MRA and CEPA	

Table 3 – Immaterial revenue streams from the extractive sector to be unilaterally disclosed and excluded from the scope of reconciliation

Revenue stream (The MSG should list the names of the extractive industry revenue streams that have been identified as immaterial and should be excluded from reconciliation)	Estimated value and share (%) of total extractive industry revenue (The MSG should indicate the estimated share of each immaterial revenue stream to be excluded relative to total revenues from the sector)	Government recipient (The MSG should list the name of the government agency, including any subnational government agency that collects this immaterial revenue stream).	Additional commentary on data sources and rationale for concluding that the revenue stream is immaterial (For each revenue stream, the MSG should indicate additional work to be undertaken by the IA, if any).
	<value> (<percentage>)

2. Approach to project level reporting

In the PNG context, a project is defined as the operational activities that are governed by a single contract, agreement, concession, license, lease, permit, title, etc, and form the basis for payment liabilities with a government.

Where payments are attributed to a specific project, the payment types levied by project should be listed and the total amounts per type of payments shall be disaggregated by project. Where payments are levied at an entity level rather than at a project level then the payment types levied (refer to the list of revenue streams in

tables 1 and 2 above) by company should be listed. These payments should be disclosed at an entity level rather than at a project level.

3. **Additional benefit streams**

With regards to the benefit streams set out in Requirement 4, the MSG has agreed to the following:

Table 4 – Additional benefit streams

Benefit stream	Applicable/material?	Estimated value and share (%) of total extractive industry revenue	Government recipient	Additional commentary on data sources and the work to be undertaken by the IA as necessary.
(The MSG should list the names of the extractive industry additional revenue streams that it has identified as material and should be included for reconciliation)	(The MSG should indicate the estimated share of each applicable/material revenue stream to be included relative to total revenues from the sector)		(The MSG should list the name of the government agency, including any sub-national government entity that collects this applicable/material revenue stream).	(For each revenue stream, the MSG should indicate additional work to be undertaken by the IA, if any).
The materiality and inclusion of infrastructure and barter arrangements (Requirement 4.3 of the 2023 EITI Standard) ²	Not applicable			
The materiality and inclusion of <u>mandatory</u> social payments (Requirement 6.1(a) of the 2023 EITI Standard) ³	Not applicable			
The materiality and inclusion of <u>voluntary</u> social payments (EITI	Applicable – the voluntary social payments are done by companies and reported in their various website or through their	The IA is required to quantify the share of value from the report	Voluntary social payments are paid to any stakeholders including the government,	

² Guidance note 15: Infrastructure and barter provisions: <https://eiti.org/guidance-notes-and-standard-termsreference#GN14>

³ Guidance note 17: Social expenditures: <https://eiti.org/guidance-notes-and-standard-terms-reference#GN17>

Requirement 6.1(b)) ⁴	monthly/quarterly bulletins publications.	provided by companies	landowners, NGOs and others	
The materiality and inclusion of transportation revenues (Requirement 4.4 of the 2023 EITI Standard) ¹¹	Not applicable			

4. Reporting entities - companies and government entities (2023 EITI Requirement 4.1d)

The MSG has agreed that any company or government entity making payments [equal to or above the agreed threshold of 5% against the material revenue streams identified in table 1 are required to be included in the PNGEITI Report:

Table 5: Mining Companies

Projects	Operator/Owner	MSG's Decision
Ok Tedi Mining	<ul style="list-style-type: none"> Ok Tedi Mining Limited (operator) Mineral Resources OK Tedi Star No. 2 Limited 	<p>The MSG has agreed that the operator for each mining project will report by project (project by project reporting). A reporting template will have to be filled in with information available to it (excluding any information that is confidential and/or privileged for which the operator will seek approval) and submitted to the IA. Subject to compliance with applicable contractual or statutory approval processes, the operator will report on the payments derived from the operations plus equity distributions to State partners, while the partners are independently accountable for reporting their tax payments to IRC separately. To enable the IRC to disclose tax receipts from</p>
Porgera Joint Venture	<ul style="list-style-type: none"> Barrick (Niugini) Limited (Operator) Mineral Resources Enga Limited 	
Lihir	<ul style="list-style-type: none"> Newcrest Mining Limited (Operator) 	
Hidden Valley	<ul style="list-style-type: none"> New Crest Mining Limited (operator) Harmony Gold Limited 	
Ramu	<ul style="list-style-type: none"> MCC RamuNiCo Limited (operator) 	

⁴ Guidance note 17: Social expenditures: <https://eiti.org/guidance-notes-and-standard-terms-reference#GN17> ¹¹ Guidance note 16: Revenues from transportation of oil, gas and minerals: <https://eiti.org/guidance-notesand-standard-terms-reference#GN16>

	<ul style="list-style-type: none"> ▪ Ramu Nickel Limited ▪ Mineral Resources Ramu Limited ▪ Mineral Resources Madang Limited 	<p>the operator for the purpose of reconciliation, IRC will use the amended law in the PNG Income Tax Act to disclose the tax information. The secrecy provision In the Income Tax Act was removed and this came into effect in 2018.</p>
Tolukuma	<ul style="list-style-type: none"> ▪ Petromin Holdings Limited (operator) 	
Simberi	<ul style="list-style-type: none"> ▪ St Barbara Limited (operator) 	

Table 6. Oil Companies

With oil companies, the operator will report on royalty, levy and social payments on behalf of the consortium members, however it is now required to continue to be reported in the 2023 Report that all EITI implementing countries should move towards project level reporting and this should be undertaken where possible. Each consortium member will report their own corporate tax and any ITC related deductions.

<p><u>Operator</u> Santos</p> <p><u>IV Partners</u></p> <p><u>PDL1 Owners:</u></p> <ul style="list-style-type: none"> ▪ ExxonMobil PNG Limited ▪ Lavana Limited ▪ Santos Hides Limited ▪ Oil Search (Tumbudu) Limited ▪ National Petroleum Company of PNG (Kroton) Limited ▪ Gas Resources Gigira Limited <p><u>PDL1 – Hides GTE Project Owners:</u></p> <ul style="list-style-type: none"> ▪ Oil Search (Tumbudu) Limited <p><u>PDL2 Owners:</u></p> <ul style="list-style-type: none"> ▪ Santos ▪ Ampolex (PNG Petroleum), Inc. ▪ Merlin Pacific Oil Company Limited ▪ Merlin Petroleum Company 	<p>The MSG has agreed that the operator will fill in the template with information available to it (excluding any information that is confidential and/or privileged and sent to the IA. Subject to compliance with applicable contractual or statutory approval processes, the operator will report on the payments derived from the operations plus equity distributions to State partners, while the partners are independently accountable for reporting their tax payments to IRC. To enable the IRC to disclose tax receipts from the operator for the purpose of reconciliation, IRC will use the amended law in the PNG Income Tax Act to disclose tax information. The secrecy provision in the Income Tax Act was amended and came into effect in January 2018.</p> <p>Again, it is strongly encouraged that project by project level reporting is required for the 2023 Report and this should be undertaken where feasible.</p>
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- Petroleum Resources Kutubu Limited

SE Mananda JV in PDL2 Owners:

- Santos
- Merlin Petroleum Company
- Petroleum Resources Kutubu Limited

PDL3 Owners:

- Barracuda Limited
- Southern Highlands Petroleum Co., Ltd
- NPCP Oil Company Pty Limited
- Santos
- Petroleum Resources Gobe Limited

PDL4 Gobe Main Owners:

- Santos
- Ampolex (Highlands) Limited
- Merlin Petroleum Company
- Petroleum Resources Gobe Limited

SE Gobe Unit PDL3 / PDL4 Owners:

- Santos
- Barracuda Limited
- Southern Highlands Petroleum Co., Ltd
- NPCP Oil Company Pty Limited
- Petroleum Resources Gobe Limited
- Ampolex (Highlands) Limited
- Merlin Petroleum Company

PDL5 Owners:

- Esso PNG Moran Limited
- Santos
- Eda Oil Limited
- Petroleum Resources Moran Limited

Moran Unit PDL2 / PDL5 Owners:

- Santos
- Ampolex (PNG Petroleum), Inc.
- Merlin Pacific Oil Company Limited
- Merlin Petroleum Company
- Petroleum Resources Kutubu Limited

<p>Esso PNG Moran Limited</p> <ul style="list-style-type: none"> ▪ Eda Oil Limited ▪ Petroleum Resources Moran Limited <p><u>PDL 6 Owners:</u></p> <ul style="list-style-type: none"> ▪ Santos ▪ Ampolex (Highlands) Limited ▪ Merlin Petroleum Company ▪ Petroleum Resources North West Moran Limited <p><u>Greater Moran Field PDL2 / PDL5 / PDL6 New Tract Participation:</u></p> <p>PDL2 (44%)</p> <p>Santos</p> <ul style="list-style-type: none"> ▪ Ampolex (PNG Petroleum), Inc. ▪ Merlin Pacific Oil Company Limited 1.278750% ▪ Merlin Petroleum Company ▪ Petroleum Resources Kutubu Limited <p>PDL5 (55%)</p> <ul style="list-style-type: none"> ▪ Esso PNG Moran Limited ▪ Santos ▪ Eda Oil Limited ▪ Petroleum Resources Moran Limited <p>PDL6 (1%)</p> <ul style="list-style-type: none"> ▪ Santos ▪ Ampolex (Highlands) Limited ▪ Merlin Petroleum Company ▪ Petroleum Resources North West Moran Limited 	
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Table 7. Gas Companies

<p><u>Operator</u> <u>ExxonMobil</u></p>	<p>ExxonMobil PNG Limited is the operator of the PNG LNG gas operations. MSG has agreed that the operator will complete the template with information available to it (excluding any</p>
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<p><u>PDL7 (Ex PRL12) Owners:</u></p> <ul style="list-style-type: none"> ▪ ExxonMobil PNG Limited ▪ Oil Search (Tumbudu) Limited ▪ National Petroleum Company of PNG (Kroton) Limited ▪ Kumul Petroleum Holdings Limited ▪ Gas Resources Hides No.4 Limited <p><u>PDL8 (Ex PRL11) Owners:</u></p> <ul style="list-style-type: none"> ▪ ExxonMobil PNG Limited ▪ Oil Search (Tumbudu) Limited ▪ National Petroleum Company of PNG (Kroton) Limited ▪ Kumul Petroleum Holdings Limited ▪ Gas Resources Angore Limited <p><u>PDL9 (Ex PRL2) Owners:</u></p> <ul style="list-style-type: none"> ▪ Esso PNG Juha Limited ▪ Oil Search (Tumbudu) Limited ▪ Ampolex (Papua New Guinea) Limited ▪ Kumul Petroleum Holdings Limited ▪ National Petroleum Company of PNG (Kroton) Limited ▪ Nippon Papua New Guinea LNG LLC <p>Gas Resources Juha No.1 Limited</p>	<p>information that is confidential and/or privileged and sent to the IA. Subject to compliance with applicable contractual or statutory approval processes, the operator will report on the payments derived from the operations plus equity distributions to State partners, while the partners are independently accountable for reporting their tax payments to IRC. To enable the IRC to disclose tax receipts from the operator for the purpose of reconciliation, IRC will use the amended law in the PNG Income Tax Act to disclose the tax information. The secrecy provision In the Income Tax Act was amended and came into effect in 2018.</p> <p>Again, it is strongly encouraged that project by project level reporting is required for the 2023 Report and this should be undertaken where feasible.</p>
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5. Additional benefit streams

With regards to the benefit streams set out in Requirements 4, the MSG had agreed to the following:

6. Government to government transactions (Requirement 4)

Table 6 – Government to government transactions included in the scope of the PNGEITI Report

Transactions	Applicable/ material?	Financial flow	State- owned company	Government agency	Additional commentary on work to be undertaken by the Independent Administrator as necessary.
The disclosure and reconciliation of					

					To be undertaken by the IA as necessary.
The disclosure and reconciliation of payments to and from state-owned enterprises (EITI Requirement 4.6) ¹²	Not applicable				

Transactions	Applicable/ material?	Financial flow	State owned company	Government agency	Additional commentary on work
payments to and from state-owned enterprises (Requirement 4.5) 5					
Transactions	Applicable/ material?	Financial flow and revenue sharing formula	Government agency executing the transfer	Government agency receiving the transfer	Additional commentary on work to be undertaken by the Independent Administrator as necessary.

7. Additional commentary on scope

The IA is required to refer to the Inception Report for suggested materiality in the PNGEITI 2013 to 2022 Reports.

⁵ Guidance Note 18: SOE participation in EITI Reporting, <https://eiti.org/GN18>

<p>The materiality and inclusion of subnational payments (Requirement 5.2 of the 2023 EITI Standard)¹³</p>	<p>Oil and Gas – development levy and royalties are paid by the oil and gas companies to DPE. These payments are then distributed to provincial governments and landowners by the MRDC.</p> <p>Mining – in certain instances royalties are paid by the companies directly to the landowners (landowner associations, LLGs) and provincial governments on behalf of the government and then send proof of payments to MRA. Ok Tedi pays direct to the provincial and local level governments, and into individual beneficiary accounts (accounts of individuals or families) on behalf of the government. MRA keeps records of payments made to the groups as stated above.</p> <p>For the 2023 PNGEITI Report, it is envisioned that sub-national payments will not be included in the data for reconciliation, but will be covered in relevant narrative sections following recommendations made from the Sub-national Payments and Transfers Scoping Study Report that was released in April, 2019.</p>
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EITI Requirements

- WWW.EITI.ORG
- 2023 [EITI Standard](#)

¹² Guidance Note 18: SOE participation in EITI Reporting, https://eiti.org/files/GN/Guidance_note_18_SOEs_EN.pdf

¹³Guidance Note 10: Sub-national reporting, <https://eiti.org/files/Guidance-note-10-Subnationalreporting.pdf>

Resource documents:

- PNGEITI 2023 and 2024 Annual Work Plans
- PNGEITI 2024 to 2028 Multi-Year Work Plan
- FY2022 PNGEITI Report
- FY2021 PNGEITI Report
- FY2020 PNGEITI Report
- FY2019 PNGEITI Report
- 2023 Quarterly MSG Meeting Minutes
- PNGEITI Scoping Study Reports
- 2021 PNGEITI Annual Progress Reports
- PNGEITI Beneficial Ownership (BO) Roadmap, Scoping Study Report and Beneficial Ownership Disclosure Report 2020
- SOE Scoping Study Report 2020
- PNGEITI Open Data Policy and Framework
- PNGEITI Sub-national payments and transfers scoping study report
- [PNGEITI 2022 and 2018 Validation Report recommendations \(first and second validation\)](#)
- [NEC Decision from first PNGEITI Report Recommendations](#)

Annex 2. Procurement process and timeline

PNGEITI National Secretariat calls for expression of interest (EOI)	5 – 12 July, 2024
PNGEITI, National Secretariat receives responses from interested vendors (closing date for all submissions)	12 July, 2024
PNGEITI National Secretariat with MSG Technical Working Group (TWG) undertake screening process to select the successful bidder	15 – 16 July, 2024
National Secretariat and MSG TWG submit final assessment and recommendation to MSG for approval and selection of successful bidder	17 July, 2024
PNGEITI National Secretariat informs the successful bidder	19 July, 2024
Contract Awarded/signed	22 July, 2024

Annex 3. Evaluation criteria

- 1. Technical Approach** –Bidders must demonstrate a thorough understanding of the tasks and effort required to produce a PNGEITI report. Bidders should address their unique approach to accomplishing the work set forth in the solicitation and include innovative methods to completing the report within the required period. Bidders shall provide a detailed management plan explaining schedules, project-management, quality assurance procedures, and assurances for on time completion within the required budget. A quality and assurance control plan should also be included.
- 2. Qualifications/Experience** – Bidders should address the qualifications of the firm. In addition, bidders should provide a one-page summary containing resumes displaying the qualifications, experience, operational knowledge, and skills of key personnel who will work on the project.
- 3. Past Performance** –Bidders shall provide information on past performance for similar work including a list of clients with contact information for current projects and projects completed within the past two years.
- 4. Financial proposal** – Bidders shall provide a detailed breakdown of all labour hours and travel expense estimated within this proposal.