



Timor Leste: Post-Validation Workshop

April 2024



The global standard for the good governance
of oil, gas and mineral resources.

Workshop Objectives

- To explain the results of the Validation of Timor-Leste.
- To exchange insights on how the country can achieve relevant outcomes and impacts from EITI implementation.
- To develop an action plan to address the corrective actions from Validation.

Overview of Validation



The global standard for the good governance
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Validation

Assessing progress in meeting the EITI Standard

The EITI holds all implementing countries to the same global standard. Through Validation, the EITI's quality assurance mechanism, implementing countries are assessed on their ability to meet the provisions of the EITI Standard.

Why does the EITI “Validate” countries?

- **Safeguard** the integrity and credibility of the organization and its standard, by regularly reviewing whether the requirements of the EITI Standard have been met by implementing countries
- **Ensure** that implementation is meeting national priorities. Is EITI addressing governance challenges in Indonesia?

Validation Guide – Three components



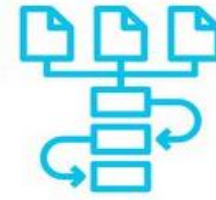
Stakeholder engagement

This component assesses EITI Requirements 1.1 to 1.4, namely the participation of constituencies and multi-stakeholder oversight throughout the EITI process.



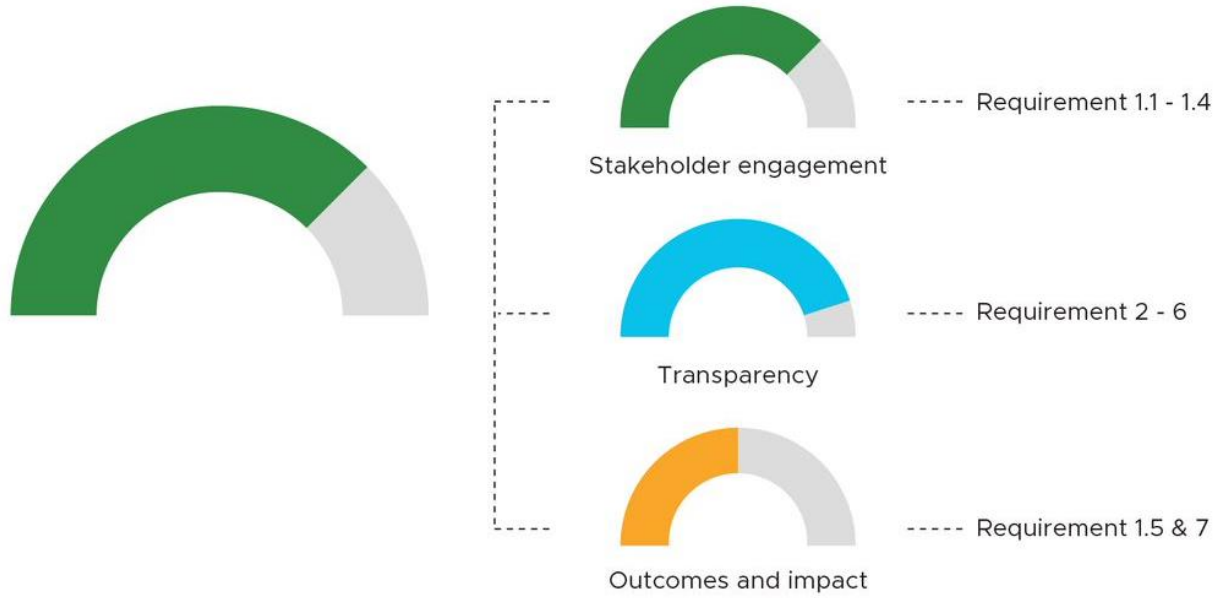
Transparency

This component assesses EITI Requirements 2 to 6, namely whether the country meets the disclosure requirements of the EITI Standard.



Outcomes and impact

This component assesses EITI Requirements 7 and 1.5, namely on progress in addressing national priorities and contributing to public debate. Countries may also be awarded extra points for effectiveness and sustainability of EITI implementation.



Overall score

Components

Requirements of the EITI Standard

Component and overall score

The three components of EITI Validation – “Transparency”, “Stakeholder engagement” and “Outcomes and impact” – each receive a score out of 100. The overall score represents an average of the component scores.



Assessment of EITI Requirements

Validation assesses the extent to which each EITI Requirement is met, using five categories. The component score is an average of the points awarded for each requirement that falls within the component.



Results of EITI Validation 2023

- Outcomes and Impact: 30.5/100
- Stakeholder engagement: 67.5/100
- Transparency: 76/100
- Overall score: 58/100 (Fairly low)

Component & module	EITI Requirement	Progress	Score
Outcomes and Impact		Low	30.5/100
Extra points	Effectiveness and sustainability indicators		0.5
Outcomes and impact	Work plan (#1.5)	Partly met	30 ↓
	Public debate (#7.1)	Partly met	30 ↓
	Data accessibility and open data (#7.2)	Partly met	30 -
	Recommendations from EITI (#7.3)	Partly met	30 ↓
	Outcomes & impact (#7.4)	Partly met	30 ↓
Stakeholder engagement		Fairly low	67.5/100
Multi-stakeholder oversight	Government engagement (#1.1)	Mostly met	60 ↓
	Industry engagement (#1.2)	Fully met	90 =
	Civil society engagement (#1.3)	Mostly met	60 ↓
	MSG governance (#1.4)	Mostly met	60 ↓
Transparency		Moderate	76/100
Overview of the extractive industries	Exploration data (#3.1)	Fully met	90 =
	Economic contribution (#6.3)	Mostly met	60 ↓
Legal and fiscal framework	Legal framework (#2.1)	Fully met	90 =
	Contracts (#2.4)	Mostly met	60 -
	Environmental impact (#6.4)	Not assessed	- -
Licenses	Contract and license allocations (#2.2)	Mostly met	60 ↓
	License register (#2.3)	Mostly met	60 ↓
Ownership	Beneficial ownership (#2.5)	Partly met	30 -
State participation	State participation (#2.6)	Fully met	90 -
	In-kind revenues (#4.2)	Not applicable	- =
	SOE transactions (#4.5)	Fully met	90 =
	SOE quasi-fiscal expenditures (#6.2)	Not applicable	- =
Production and exports	Production data (#3.2)	Fully met	90 =
	Export data (#3.3)	Fully met	90 =
Revenue collection	Comprehensiveness (#4.1)	Fully met	90 =
	Barter agreements (#4.3)	Not applicable	- =
	Transportation revenues (#4.4)	Not applicable	- =
	Disaggregation (#4.7)	Fully met	90 -
	Data timeliness (#4.8)	Fully met	90 =
Revenue management	Data quality (#4.9)	Mostly met	60 ↓
	Distribution of revenues (#5.1)	Fully met	90 =
	Revenue management & expenditures (#5.3)	Not assessed	- -
Subnational contributions	Direct subnational payments (#4.6)	Not applicable	- =
	Subnational transfers (#5.2)	Not applicable	- =
	Social and environmental expenditures (#6.1)	Mostly met	60 ↓
Overall score		Fairly low	58/100

Summary



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Key achievements

- Solid basis for systematic disclosures on the oil and gas sector. Routine disclosures by ANPM, Statistics Directorate of MOF and central bank
- Expanded EITI implementation to cover subcontractors in the oil and gas industry.
- Despite political unrest (2019-2020) and COVID-19 pandemic, TL-EITI MSG has continued to operate and provide a forum for multi-stakeholder discussions about the governance of the extractive industries.

Areas for development

- Capacity challenges, alignment of EITI objectives with national priorities
- Contribution of EITI data to public debate
- Feasibility of mainstreaming data
- MSG governance could be strengthened
- Demonstrable outcomes and impact
- Key technical requirements

Stakeholder engagement

(Requirements 1.1, 1.2, 1.3, 1.4)



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Progress on requirement 1.1

- Broader objective of this requirement is mostly fulfilled.
- Evidence of high-level government commitment to the EITI

Corrective actions from Validation

- In accordance with Req. 1.1, the government should rejuvenate full, active and effective engagement in the EITI process, including strengthening its input to the design of the EITI process to align with national priorities and ensuring continuous follow-up on recommendations.

Progress on the requirement 1.2

- Objective is fully met
- Industry representatives from key extractive industry broadly participate in MSG meetings and provided input to the EITI reporting process.
- All material companies have complied with EITI reporting requirements.
- Enabling environment for company participation in the EITI

Corrective action and recommendations from Validation

- To strengthen implementation, the industry constituency is encouraged to consider activities aimed at strengthening its engagement in the EITI process, including in development of EITI activities linked to the constituency's priorities.

Progress on Requirement 1.3

- Objective of the requirement is mostly met, considering that there is an enabling environment for civil society participation
- No restrictions affecting EITI implementation were noted

Corrective actions and recommendations from Validation

In accordance with Req. 1.3, the civil society constituency should:

- Reinvigorate *full, active and effective engagement* in the EITI process. This could include outreach activities, engaging actively in discussions to make EITI implementation more relevant, development of a *capacity-building plan* for CSOs and engagement of well-capacitated CSOs working on the extractive sector governance issues in Timor-Leste.

To strengthen implementation, Timor-Leste is encouraged:

- To monitor and discuss any legal and regulatory reforms to ensure that there continues to be an enabling environment for civil society participation.
- For civil society to raise any concerns related to constraints on their engagement in public debate on natural resource governance, should they arise in future.

Progress on Requirement 1.4

- Broader objective of the requirement is mostly fulfilled.
- Consistent engagement in publishing EITI Reports
- Sustained EITI process despite challenges in national context (COVID-19, political transitions)

Corrective actions and recommendations from Validation

In accordance with Req. 1.4, Timor-Leste should:

- *Ensure that the TL-EITI MSG **exercises oversight of all aspects of EITI implementation beyond the production of EITI Reports**, including active engagement in the design of the EITI process, outreach and dissemination of EITI findings and follow-up on EITI recommendations to strengthen the governance of the extractive industries.*
- *Members of the TL-EITI MSG must have the **capacity to carry out their duties**, that they undertake **effective outreach activities** with civil society groups and companies and that they **liaise with their constituency** groups.*
- *The MSG is encouraged to review its TOR and other **governance documents** to ensure their alignment with provisions of the 2019 EITI Standard, including with regard to gender considerations in the process for nominating MSG members.*
- *To strengthen implementation, the civil society and industry constituencies are encouraged to **formalise their constituency nominations and coordination procedures** to strengthen the MSG's public accountability.*

Action planning (Group discussion)

- What are your initial ideas on how to address the corrective actions? Are there barriers that should be addressed?
- What resources/technical support will you need?
- What improvements would be realistic to achieve before your next Validation? (1 April 2025)

Outcomes and Impact (Requirements 1.5 and 7)



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Summary of progress

- EITI reports are succinct and comprehensible, with translations to Tetun, Bahasa and Portuguese, which enables access by a wide range of stakeholders.
- Systematic disclosures of data required by EITI through government portals (e.g., ANPM) are recognised and commended.
- Government is undertaking efforts to disclose extractive sector data through its systems and to engage them in various fora.
- Summary data files for EITI reports (up to 2019) are available on EITI website.

Corrective actions and recommendations from Validation

- In accordance with Req. 1.5, Timor-Leste is required to maintain a current EITI workplan:
 - That *reflects national priorities* for extractive sector governance
 - With objectives that are updated to *reflect the consultations with key stakeholders beyond the MSG* who are working on national priorities
 - With *activities and outcomes that are tied with the objectives*
 - With activities and outcomes that are *measurable* and address the scope of EITI disclosures, including *systematic disclosures, contract transparency and beneficial ownership*
- The MSG is encouraged to:
 - *To discuss its desired short-term and long-term impact for EITI implementation beyond data disclosure while considering national priorities on ensuring economic benefits of the sector to citizens and greater understanding of state participation in the extractive sector*
 - *To use the workplan to track progress in achieving expected outcomes*

Corrective actions and recommendations from Validation

- In accordance with Req. 7.1, Timor-Leste is required to ensure that EITI disclosures contribute to public debate.
- Information should be widely accessible and distributed, considering the needs of different subgroups of citizens.
- The MSG should ensure that outreach activities are undertaken to spread awareness and facilitate dialogue about governance of extractive resources.

Corrective actions and recommendations from Validation

- In accordance with Req. 7.2, Timor-Leste should agree a policy on the access, release and reuse of EITI data.
- All EITI disclosures, including data disclosed through government websites, should be made available in open, machine-readable format.

Corrective actions and recommendations from Validation

- In accordance with Requirement 7.3, Timor-Leste should establish a mechanism for agreeing and following up on EITI recommendations.
- The MSG is encouraged to work with government agencies and extractive companies to ensure that EITI implementation results in improved extractive sector governance and to document these efforts.

Corrective actions from Validation

- In accordance with Req. 7.4, Timor-Leste is required to **annually review and document the outcomes and impact of EITI implementation**, reflecting consultations with stakeholders beyond the MSG. This should include a review of progress in meeting each EITI Requirement and a narrative description of efforts to strengthen the impact of EITI implementation.

Action planning

- What are your initial ideas on how to address the corrective actions? Are there barriers that should be addressed?
- What resources/technical support will you need?
- What improvements would be realistic to achieve before your next Validation? (1 April 2025)

Transparency (Requirements 2 - 6)



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Summary of progress

- Assessed with fully met on 8 transparency requirements : 3.1 Exploration data, 2.1 Legal framework, 2.6 State participation, 4.5 SOE transactions, 3.2 Production data, 3.3 Export data, 4.1 Comprehensiveness, 4.7 Level of disaggregation, 4.8 Data timeliness, 5.1 Distribution of revenues
- Only one requirement with partly met – 2.5 – beneficial ownership
- Fully met on all applicable SOE requirements
- Solid basis for systematic disclosure of data by government

The objective of this requirement is to ensure a public understanding of the extractive industries' contribution to the national economy and the level of natural resource dependency in the economy.

6.3 Contribution of the extractive sector to the economy

- a) Implementing countries are required to disclose information about the contribution of the extractive industries to the economy for the fiscal year covered by EITI implementation. This must include, where available:
 - i. The size of the extractive industries in absolute terms and as a percentage of gross domestic product (GDP) as well as an estimate of informal sector activity, including but not necessarily limited to artisanal and small-scale mining.
 - ii. Total government revenues generated by the extractive industries (including taxes, royalties, bonuses, fees and other payments) in absolute terms and as a percentage of total government revenues.
 - iii. Exports from the extractive industries in absolute terms and as a percentage of total exports.
 - iv. Employment in the public and private sectors of the extractive industries in absolute terms and as a percentage of the total employment. The information must be disaggregated by gender and occupational level, where available, and further disaggregated by company and project, as well as between local and foreign nationals.

Companies are encouraged to disclose the gender pay gap.

- v. Key regions/areas where production is concentrated.

Progress on the requirement

- The objective is mostly achieved
- Gaps in the comprehensiveness of extractive employment data. i.e. only provided a small selection of material companies' reporting of their employment, rather than total employment in the mining, oil and gas sectors in absolute and relative terms.
- Annual reports on national accounts provide information on the oil and gas sector's contribution to GDP

Corrective actions and recommendations from Validation

In accordance with Requirement 6.3, Timor-Leste should:

- *Ensure public disclosure of employment in the extractive industries in absolute terms and as a percentage of the total employment. The information should be disaggregated by gender and, when available, further disaggregated by company and occupational level.*

To strengthen implementation, Timor-Leste is encouraged:

- *To use the EITI to help improve its systematic government disclosures of employment data.*

2.4 Contracts and licenses

The objective of this requirement is to ensure the public accessibility of all licenses and contracts underpinning extractive activities (at least from 2021 onwards) as a basis for the public's understanding of the contractual rights and obligations of companies operating in the country's extractive industries.

a) Implementing countries are required to disclose any contracts and licenses that are granted, entered into or amended from 1 January 2021. Implementing countries are encouraged to publicly disclose any contracts and licenses that provide the terms attached to the exploitation of oil, gas and minerals.

b) The multi-stakeholder group is expected to agree and publish a plan for disclosing contracts with a clear time frame for implementation addressing any barriers to comprehensive disclosure. This plan will be integrated into work plans covering 2020 onwards.

c) It is a requirement to document the government's policy on disclosure of contracts and licenses that govern the exploration and exploitation of oil, gas and minerals. This should include:

i. A description of whether legislation or government policy addresses the issue of disclosure of contracts and licenses, including whether it requires or prohibits disclosure of contracts and licenses. If there is no existing legislation, an explanation of where the government policy is embodied should be included, and the multi-stakeholder group should document its discussion on what constitutes government policy on contract disclosures. Any reforms relevant to the disclosure of contracts and licenses planned or underway should be documented.

ii. An overview of which contracts and licenses are publicly available. Implementing countries should provide a list of all active contracts and licenses, indicating which are publicly available and which are not. For all published contracts and licenses, it should include a reference or link to the location where the contract or license is published. If a contract or license is not published, the legal or practical barriers should be documented and explained.

iii. Where disclosure practice deviates from legislative or government policy requirements concerning the disclosure of contracts and licenses, an explanation for the deviation should be provided.

Progress on the requirement

- Objective is mostly met.
- There's systematic disclosure of some contracts from ANPM but lacked review of comprehensiveness
- Law on Petroleum Activities requires disclosure of contracts, but unclear if the requirement applies to full texts of contracts. Confidentiality concerns were raised, but must show efforts to overcome barriers
- The Mining Code requires public disclosure of mining contracts.
- No publicly accessible comprehensive list of all active licenses and contracts (including annexes, amendments and riders) for both petroleum and mining

Corrective action from Validation

- In accordance with Req. 2.4, Timor-Leste should ensure that any **new mining, oil and gas licenses and contracts granted or amended after 1 January 2021 are comprehensively disclosed to the public, including any annexes and amendments**, in accordance with Req. 2.4.a., Full texts of all contracts should be published instead of summaries.
- Timor-Leste is required to publish a **list of all active contracts and licenses** in both the mining and petroleum sectors, indicating which are publicly available and which are not (including annexes, amendments and riders), with specific links to each published document.
- In accordance with Req. 2.4.c.iii, Timor-Leste should publish an **explanation for any deviations between disclosure practices and legislative or government policy requirements concerning the disclosure** of contracts and licenses.
- The MSG should **address legal barriers**, if any, ahead of the next Validation to ensure full disclosure of contracts.

2.2 Contract and license allocations

a) Implementing countries are required to disclose the following information related to all contract and license awards and transfers taking place during the accounting period covered by the most recent EITI disclosures, including for companies whose payments fall below the agreed materiality threshold:

- i. a description of the process for transferring or awarding the license;
- ii. the technical and financial criteria used;
- iii. information about the recipient(s) of the license that has been transferred or awarded, including consortium members where applicable; and
- iv. any material deviations from the applicable legal and regulatory framework governing license transfers and awards.

In cases where governments can select different methods for awarding a contract or license (e.g. competitive bidding or direct negotiations), the description of the process for awarding or transferring a license could include an explanation of the rules that determine which procedure should be used and why a particular procedure was selected.

The objective of this requirement is to provide a public overview of awards and transfers of oil, gas and mining licenses, the statutory procedures for license awards and transfers and whether these procedures are followed in practice. This can allow stakeholders to identify and address possible weaknesses in the license allocation process.

b) Where companies hold licenses that were allocated prior to the period covered by EITI implementation, implementing countries are encouraged to disclose the information set out in 2.2(a).

c) Where licenses are awarded through a bidding process, the government is required to disclose the list of applicants and the bid criteria.

d) The multi-stakeholder group may wish to include additional information on the allocation of licenses as part of the EITI disclosures. This could include commentary on the efficiency and effectiveness of licensing procedures, and a description of procedures, actual practices and grounds for renewing, suspending or revoking a contract or license.

Progress on the requirement

- Objective is mostly met
- Lack of clarity on the **details of the statutory procedure** for extractive rights awards and transfers
- Lack of review by TL-EITI of **non-trivial deviations** from this framework in practice.
- The government systematically discloses some information on the award of mining licenses and oil and gas PSCs. but does not **adequately describe the awards process, nor the technical and financial criteria** considered.
- EITI Report **does not describe the statutory procedure for transferring participating interests** in oil and gas projects. **No review of non-trivial deviations** from the statutory procedure in license and contract awards and transfers in either mining or oil and gas.
- The **list of bidders** for oil and gas contracts awarded through competitive bidding in subsequent years **does not appear to be disclosed** on government websites.
- **No diagnostic of the efficiency** of the licensing and contracting procedures in either mining or oil and gas.

Corrective action from Validation

- In accordance with Requirement 2.2, Timor-Leste should ensure that information on mining, oil and gas license awards and transfers is publicly disclosed, including the **identity of licenses transferred and the process for transferring licenses**.
- In accordance with Requirement 2.2.a.iv, Timor-Leste is required to ensure public disclosure of its **assessment of any material deviations** from the applicable legal and regulatory framework governing license transfers and awards in license awards and transfers in the period under review by EITI reporting.

2.3 Register of licenses



The objective of this requirement is to ensure the public accessibility of comprehensive information on property rights related to extractive deposits and projects.

a) The term license in this context refers to any license, lease, title, permit, contract or concession by which the government confers on a company(ies) or individual(s) rights to explore or exploit oil, gas and/or mineral resources.

b) Implementing countries are required to maintain a publicly available register or cadastre system(s) with the following timely and comprehensive information regarding each of the licenses pertaining to companies within the agreed scope of EITI implementation:

i. License holder(s).

ii. Where collated, coordinates of the license area. Where coordinates are not collated, the government is required to ensure that the size and location of the license area are disclosed in the license register and that the coordinates are publicly available from the relevant government agency without unreasonable fees and restrictions. The disclosures should include guidance on how to access the coordinates and the cost, if any, of accessing the data. The government should also document plans and timelines for making this information freely and electronically available through the license register.

iii. Date of application, date of award and duration of the license.

iv. In the case of production licenses, the commodity being produced.

It is expected that the license register or cadastre includes information about licenses held by all entities, including companies and individuals or groups that are outside the agreed scope of EITI implementation, i.e. where their payments fall below the agreed materiality threshold. Any significant legal or practical barriers preventing such comprehensive disclosure should be documented and explained, including an account of government plans for seeking to overcome such barriers and the anticipated timescale for achieving them.

c) Where such registers or cadastres do not exist or are incomplete, any gaps in the publicly available information should be disclosed and efforts strengthen these systems documented.

Progress on the requirement

- The objective is mostly fulfilled
- Lack of public disclosure of **dates of application for some contracts** in the oil and gas sector.
- The government **does not maintain publicly accessible license registers** or cadastral portals in either the oil and gas or the mining sector, however, some information is available through various pages on the ANPM website.
- The **dates of expiry and coordinates** of oil and gas licenses are available on the ANPM website **except for some older (yet active) oil and gas contracts**

Corrective action from Validation

- In accordance with Requirement 2.3, Timor-Leste should ensure that **dates of application and expiry as well as license coordinates of each extractive license and contract** are publicly disclosed and accessible for each active license and contract in the mining, oil and gas sector. At a minimum, this information should be publicly available for those licenses and contracts held by material companies covered by Timor-Leste's EITI Reports.

2.5 Beneficial ownership

The objective of this requirement is to enable the public to know who ultimately owns and controls the companies operating in the country's extractive industries, particularly those identified by the MSG as high-risk, to help deter improper practices in the management of extractive resources.

a) It is recommended that implementing countries maintain a publicly available register of the beneficial owners of the corporate entity(ies) that apply for or hold a participating interest in an exploration or production oil, gas or mining license or contract, including the identity(ies) of their beneficial owner(s), the level of ownership and details about how ownership or control is exerted. Where possible, beneficial ownership information should be incorporated in existing filings by companies to corporate regulators, stock exchanges or agencies regulating extractive industry licensing. Where this information is already publicly available, the EITI Report should include guidance on how to access this information.

b) Implementing countries are required to document the government's policy and multi-stakeholder group's discussion on disclosure of beneficial ownership. This should include details of the relevant legal provisions, actual disclosure practices and any reforms that are planned or underway related to beneficial ownership disclosure.

c) As of 1 January 2020, it is required that implementing countries request, and companies publicly disclose, beneficial ownership information. This applies to corporate entity(ies) that apply for or hold a participating interest in an exploration or production oil, gas or mining license or contract and should include the identity(ies) of their beneficial owner(s), the level of ownership and details about how ownership or control is exerted. Any significant gaps or weaknesses in reporting on beneficial ownership information must be disclosed, including naming any entities that failed to submit all or parts of the beneficial ownership information. Where a country is facing constitutional or significant practical barriers to the implementation of this requirement by 1 January 2020, the country may seek adapted implementation in accordance with Article 1 of the EITI Board's procedures for oversight of EITI implementation in section 4.

d) Information about the identity of the beneficial owner should include the name of the beneficial owner, the nationality, and the country of residence, as well as identifying any politically exposed persons. It is also recommended that the national identity number, date of birth, residential or service address, and means of contact are disclosed.

e) The multi-stakeholder group should assess any existing mechanisms for assuring the reliability of beneficial ownership information and agree an approach for corporate entities within the scope of 2.5(c) to assure the accuracy of the beneficial ownership information they provide. This could include requiring companies to attest the beneficial ownership declaration form through sign-off by a member of the senior management team or senior legal counsel, or submit supporting documentation.

Progress on the requirement

- Objective has yet to be fulfilled, although some aspects of the Requirement have been addressed.
- Progress in establishing a legal framework for collecting, although not disclosing, beneficial ownership data.
- Gaps in disclosures have partly been addressed through EITI reporting.
- No assessment of the reliability or comprehensiveness of BO disclosures

Corrective actions and recommendations from Validation

- In accordance with Req. 2.5, Timor-Leste is required to **disclose the beneficial owners of all companies holding or applying for extractive licenses**
 - *Request all companies applying for and holding oil, gas and mining licenses to disclose beneficial ownership information, including all data points listed in Req. 2.5.d, and provide adequate assurances for data reliability.*
 - *For publicly-listed companies and their wholly-owned subsidiaries, functioning links to stock exchange filings should be disclosed. Where subsidiaries are not 100% owned, beneficial owners should be disclosed in accordance with Req. 2.5.c-d.*
 - *Undertake an assessment of the comprehensiveness and reliability of beneficial ownership disclosures by all extractive companies to date.*
 - *Ensure comprehensive disclosure of legal owners of oil, gas and mining companies in accordance with Req. 2.5.g.*

Corrective actions and recommendations from Validation

- To strengthen implementation of Requirement 2.5, Timor-Leste is encouraged to:
 - *Disclose beneficial and legal ownership information systematically through the corporate registry.*
 - *Consider a lower threshold for beneficial ownership, in particular, for politically exposed persons (PEPs).*
 - *Extend beneficial ownership disclosures to subcontractors in the oil and gas sector.*

4.9 Data quality and assurance

a) The EITI requires an assessment of whether the payments and revenues are subject to credible, independent audit, applying international auditing standards. The expectation is that government and company disclosures as per Requirement 4 are subject to credible, independent audit, applying international auditing standards. The expectation is that disclosures as per Requirement 4 will include an explanation of the underlying audit and assurance procedures that the data has been subject to, with public access to the supporting documentation.

b) The multi-stakeholder group is required to agree a procedure to address data quality and assurance based on a standard procedure endorsed by the EITI Board. The multi-stakeholder group is required to apply the standard procedure without any material deviations. Should the multi-stakeholder group wish to deviate from the standard procedures, approval from the EITI Board must be sought in advance. The request from the multi-stakeholder group should address:

- i. the rationale for deviating from the standard procedure;
- ii. whether there is routine disclosure of the data required by the EITI Standard in requisite detail;
- iii. whether the financial data is subject to credible, independent audit, applying international standards, and
- iv. whether there is sufficient retention of historical data.

The objective of this requirement is to ensure that appropriate measures have been taken to ensure the reliability of disclosures of company payments and government revenues from oil, gas and mining. The aim is for the EITI to contribute to strengthening routine government and company audit and assurance systems and practices and ensure that stakeholders can have confidence in the reliability of the financial data on payments and revenues.

Progress on the requirement

- Objective has been mostly met.
- Limited information is available about the **audit processes of reporting entities and their results**.
- The EITI report includes the IA's assessment that data quality is “adequate” based on the assurances provided. All reporting entities attested to the information in their reporting templates
- The EITI Report does not indicate, which companies complied with the request to provide annual financial statement and does not comment on the results of the reporting entities' audits.

Corrective actions from Validation

- In accordance with Requirement 4.9 and the Board-approved ToRs for EITI reporting, Timor-Leste is required to **review reporting entities' audit processes and practices and document the findings, including a statement on the comprehensiveness and reliability of the financial data disclosed.**
- Information on how to access the audited financial statements of reporting entities should be disclosed.

Progress on the requirement 6.1- social and environmental expenditures

- The objective is mostly fulfilled.
- Disclosure of some oil and gas companies' voluntary social expenditures, although these do not clearly distinguish between cash and in-kind voluntary social expenditures.
- The comprehensiveness of mandatory social and environmental payments could be improved to cover all companies

Corrective action and recommendations from Validation

- In accordance with Requirement 6.1, Timor-Leste should **ensure public disclosures of all payments by extractive companies to the government related to the environment** mandated by law, regulation or contract, where such payments are material.
- To strengthen implementation of Requirement 6.1, Timor-Leste is encouraged to consider ensuring public disclosure of environmental expenditures and transfers by extractive companies to third parties, where such are material.

Action planning

- What are your initial ideas on how to address the corrective actions? Are there barriers that should be addressed?
- What resources/technical support will you need?
- What improvements would be realistic to achieve before your next Validation? (1 April 2025)



Extractive Industries
Transparency Initiative

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