

Illustration of materiality approach to sector ESRS

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Objective of the session

- 1 The objective of the paper is to provide an illustration of how the two approaches to materiality discussed in the SRB meeting on 10 March 2023 would operationally work, using the Mining, Quarrying and Coal Exposure Draft (MQC ED) (as a basis).
- 2 The SRB discussed on 10 March the approach recommended by SR TEG (approach A) and the approach identified as a tentative direction for consensus in the SRB meeting 27 February 2023 (Approach B).
- 3 Please refer to the MQC ED uploaded for the SRB 10 March 2023 (version approved by SR TEG) and, for Chapter 1 of the MQC ED, please refer to the Appendix to this paper, where the content has been split between Policies, Actions and Targets (PAT) and Metrics, as they are subject to a different materiality regime (as per IFRS 1 par. 34).
- 4 Appendix 1 illustrate the comparison of the two approaches.
- 5 Appendix 2 is Chapter 1 of MQC ED with identification of policies, actions, targets and metrics.
- 6 Appendix 3 illustrates how there is an interlinkage between different datapoints and there is a logic sequence of decisions, i.e. some of the datapoints are details of other datapoints and, as such, they are needed only when the corresponding other datapoint is reported. This illustrates why counting each datapoint separately is misleading.

Structure of the MQC ED

- 7 The ED has 2 Chapters in the main body and 2 Chapters in Appendix B Application Requirements (same authority of the main body).
 - (a) Chapter 1 in the main body sets 20 additional groups of items of information that shall be reported when disclosing according to the corresponding Disclosure Requirement (DR) in the sector agnostic standards. In particular they set either additional datapoints or breakdown of datapoints related to DRs already required in the sector agnostic standards. Four of them provides both items of PAT and items of Metrics. These 20 groups of items enhance the content of the 82 sector agnostic DRs with sector specification;
 - (b) Chapter 2 in the main body sets 16 sector-specific DRs, that cover sustainability matters not covered in the sector agnostic standards (they are identified in this memo as 'MQC-DR').
 - (c) Chapter 1 in Appendix B sets additional Application Requirements ('shall consider', mandatory methodology, 'may disclose') to the DRs in the sector agnostic standards. They are applicable if and when the undertaking reports according to the corresponding DR in sector agnostic standards.

Agenda Paper 04-01 SRB 14 March 2023
Illustration of materiality approach in sector ESRS

- (d) Chapter 2 in Appendix B sets Application Requirements ('shall consider disclosing', mandatory methodology, 'may disclose') to the MQC-DRs in Chapter 2 of the main body of the ED.
- 8 The dividing line between items in Chapter 1 of the main body and items in Chapter 1 of Appendix B is somehow conventional: in the drafting the Secretariat made an effort to identify systematically all the 'shall' that require an item of information to be disclosed (presented in the main body) as opposed to the 'shall consider' or methodology elements, that are in Appendix B. The materiality regime of these two Chapters is different, as illustrated below.
- 9 There are 44 sustainability matters identified in paragraph 19 of the ED. Five of them are new, i.e. not already covered in the sector agnostic standard.
- (a) In Chapter 2 of the MQC ED (same as in the Set 1 sector agnostic standards), each DR is identified by a first paragraph in bold which summarises the content of the DR, followed by: a principles-based disclosure objective (illustrating in principles based terms the purpose of the disclosure), and
- (b) a list of elementary items of information to be reported, also referred to as 'datapoints'.
- 10 The advantage of combining a principles-based objective with a rules-based list of elementary information to be reported, is that the list is not per se exhaustive. In fact, the undertaking has to reflect the specific facts and circumstances pertaining to it. Therefore, when other elements are needed to meet the disclosure objective, the undertaking is expected to include additional entity-specific information.
- 11 Chapter 1 of MQC ED presents a series of elements of information that supplements the list of elementary items of information to be reported according per each DR in Set 1. This means that, in order to meet the objective of a DR in Set 1, undertakings in this sector shall report both the items of information listed in the DR in Set 1 AND the items listed in Chapter 1 related to the specific DR in Set 1. The content of Chapter 1 is not setting new 'Disclosure Requirements', as it has the same disclosure objective of the corresponding Set 1 DR. Instead, it is adding datapoints or breakdowns that are to be reported to fulfil the disclosure objective of the corresponding DR in Set 1. This reflects the nature of 'sector specification' of Chapter 1, i.e. to provide additional specificity or granularity to the disclosure required at sector-agnostic level.
- 12 Conventionally, the same architectural approach applied in Set 1 for the specifications for ESRS 2 in the topical standards, has been adopted in the drafting of Chapter 1. These do not have objective paragraphs but have been labelled 'disclosure requirements'. Following the same approach, each group of elementary items of information in Chapter 1 related to the same DR in Set 1 is identified as '*Disclosure Requirements related to ESRS EX-Y*'.
- 13 Conversely to Chapter 1, Chapter 2 sets additional DRs to cover aspects either sustainability matters or aspects of sustainability matters not already in the list of paragraph AR 12 of ESRS 1 Appendix B) or aspects of a matter (for matters not already in the list of paragraph AR 12 of ESRS 1 Appendix B), that were not covered in the sector agnostic, due to their **sector-specific nature**.

2. How the two approaches compare in term of materiality approach

- 14 The two approaches have the following in common: items of information in Chapter 1 related to ESRS 2, ESRS E1, ESRS S1-1 to S1-9 (for undertakings with more than 250 employees) have the same status as the corresponding requirements in sector agnostic level, i.e. always to be reported irrespective of materiality.

*Agenda Paper 04-01 SRB 14 March 2023
Illustration of materiality approach in sector ESRS*

- 15 In both cases, few datapoints stemming from Pillar 3 (Appendix C of MQC ED) are outside materiality assessment.
- 16 In addition, the following paragraphs describe what differentiates the two approaches:
Approach A – EFRAG SR TEG recommendation 6/7 March 2023
- 17 The list of sustainability matters provided by the standard setter in the sector ESRS ED are by definition material for the undertakings that are active in that sector and, hence, outside the undertaking's individual materiality assessment.
- 18 The undertaking applies the following regime:
- (c) For Policies/actions/targets (PAT), see ESRS 1 para. 34¹ of ESRS 1, i.e. content cannot be omitted (consistent with Set 1). The undertaking discloses if it has no policies/actions/targets. This is in principle not expected to be frequent for matters that are material to the undertaking, but it may happen (as ESRS do not dictate behaviours). The resulting disclosure is expected to be very simple, i.e. limited to stating that the undertaking has no policies/actions/targets. Disclosing a plan for implementation of PAT is voluntary (may). There are 12 PAT in Chapter 1 and 4 in Chapter 2 of the ED.
 - (d) Metrics – the full DR or datapoints within a DR may be omitted.
- 19 When an entire metrics DR is omitted, the undertaking shall explain why it is not material but no explanation is required when a datapoint is omitted. The following specifications are noted for the omission of DRs in Chapter 1 of the Sector ED, due to the interaction with Set1:
- (a) When an undertaking omits an entire group of items in Chapter 1 of the Sector ED, and also, the corresponding entire DR in Set 1 based on materiality, the justification relates to the omission of both the DR in Set 1 and the corresponding group of items in Chapter 1 of the Sector ED. This corresponds to the architecture in the topical standards, whereby the additional specifications for Set 1 DRs are categorised in Chapter 1 with the reference of the sector-agnostic DR (ie Disclosure Requirement related to [draft] ESRS Sx) rather than being a stand-alone DR with a unique reference.
 - (b) Should the undertaking conclude that the group of items of information in Chapter 1 are not material, but that the corresponding DR in Set 1 is material, no justification is needed². Justification is not required when a DR in Set 1 is omitted, and it does not have a corresponding DR in Chapter 1.
 - (c) The 'navigation table' in the Sector EDs supports the mechanism: no justification is required when a DR not applicable to a segment of a sector (e.g. quarrying is a segment of MQC). There is an intrinsic relationship between the sustainability matters in para 19³ and the navigation table of para 21. However, providing another table of mapping DRs

¹ When reporting on policies, actions and targets in relation to a sustainability matter, the undertaking shall include the information prescribed by all the Disclosure Requirements in the topical ESRS related to that matter and in the corresponding Disclosure Contents on policies, actions, and targets required under ESRS 2 (including their datapoints). However, if the undertaking cannot disclose the information prescribed by either the Disclosure Requirements in the topical ESRS or the Disclosure Contents in ESRS 2 (including their datapoints) on policies, actions and targets, because it has not implemented the respective policies, actions and targets, it shall disclose this to be the case and it may report a timeframe in which it aims to have these in place.

² Please note that the EFRAG SR TEG recommendation did not explicitly consider this aspect, as SR TEG only discussed the case of omitting both the content of Set 1 and of the MQC ED for the same DR in Set 1.

³ The EFRAG Secretariat has noticed that paragraph 19 in the ED for the SRB meeting of 10 March had not been fully updated for the approach recommended by the SR TEG. It should read as follows: This [draft] ESRS sets out Disclosure Requirements related to the sustainability matters material for the Sector, listed in the table below. Some of them are already listed in AR 12, Appendix B or ESRS 1. Detailed descriptions of them are included in Appendix E.

*Agenda Paper 04-01 SRB 14 March 2023
Illustration of materiality approach in sector ESRS*

in set 1 and set 2 (ie para 21) to material sector sustainability matters (ie para 19) is not considered to be helpful or principled based.

- 20 There are some sustainability matters that are covered by **only one** DR (e.g. E3 – Water discharge). In this case, despite the matter being material by definition (para. 19 of the MQC ED), the undertaking may omit the DR. In this case, as in other cases of omission of a DR in Chapter 2, it shall include a justification. No justification is required when a datapoint is omitted. However paragraph 35 of ESRS 1 is applicable: omission of a datapoint is possible only if the undertaking concludes that such information is not needed to meet the objective of the Disclosure Requirement. In this case, paragraph 102 of the MQC ED: *'The objective of this Disclosure Requirement is to enable an understanding of the impact of the undertakings' water discharges on local water resources and use'*.

Approach B – EFRAG SRB tentative direction for consensus 27 February 2023

- 21 In every sector-specific ESRS, the list of matters commonly applicable in the sector is included (para. 19 of MQC ED). This list supports, and is subject to, the materiality assessment of the undertaking.
- 22 The undertakings shall illustrate the conclusions of their materiality assessment regarding the list of sector-specific commonly applicable matters. They need to ensure that it is clear from the description of their business model, their locations and/or their products which matters are and which matters are not material for the undertaking.
- 23 The EFRAG Secretariat understands that there are two possible options to implement this approach. At the moment, this aspect has not yet been fully clarified by the EFRG SRB:
- (a) require a list of the non-material matters and a central disclosure (i.e. not a justification per each matter) of how the business model, location and products determines that some of the matters in para. 19 are not material; or
 - (b) require a list of the non-material matters and, per each non-material matter, require a brief explanation of how the business model, location and products determined that they are not material.
- 24 If option (b) is applied, the undertaking will include a brief explanation per each non-material matter. In case of option (a) there would be only a central explanation. As a remind, there are 44 matters in paragraph 19.
- 25 Approach A (SR TEG materiality approach) does not require any explanation regarding the matters, as it assumes that all the matters are material.
- 26 The SRB has not discussed in detail the following aspect. Unless an explicit different approach is taken (and justified), paragraph 15 (b) above should also be applicable in scenario B, for consistency with Set 1. This means that the amount of explanations provided when an item of the 12 items of PAT in Chapter 1 and of the 4 items of PAT in Chapter 2 cannot be reported, as the undertaking does not have such policies/actions/targets, would be the same in approach A and approach B.

Conclusions

- 27 For Approach A an explanation is required when a DR/group of item in the MQC ED is omitted (31 DRs/groups in total)⁴, while for Approach B the undertaking shall provide an explanation of which of the 44 disclosure matters are not material.

⁴ 20 in Chapter 1, less 5 that cannot be omitted in Chapter 1, plus 16 in Chapter 2

Agenda Paper 04-01 SRB 14 March 2023
Illustration of materiality approach in sector ESRS

- 28 For consistency with Set 1, in both cases, when for one or more items of the 16 PAT items in MQC ED the undertaking does not have policies/actions/targets in place, it shall declare this to be the case.
- 29 Appendix 1 illustrates these conclusions.

Agenda Paper 04-01 SRB 14 March 2023
Illustration of materiality approach in sector ESRs

Appendix 1: Illustration of materiality approaches to MQC ED

This table explains whether the DR in the MQC ED can be omitted by an undertaking under Approach A or B and what explanation is required for both approaches.

Can the DR be omitted?	Approach A	Approach B	Explanation in Approach A
Chapter 1 – DRs related to set 1			
ESRS 2 SBM 1	NO	NO	NA
ESRS 2 IRO 2	NO	NO	NA
ESRS E1 Methane focus	NO	NO	NA
ESRS E1-6 Gross scopes 1, 2, 3 and total GHG emissions	NO	NO	NA
ESRS E1-9 Potential financial effects	NO	NO	NA
ESRS E2 Pollution prevention and control focus - PAT	NO(**)	YES	Par 34
ESRS E2 Pollution prevention and control focus - Metrics	YES		&
ESRS E2 Industrial hazards focus - PAT	NO (**)		Par 34
ESRS E2 Industrial hazards focus - Metrics	YES		&
ESRS E2 Closure of assets focus - PAT	NO (**)		Par 34
ESRS E2 Closure of assets focus - Metrics	YES		&
ESRS E3-1 - PAT water and marine resources - PAT	NO (**)		Par 34
ESRS E4-2, E4-3 and E4-4 PAT biodiversity - PAT	NO (**)		Par 34
ESRS E4-5 Metrics biodiversity - Metrics	YES		&
ESRS S1-1, S1-4 and S1-5 PAT own workforce - PAT	NO (**)		Par 34
ESRS S1- Work-related hazards focus - PAT	NO (**)		Par 34
ESRS S1- Work-related hazards focus - Metrics	YES		&
ESRS S3 - Indigenous peoples' rights focus - PAT	NO (**)		Par 34
ESRS S3 - Indigenous peoples' rights focus - Metrics	YES		&
ESRS S3-1, S3-4 and S3-5 PAT affected communities - PAT	NO (**)		Par 34
ESRS S3-2 Processes for engaging with affected communities - PAT	NO (**)		Par 34
ESRS S4-1, S4-4 and S4-5 PAT consumers and end-users - PAT	NO (**)		Par 34
ESRS G1-2 - Management of relationships with suppliers - PAT	NO (**)		Par 34
ESRS G1-5 - Political influence and lobbying activities - Metrics	YES		&
Chapter 2 – Sector specific DRs			
MIN 1 - Mapping of operational sites	YES	YES	&
MIN 2 - Mineral reserves	YES		&
MIN 3-E2 - Tailings facilities and impoundments	YES		&
MIN 4-E3 - Water withdrawal	YES		&
MIN 5-E3 - Water discharge	YES		&
MIN 6-S1 - Work stoppages	YES		&
MIN 7-S3 - Security personnel	YES		&
MIN 8-S3 - Metrics on affected communities	YES		&
MIN 9-S3 - Human rights and environmental defenders	YES		&
MIN 10-S3 - Resettlement	YES		&
MIN 11-S3 - Workforce hired from local communities.	YES		&
MIN 12-G1 - Transparency about contracts with governments	NO (**)		&
MIN 13-G1 - State-aid and competition	NO (**)		&
MIN 14-G1 - Beneficial ownership	NO (**)		&
MIN 15-G1 - Cybersecurity - PAT	NO (**)		Par 34
MIN 15-G1 - Cybersecurity - Metrics	YES		&
MIN 16-G1 - Mineral purchases from governments - Metrics	YES	&	

Legend:

1. NA = Not applicable as not possible to omit. Cells coloured orange.
2. Par 34 = Explanation per ESRs 1 paragraph 34, i.e. sufficient to say that no such PAT exists. Cells coloured blue.

Agenda Paper 04-01 SRB 14 March 2023
Illustration of materiality approach in sector ESRS

3. (**) = for consistency with Set 1, an explanation would also be required in Approach B when the undertaking does not have policies/actions/targets in place.
 4. & = If group of items in Chapter 1 is omitted, but corresponding DR in Set 1 is not omitted, no explanation required. If both the group of items in Chapter 1 and the corresponding DR in Set 1 are omitted, para. 24 ESRS MQC ED applies, i.e. the brief explanation is expected to also cover the omission of the corresponding DR in Set 1.
 5. In all cases no explanation is required for Approach B at DR level for omissions but an explanation is required at level of sustainability matter (refer to para. 19 of this paper). For PAT items for consistency with Set 1 an explanation would be required when policies/targets/actions are not in place.
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Appendix 2: Chapter 1 of MQC ED, formatting adjusted to separate PAT from Metrics

1. Sector-specific additional disclosures related to sector-agnostic Disclosure Requirements

Disclosure Requirement related to [draft] ESRS 2 SBM 1 Market position, strategy, business model(s) and value chain

1. In addition to disclosing according to ESRS 2 f, the undertaking shall provide a breakdown of its net revenue (both in monetary amount and as a percentage of its total revenue) per NACE-code activity where it is active for the following NACE-code activities:⁵
 - (a) B.05 – Mining of coal and lignite
 - (b) B.07 – Mining of metal ores
 - (c) B.08 – Other mining and quarrying
 - (d) B.09 – Mining support activities
 - (e) C.19 – Manufacture of coke oven products
2. The undertaking shall disclose its policy in relation to the adoption of ISO and CEN-Cenelec recommendations, in particular:
 - (a) whether and to which extent its processes comply with the ISO and CEN-Cenelec recommendations relevant for the Sector;
 - (b) whether and when these have been reviewed or audited by an external assurance provider and found to conform to the corresponding ISO or CEN-Cenelec recommendations.

Disclosure Requirement related to [draft] ESRS 2 IRO 2 Disclosure Requirements in ESRS covered by the undertaking's sustainability statements

3. In addition to the information required by ESRS 2- IRO 2, when the information required by a Disclosure Requirement of this [Draft] ESRS is omitted as assessed to be not material for the undertaking, the undertaking shall report a brief explanation of the conclusions of its materiality assessment for such Disclosure Requirement. For the Disclosure Requirements of Chapter 1 of this [Draft] ESRS, the brief explanation is expected to also cover the omission of the corresponding Disclosure Requirement in the sector agnostic [draft] ESRS to which the content in Chapter 1 relates. The brief explanation is not required when the undertaking omits a Disclosure Requirement in this [draft] ESRS that is not applicable to the segment of activity in which it operates (see Navigation Table in paragraph 21).
4. In the list of Disclosure Requirements complied with in preparing the sustainability statements, following the outcome of the materiality assessment, to be reported following paragraph 55 of ESRS 2, the undertaking shall also cover the Disclosure Requirements of this Standard.

⁵ This disclosure requirement is consistent with the requirements included in EBA Pillar 3 ITS Template 1 [Banking book – Climate change transition risk – Credit quality of exposures by sector, emissions and residual maturity](#).

⁶ This disclosure requirement is consistent with the requirements included in EBA Pillar 3 ITS Template 1 [Banking book – Climate change transition risk – Credit quality of exposures by sector, emissions and residual maturity](#).

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Agenda Paper 04-01 SRB 14 March 2023
Illustration of materiality approach in sector ESRS

Disclosure Requirement related to [draft] ESRS E1 Methane focus

5. In addition to the information provided following ESRS E1-2, E1-3, E1-4 and E1-5, the undertaking with coal mining operations shall disclose its policies, targets and actions related to the management and abatement of methane emissions.
6. The undertaking shall disclose its actions and resources to manage and abate methane emissions. This disclosure shall include:
 - (a) whether a methane monitoring programme exists to identify sources of methane and quantify their emissions and a brief description of the programme including:
 - i. the frequency of the monitoring;
 - ii. the different methane monitoring and quantification techniques applied, together with an indication of the percentage of total methane reported in paragraph 33(a) quantified by each technique, namely:
 1. estimation methods involving the use of pre-determined emission factors;
 2. decline curves;
 3. handheld instruments;
 4. Continuous Emission Monitoring Systems (CEMS);
 5. Remote sensing techniques or aerial surveys.
 - (b) the geographical location of significant flaring or venting emissions;
 - (c) the actions undertaken in removing venting and flaring from drainage stations and the combustion efficiency of flaring.
7. In the absence of policies, actions and targets related to the management and abatement of methane emissions, the undertaking shall explain why such policies, actions and targets are not in place (see paragraph 60 of ESRS 2 *General Disclosures*).

Disclosure Requirement related to [draft] ESRS E1-6 Gross scopes 1, 2, 3 and total GHG emissions

8. In addition to the information reported according to ESRS E1-6, the undertaking with coal mining operations shall provide a breakdown:
 - (a) of its total scope 1 GHG emissions into total CO₂ and methane emissions;
 - (b) of total scope 1 GHG emissions by type of source, namely
 - i. stationary combustion;
 - ii. mobile combustion;
 - iii. flaring;
 - iv. venting, and
 - v. fugitive.
9. When disclosing its scope 3 GHG emissions as per ESRS E1-6 paragraph 41, the undertaking shall include the following categories:
 - (a) Waste generated in operations (for undertakings with coal mining operations only);
 - (b) Use of sold products (for undertakings with coal mining operations only);
 - (c) Processing of sold products (for undertakings with mining operations only);
 - (d) Downstream transportation and distribution.

*Agenda Paper 04-01 SRB 14 March 2023
Illustration of materiality approach in sector ESRS*

10. The undertaking in the Mining, Quarrying and Coal sector shall in addition to Disclosure Requirement ESRS E1-6 provide a breakdown of their Scope 1, 2 and 3 GHG per NACE code activity they are active in and this for the following NACE-activities⁶:
- (a) B.05 – Mining of coal and lignite;
 - (b) B.07 – Mining of metal ores;
 - (c) B.08 – Other mining and quarrying;
 - (d) B.09 – Mining support service activities; and
 - (e) C.19 – Manufacture of coke oven products.
11. The undertaking shall disclose the⁷ average tonnes of CO2 equivalent, and average share of high carbon technologies per:
- (a) Tonne of output;
 - (b) Gigajoule (only for undertakings with NACE code activity B.08 Other mining and quarrying and B.09 Mining support service activities);
 - (c) NACE code activity they are active in and this for the following NACE-activities:
 - i. B.05.10 – Mining of hard coal
 - ii. B.05.20 – Mining of lignite
 - iii. B.07 – Mining of metal ores
 - iv. B.08 – Other mining and quarrying
 - v. B.09 – Mining support service activities.

Disclosure Requirement related to [draft] ESRS E1-9 Potential financial effects from material physical and transition risks and potential climate-related opportunities

12. In addition to the information provided following E1-9, the undertaking with coal mining operations shall disclose how it expects the management of climate change-related risks and opportunities to affect the medium and long-term financial position, performance and development.
13. This disclosure shall include:
- (a) changes in the investment levels dedicated to the development of coal proved reserves;
 - (b) the development of new infrastructure projects related to coal transportation and distribution;
 - (c) potential write-off situations that do not meet the accounting recognition criteria; and
 - (d) early closure of existing assets and impacts on useful life of the existing assets.

Disclosure Requirement related to [draft] ESRS E2 Pollution prevention and control focus

Policies, actions and targets

14. In addition to the information provided according ESRS E2-1, E2-2, E2-3, E2-4, the undertaking shall disclose its policies, targets, actions and metrics related to pollution prevention and control in normal operations.

⁶ This disclosure requirement is consistent with the requirements included in EBA Pillar 3 ITS Template 1 [Banking book – Climate change transition risk – Credit quality of exposures by sector, emissions and residual maturity](#).

⁷ This disclosure requirement is consistent with the requirements included in EBA Pillar 3 ITS Template 3 – [Banking book – Climate change transition risk – Alignment risks](#)

Agenda Paper 04-01 SRB 14 March 2023
Illustration of materiality approach in sector ESRS

15. When disclosing information provided following ESRS E2-1, paragraph 14(a) and ESRS 2, paragraph 63(a) the undertaking shall:
 - (a) indicate if policies relative to equipment, infrastructure and process maintenance; the identification and implementation of Best Available Techniques; and environmental quality monitoring around operational sites are in place; and briefly describe the policies, in accordance with ESRS 2, paragraph 63(b).
 - (b) disclose if the policies related to pollution prevention and control apply to all its operating sites and disclose the name of the sites which are not covered by the general policy.
16. The undertaking shall disclose its actions and resources on:
 - (a) maintenance and inspection frequency of critical structures, namely:
 - i. mining slopes;
 - ii. tailings dams and ponds.
 - (b) to monitor the quality of the environment around its operational sites, namely the percentage of operational sites that have an environmental monitoring plan in operation.
 - (c) to remediate the effects of pollution from its operations on the environment in particular:
 - i. air pollution, in particular particulate matter (PM10, PM2.5), SO2 and CO;
 - ii. water pollution, in particulate leachate and acid drainage;
 - iii. soil contamination, e.g. heavy metals (Pn, As, Hg, Zn, Cd, Cr, etc) originating from mining tailings;
 - iv. use and disposal of substances of concern or substances of very high concern.
17. The undertaking shall disclose the pollution-related targets it has adopted with regards to the prevention and control of:
 - (a) acid drainage;
 - (b) tailings from mining.
18. In disclosing its policies related to pollution according to the sector agnostic E2-1 – Policies related to pollution the undertaking shall explain how it addresses:
 - (a) spills and loss of containment events from tailings, chemicals or other hazardous materials used or produced in operations. In particular for substances of concern and substances of very high concern, the undertaking shall disclose policies on:
 - i. their use and disposal;
 - ii. the approach for setting discharge limits;
 - (b) tailings from mining, in particular:
 - i. implementation of policies to guarantee tailings storage structural integrity in the short, mid and long-term; and
 - ii. frequency of maintenance and inspection of critical infrastructure.

Metrics

19. The undertaking shall disclose significant events of chronic pollution resulting from current or historical activity, and where violations of environmental quality limits are or have been frequent, may persist in time, or cause irremediable damages to the environment or people. The undertaking shall disclose on which sites such situations occur or have occurred.
20. The undertaking shall disclose the number of non-compliances with respect to local regulatory or permitting environmental quality limits in the vicinity of its the operational sites.

*Agenda Paper 04-01 SRB 14 March 2023
Illustration of materiality approach in sector ESRS*

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Disclosure Requirement related to [draft] ESRS E2 Industrial hazards focus

21. In addition to the information provided following ESRS E2-1, E2-2, E2-3 and E2-4, the undertaking shall disclose its policies, targets, actions and metrics related to industrial hazards.

Policies, Actions and Targets

22. The undertaking shall explain how its implemented policies address the prevention of the industrial hazard risks associated with mining operations and emergency preparedness and response.

23. The undertaking shall disclose its actions and resources related to:

- (a) actions related to industrial hazard prevention and emergency preparedness and response;
- (b) report actions occurred during the reporting period related to past accidents impacts whose environmental remediation may still be on-going, including any actions that are planned for short, mid and long-term, if applicable;

24. The undertaking shall disclose the pollution-related targets it has adopted with regards to the prevention and control of:

- (c) spills of chemical substances soil and water;
- (d) tailings from mining.

Metrics

25. For recorded significant spills that occurred during the reporting period, the undertaking shall disclose the total number, total volume and name of the substances released. For each significant spill, the undertaking shall disclose:

- (a) location of spill (operational site or other location if applicable);
- (b) volume of spill;
- (c) material of spill, categorised by:
 - i. oil spills (soil or water surfaces);
 - ii. fuel spills (soil or water surfaces);
 - iii. spills of waste (soil or water surfaces);
 - iv. spills of chemicals (mostly soil or water surfaces), and
 - v. other;
- (d) a description of the impacts of each spill; and
- (e) how the undertaking defines a 'significant' spill.

26. The undertaking shall report significant events of acute pollution, as a consequence of industrial accidents when they have occurred in the reporting year or when their remediation is still active. The undertaking shall disclose on which sites such situations occur or have occurred.

Disclosure Requirement related to [draft] ESRS E2 Closure of assets focus

27. In addition to the information provided following ESRS E2-1, E2-2, E2-3, E2-4, E2-5, E2- 6, the undertaking shall disclose its policies, targets, actions, metrics and financial effects related to closure of assets.

Policies, Targets and Actions

Agenda Paper 04-01 SRB 14 March 2023
Illustration of materiality approach in sector ESRS

28. When disclosing information provided following ESRS E2-1, the undertaking shall indicate whether it has a policy addressing the adoption of closure plans for operational sites addressing decommission, rehabilitation or restoration and monitoring of sites.
29. The undertaking shall disclose its closure actions and resources, including: if a closure plan exists or is foreseen for each of its operational sites that have already reached the end of its operational life. If this is not the case, the undertaking shall disclose the list of sites for which there is no existing or foreseen site rehabilitation plan.
30. The undertaking shall disclose information about how it manages its responsibilities related to closure and post-closure of operational sites.

Metrics

31. The undertaking shall disclose the material financial liabilities it expects to incur for closure and rehabilitation, per operational site, including [environmental and social] post-closure monitoring and aftercare for mine sites, in particular:
 - (a) amount recognized in the financial statements;
 - (b) undiscounted monetary value of a) split by relevant time bucket;
 - (c) discount rate used to calculate a);
 - (d) potential additional liabilities that do not meet the recognition criteria at the reporting date; and
 - (e) whether the operational site has been sold to a third party.

Disclosure Requirement related to [draft] ESRS E3-1 – Policies related to water and marine resources

Policies, Actions and Targets

32. In addition to disclosing the information required in sector agnostic Disclosure Requirement E3-1 *Policies and targets related to water and marine sources*, the undertakings shall include its interactions with water as a shared resource, particularly in areas at water risk and where conflicts between different water uses may emerge.

Disclosure Requirement related to [draft] ESRS E4-2, E4-3 and E4-4 Policies, actions and targets related to biodiversity and ecosystems

Policies, Actions and Targets

33. In addition to disclosing its policies implemented to manage its material impacts, risks and opportunities related to biodiversity and ecosystems the undertaking shall describe if and how its policies address:
 - (a) a phase-out of existing operations and/or stopping operational investments in or near key biodiversity areas. In case such policies are not in place, the undertaking shall disclose the policy provisions to minimize biodiversity and ecosystem impacts from current and future operations in or near these areas;
 - (b) the achievement of no net loss or a net gain to biodiversity on operational sites, whether these commitments apply to existing and future operations and whether they apply to operations other than those in or near key biodiversity areas;
 - (c) closure of operational sites at their end-of-life, including the implementation of site rehabilitation or restoration plans.
34. The undertaking shall disclose whether its policies or some aspects of its policies implemented to manage material impacts, risks and opportunities related to biodiversity and ecosystems, according

Agenda Paper 04-01 SRB 14 March 2023
Illustration of materiality approach in sector ESRS

to ESRS E4-2, do not apply to one or more of its sites. In such case, the undertaking shall disclose which policies apply for those operational sites and, when for sites located in or near key biodiversity areas, if they are more stringent than the corporate wide policy.

35. The undertaking shall explain how the application of the mitigation hierarchy has resulted in:
 - (a) areas protected through avoidance measures or offset measures;
 - (b) areas restored through on-site restoration measures or offset measures.
36. The undertaking shall disclose its biodiversity- related closure activities, including whether a site rehabilitation or restoration plan exists or is foreseen for each of its operational sites. If this is not the case, the undertaking shall disclose the list of sites for which there is no existing or foreseen site rehabilitation or restoration plan.
37. In addition to disclosing according to ESRS E4-4 the undertaking shall disclose its targets related to:
 - (a) minimising direct land-use change from mining activity; and
 - (b) maximising the percentage of impacted area rehabilitated or restored.

Disclosure Requirement related to [draft] ESRS E4-5 Impact metrics related to biodiversity and ecosystems change

Metrics

38. In addition to disclosing according to E4-5, the undertaking shall disclose significant impacts on biodiversity and ecosystems change using the following metrics:
 - (a) direct land use change related to its operational sites in ha, as well as direct land use change in key biodiversity areas;
 - (b) percentage of land-use change area rehabilitated or restored during the reporting period differentiating and the percentage of land-use change area rehabilitated or restored in protected areas and key biodiversity areas;
 - (c) the total number of IUCN Red list species and lists of species at risk of extinction publicly available and specific to the areas where they operate affected by the operations of the organisation and this by level of extinction risk.
39. The undertaking shall report metrics related to material biodiversity and ecosystem change impacts in accordance with ESRS E4-5, per each operational site located in or near protected areas and in key biodiversity areas. This disclosure is not required for the sites for which the undertaking has assessed that it is not connected with a material potential or actual material impact.

Disclosure Requirement related to [draft] ESRS S1-1, S1-4 and S1-5 Policies, actions and targets related to own workforce

Policies, Actions and Targets

40. In addition to reporting according to the requirements of ESRS S1-1, S1-4 and S1-5 the undertaking shall disclose information related to working conditions for coal and mining own workers. Specifically, the undertaking's policy, actions and targets related to:
 - (a) housing facilities for own workers and their access to basic services such as clean water, sanitation, and electricity as well as recreational facilities and social spaces; and
 - (b) working time and work-life balance when operating round-the-clock or in remote locations.

Disclosure Requirement related to [draft] ESRS S1- Work-related hazards focus

41. In addition to reporting on ESRS S1-1, 4 and 5 and ESRS S1-13 and 14, the undertaking shall provide information in relation to work-related hazards whose own workforce is exposed to in its operations.

Policies, Actions and Targets

42. The undertaking shall provide the following information:
- (a) for chemical hazards, a description of the substances of very high concern that workers are exposed to in its operations;
 - (b) for physical hazards, a description of the factors that contribute to these hazards, such as thermal strain and stress or noise and vibrations; and
 - (c) a description of ergonomic hazards.
43. The undertaking shall provide the following information in relation to policies, actions and targets in relation to:
- (a) its occupational health services that contribute to the minimisation of risks and identification and elimination of hazards;
 - (b) how it ensures the quality of occupational health services and facilitates workers' access to them; and
 - (c) occupational health and safety training provided to workers, including the minimum number of hours per worker, on specific work-related hazards, hazardous activities, or hazardous situations.

Metrics

44. The undertaking shall provide the following information in relation to metrics:
- (a) on health and safety indicators as a result of being exposed to chemicals, crystalline silica and dust and provide a breakdown between employees and non-employee workers in own workforce:
 - i. the number of work-related fatalities,
 - ii. the number of work-related injuries; and
 - iii. the number of cases of work-related ill health;
 - (b) the minimum number of hours of training per worker received by its own workforce on health, safety and emergency preparedness, with respect to occupational risks or hazards to which its own workforce is reasonably likely to be exposed. Such information shall be broken down by employees and non-employee workers.

Disclosure Requirement related to [draft] ESRS S3 - Indigenous peoples' rights focus

45. In addition to reporting on ESRS S3-1 to ESRS S3-5, the undertaking shall provide information in relation to the indigenous peoples' rights.

Policies, Actions and Targets

46. The undertaking shall disclose:
- (a) its general approach to identifying indigenous peoples who are or could be affected by the undertaking's activities; and
 - (b) how it seeks to ensure safe and equitable gender participation when engaging with indigenous peoples.

Agenda Paper 04-01 SRB 14 March 2023
Illustration of materiality approach in sector ESRS

47. The undertaking shall disclose whether the affected indigenous peoples are engaged throughout the tailings facility lifecycle in building the knowledge and in decisions that may have a bearing on public safety.

Metrics

48. The undertaking shall disclose the following metrics in relation to seeking free, prior and informed consent (FPIC):
- (a) whether it has been involved in a process of seeking FPIC from indigenous peoples for any of its activities.
 - (b) If the undertaking has been involved in such processes, the following information is to be provided for the operational sites in question:
 - i. whether the process has been mutually accepted by the undertaking and the affected indigenous peoples; and
 - ii. whether an agreement has been reached, and if so, if the agreement is publicly available.

Disclosure Requirement related to [draft] ESRS S3-1, S3-4 and S3-5 Policies, actions and targets related to affected communities.

Policies, Actions and Targets

49. In addition to reporting according to the requirements of ESRS S3-1, S3-4 and S3-5 the undertaking shall provide information on specific impacts that the undertaking can cause or contribute to on affected communities in relation to land and resources rights, including resettlement and closure of operational sites, and engagement with human rights and environmental defenders.
50. The undertaking shall disclose its policies, actions and targets in relation to land and resource rights and, specifically, on:
- (a) the recognition of legitimate tenure rights holders when acquiring, leasing or making other arrangements to use, or restrict the use of land;
 - (b) addressing involuntary resettlement, and the process for establishing compensation for loss of assets or other assistance to improve or restore standards of living or livelihoods;
 - (c) the use of the land after the closure of the operational site.
51. The undertaking shall disclose its policies, actions and targets in relation to human rights and environmental defenders and, specifically, on:
- (a) respecting and protecting the human rights and environmental defenders,
 - (b) preventing attacks against human rights and environmental defenders.
52. The undertaking shall describe the programs in place to enhance positive impacts or mitigate negative impacts involving Artisanal and Small-Scale Mining (ASM), and how engagement with local authorities and communities has informed them.

Disclosure Requirement related to [draft] ESRS S3-2 Processes for engaging with affected communities

Policies, Actions and Targets

53. In addition to disclosing according to the sector agnostic ESRS S3-2 *Processes for engaging with affected communities about impacts*, the undertaking shall describe its processes for engaging with human rights and environmental defenders.

Agenda Paper 04-01 SRB 14 March 2023
Illustration of materiality approach in sector ESRS

54. Where applicable, the undertaking shall disclose whether post-closure plans have been consulted with the affected communities.

Disclosure Requirement related to [draft] ESRS S4-1, S4-4 and S4-5 Policies, actions and targets related to consumers and end-users

Policies, Actions and Targets

55. The undertaking shall describe its policies, actions and targets to identify the source, origin and production conditions of the metals and minerals it extracts and processes and, where applicable, disclose how this information is made available to consumers and end/users.

Disclosure Requirement related to [draft] ESRS G1-2 – Management of relationships with suppliers

Policies, Actions and Targets

56. In addition to disclosing according to the sector agnostic disclosure requirement ESRS G1-2, the undertaking shall disclose its policy with respect to the percentage of its procurement spending on suppliers local to that operation, when relevant for each operational site, or per group of operational sites within the same geographical area.

Disclosure Requirement related to [draft] ESRS G1-5 – Political influence and lobbying activities

Metrics

57. When providing disclosures in accordance with Disclosure Requirement ESRS G1-5 paragraph 29, the undertaking shall disclose what it spent (as a reporting entity) on lobbying activities regarding its material impacts, risks and opportunities identified in its materiality assessment in accordance with [draft] ESRS 2.
58. The undertaking shall also disclose the number of open cases before courts or other competent authorities at the end of the reporting period that concern misleading commercial practices or public communication related to sustainability. It shall also disclose the number of similar cases resolved during the reporting period and the outcomes of such cases.

Agenda Paper 04-01 SRB 14 March 2023
 Illustration of materiality approach in sector ESRS

Appendix 3: How datapoints in metrics are linked one to the other

Materiality application – Chapter 2 metric

Disclosure Requirement related to [draft] ESRS S3-1, S3-4 and S3-5 Policies, actions and targets related to affected communities.

1. In addition to reporting according to the requirements of ESRS S3-1, S3-4 and S3-5 the undertaking shall provide information on specific impacts that the undertaking can cause or contribute to on affected communities in relation to land and resources rights, including resettlement and closure of operational sites, and engagement with human rights and environmental defenders.
2. The undertaking shall disclose its policies, actions and targets in relation to land and resource rights and, specifically, on:
 - (a) the recognition of legitimate tenure rights holders when acquiring, leasing or making other arrangements to use, or restrict the use of land;
 - (b) **addressing involuntary resettlement, and the process for establishing compensation for loss of assets or other assistance to improve or restore standards of living or livelihoods;**
 - (c) the use of the land after the closure of the operational site.

Datapoints:

Policy, action, target to address involuntary resettlement

Material matter for the sector
 To state that the undertaking does not have a policy

If there is a policy, to disclose if there is a process for compensation

Subject to specific facts and circumstances

EFRAG SRTEG - 2 March 2023

Materiality application – Chapter 2 metric

Disclosure Requirement related to [draft] ESRS S3-1, S3-4 and S3-5 Policies, actions and targets related to affected communities.

1. In addition to reporting according to the requirements of ESRS S3-1, S3-4 and S3-5 the undertaking shall provide information on specific impacts that the undertaking can cause or contribute to on affected communities in relation to land and resources rights, including resettlement and closure of operational sites, and engagement with human rights and environmental defenders.
2. The undertaking shall disclose its policies, actions and targets in relation to land and resource rights and, specifically, on:
 - (a) the recognition of legitimate tenure rights holders when acquiring, leasing or making other arrangements to use, or restrict the use of land;
 - (b) **addressing involuntary resettlement, and the process for establishing compensation for loss of assets or other assistance to improve or restore standards of living or livelihoods;**
 - (c) the use of the land after the closure of the operational site.

Datapoints:

Policy, action, target to address involuntary resettlement

Material matter for the sector
 To state that the undertaking does not have a policy

If there is a policy, to disclose if there is a process for compensation

Subject to specific facts and circumstances

EFRAG SRTEG - 2 March 2023