

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG SR TEG. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG SRB or EFRAG SR TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG SR Board, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

WP Mining, Quarrying and Coal

Continued prototype discussion Cover Note

Objective

- 1 The objectives of this session are:
 - (a) for EFRAG SR TEG to provide detailed feedback on a revised version of the Coal and Mining [draft ESRS] that incorporate the last SR TEG comments (version 2 or V2). This will include:
 - (i) for the AR, to identify the items to be included as 'shall' as opposed to 'shall consider';
 - (ii) to agree on inclusion of a dedicated chapter for quarrying activities.
 - (b) consider whether the DRs that were excluded in the finalization of Set 1 as being sector specific should be considered for inclusion in V2 (see appendix 1);
 - (c) confirm the approach to materiality, in particular following the EFRAG SR TEG discussion on 12 January assess whether there are selected Disclosure Requirements (DRs) and/or Application Requirements (ARs) for which consensus can be achieved on their inclusion on a 'reinforced' basis, e.g. outside the materiality assessment or with a justification when omitted;
 - (d) progress, on the basis of V2, with the recommendation to the EFRAG SRB of the architectural and methodological decisions for the preparation of [draft] ESRS Sector standards. This will include the definition of standard setting criteria for level of aggregation.

Structure and content of the Mining, Quarrying and Coal V2 paper

- 2 The Working Paper counts:
 - (a) 12 pages of new DR;
 - (b) 20 pages of Application Requirements (covering both the new DRs and DRS in Set 1);
 - (c) 12 pages of Sustainability Matters descriptions.
- 3 Table that shows the link between Set 1 and the content of V2

<i>SET 1 DRs</i>	<i>Sustainability matter</i>	<i>DRs in V2 related to them (main body)</i>	<i>AR in V2 related to SET 1</i>
Unrelated			
ESRS 2 – SBM 1		DR related to ESRS 2-SBM1 Market position,	

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		strategy, business model(s) and value chain (para 18 to 22 of WP)	
ESRS 2 – GOV 4			AR related to ESRS 2-GOV4 statement on sustainability due diligence (para AR 11 to AR 13 of WP)
ESRS 2 – SBM 2			AR related to ESRS 2-SBM 2 Interests and views of stakeholders (para AR 14 to AR 16 of WP)
ESRS 2 – SBM 3			AR related to ESRS 2 -SBM 3 Material impacts, risks and opportunities with their interaction with strategy and business model(s) (para AR 17 to AR 20 of WP)
Environmental			
<p>DR related to ESRS 2 GOV3 Integration of sustainability related performance in incentive schemes</p> <p>DR E1-1 Transition plan for climate change mitigation</p> <p>DR related to ESRS 2 SBM 3 material impacts, risks and opportunities and their interaction with strategy and business model(s)</p> <p>DR related to ESRS 2 IRO 1 description of processes to identify and assess material climate-related impacts, risks and opportunities</p> <p>DR E1-2 Policies related to climate change mitigation and adaptation</p> <p>DR E1-3 Actions and resources in relation to climate change policies</p> <p>DR E1-4 Targets related to climate change mitigation and adaptation</p> <p>DR E1-6 Gross scopes 1,2,3 and total GHG emissions</p> <p>DR E1-7 GHG removals and GHG mitigation projects financed through carbon credits</p> <p>DR E1-8 Internal carbon pricing</p> <p>DR E1-9 Potential financial effects from material physical and transition risks and potential climate-related opportunities</p>	E1: Climate change adaptation	<p>Coal – DR related to E1-2: policies related to climate change mitigation and adaptation (para 101 to 104 of the WP)</p> <p>Coal – DR related to E1-3: Actions and resources in relation to climate change policies (para 105 to 107 of the WP)</p> <p>Coal: DR related to E1-4: Targets related to climate change mitigation and adaptation (para 108 to 109 of WP)</p> <p>Coal: DR related to ESRS E1-6- Gross scopes 1,2,3 and total GHG emissions (para 114 to 116 of WP)</p>	<p>AR related to ESRS E1-1 Transition plan for climate change (para AR 21 to AR 22 of WP)</p> <p>AR related to ESRS E1-6 Gross scopes 1,2,3 and total GHG (para AR 23 of WP)</p>
DR related to ESRS 2 IRO 1 Description of the process to identify and assess material pollution-related impacts, risks and opportunities	E2: Pollution of air	Coal: DR related to ESRS 2-4 Impact of coal dust (para 110 to 111 of WP)	<p>AR related to ESRS E2-4 Pollution of air, water and soil (para AR 41 to AR 45 of WP)</p> <p>AR related to ESRS E2-2 Actions and resources</p>

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DR E2-1 Policies related to pollution			related to pollution (para AR 30 to AR 40 of WP)
DR E2-2 Actions and resources related to pollution	E2: Pollution of water		AR related to ESRS E2-4- Pollution of air, water and soil
DR E2-3 Targets related to pollution			AR related to ESRS E2-2, E2-3 and E2-6 significant spills and other critical incidents (para AR 46 to AR 51 of WP)
DR E2-4 Pollution of air, water and soil			
DR E2-5 Substances of concern and substances of very high concern	E2: Pollution of soil		AR related to ESRS E2-4- Pollution of air, water and soil
DR E2-6 Potential financial effects from pollution-related impacts, risks and opportunities	E3: Water consumption		AR related to ESRS E3-4 Water consumption (para AR 59 to AR 60 of WP)
DR E4-1 Transition plan on biodiversity and ecosystems	E4: Direct impact drivers on biodiversity loss		AR related to ESRS E4-3 Actions and resources related to biodiversity and ecosystems (para AR 61 to AR 66 of WP)
DR related to ESRS 2 SBM 3 Material impacts, risks and opportunities and their interaction with strategy and business model(s)			
DR E4-2 Policies related to biodiversity and ecosystems	E4: Impacts on the state of species		AR related to ESRS E4-2 Policies related to biodiversity and ecosystems (para AR 67 to AR 68 of WP)
DR E4-3 Actions and resources related to biodiversity and ecosystems	E4: Impacts on the extent and condition of ecosystems	DR related to ESRS E4-5 Impact metrics related to biodiversity and ecosystems change (para 45 to 55 of WP)	
DR E4-4 Targets related to biodiversity and ecosystems			
DR E4-5 Impact metrics related to biodiversity and ecosystems			
DR E4-6 Potential financial effects from biodiversity and ecosystem-related impacts, risks and opportunities			
DR related to ESRS 2 IRO 1 Description of the process to identify and assess material resource use and circular economy related impacts, risks and opportunities	E5: Resources inflows, including resource use		AR related to ESRS E5-5 Resource use and circular economy (para AR 69 of WP)
DR E5-1 Policies related to resource use and circular economy	E5: Waste		
DR E5-2 Actions and resources related to resource use and circular economy			
DR E5-3 Targets related to resource use and circular economy			
DR E5-4 Resource inflows			
DR E5-5 Resource outflows			
DR E5-6 Potential financial effects from resource and circular economy related impacts, risks and opportunities			
Social			

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<p>(DR related to ESRS 2 SBM 2 interests and views of stakeholders</p> <p>DR related to ESRS 2 SBM 3 material impacts, risks and opportunities and their interaction with strategy and business model</p> <p>DR S1-1 Policies related to own workforce</p> <p>DR S1-2 Processes for engaging with own workers and workers' representatives about impacts</p> <p>DR S1-3 Process to remediate negative impacts and channels for own workers to raise concerns</p> <p>DR S1-4 Taking action on material impact on own workforce</p> <p>DR S1-5 Targets relating to managing material negative impacts, advancing positive impacts and managing material risks and opportunities</p> <p>DR S1-6 Characteristics of the undertakings' employees</p> <p>DR S1-7 Characteristics of the non-employee workers in the undertakings own workforce</p> <p>DR S1-8 Collective bargaining coverage and social dialogue</p> <p>DR S1-9 Diversity indicators</p> <p>DR S1-10 Adequate wages</p> <p>DR S1-11 Social protection</p> <p>DR S1-12 Persons with disabilities</p> <p>DR S1-13 Training and skills development indicators</p> <p>DR S1-14 Health and safety indicators</p> <p>DR S1-15 Work-life balance indicators</p> <p>DR S1-16 Compensation indicators</p> <p>DR S1-17 Incidents, complaints and severe human rights impacts and incidents</p>	S1: Working time and work-life balance		
	S1: Health and safety		
	S1: Adequate wages and secure employment		
	S1: Freedom of association and collective bargaining		
	S1: Gender equality and equal pay for work of equal value		
	S1: Training and skills development	Data points related to ESRS S1-11 – Social protection (para 56 to 58 of WP)	
	S1: Measures against violence and harassment in the workplace		AR related to ESRS -S1 percentage of security personnel receiving training in undertaking's human rights policies (AR 70 to AR71 and AR 82 to AR 84 of WP)
			AR related to ESRS S1-13 Training and skills development (AR 72 of WP)
			AR related to ESRS S1-14 Health and safety indicators (AR 73 to AR 81 of WP)
		S1: Diversity	
<p>DR related to ESRS 2 SBM 2 Interests and views of stakeholders</p> <p>DR related to ESRS 2 SBM 3 Material impacts, risks and opportunities</p> <p>DR S2-1 Policies related to value chain workers</p>	S1/S2: Child labour		
	S1/S2: Forced labour		
	S1/S2: Adequate housing, including water and sanitation		AR related to ESRS S2-4 Taking action on material impacts on value chain workers (AR 85 to AR 86 of WP)

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<p>DR S2-2 Processes for engaging with value chain workers about impacts</p> <p>DR S2-3 Processes to remediate negative impacts and channels for value chain workers to raise concerns</p> <p>DR S2-4 Taking action on material impacts on value chain workers</p> <p>DR S2-5 Targets related to managing material negative impacts, advancing positive impacts and managing material risks and opportunities</p>	<p>S1/S2: Privacy</p>		
<p>DR related to ESRS 2 SBM 2 Interests and views of stakeholders</p> <p>DR related to ESRS 2 SBM 3 Material impacts, risks and opportunities</p> <p>DR S3-1 Policies related to affected communities</p> <p>DR S3-2 Processes for engaging with affected communities about impacts</p> <p>DR S3-3 Processes to remediate negative impacts and channels for affected communities to raise concerns</p> <p>DR S3-4 Taking action on material impacts on affected communities</p> <p>DR S3-5 Targets related to managing material negative impacts, advancing positive impacts and managing material risks and opportunities</p>	<p>S3: Infrastructure, including adequate housing, adequate food, water and sanitation and power (electricity)</p>		<p>AR related to ESRS S3-3 Processes for remediate negative impacts an channels for affected communities to raise concerns. (AR 87 of WP)</p> <p>AR related to ESRS S3-2 Approach to engage with local communities (AR 88 to AR 91 and AR 92 to AR 99 of WP)</p> <p>AR related to S3 Metrics of negative impacts on affected communities (AR 106 to AR 108 of WP)</p>
	<p>S3: Land-related impacts</p>		<p>AR related to ESRS S3-4 Taking action on material impacts (AR 100 to AR 105 of WP)</p>
	<p>S3: Security-related impacts</p>		
	<p>S3: Freedom of expression and freedom of assembly</p>		
	<p>S3: Impacts on human rights defenders</p>		<p>AR related to S3 – policy to deal with human rights defenders (AR 109 to AR 112 of WP)</p>
	<p>S3: Particular rights of indigenous communities, including, free, prior and informed consent, self-determination, and cultural rights</p>		
<p>DR related to ESRS 2 SBM 2 Interests and views of stakeholders</p> <p>DR related to ESRS 2 SBM 3 Material impacts, risks and opportunities</p>	<p>S4: Access to quality information</p>		

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DR S4-1 Policies related to consumers and end-users			
DR S4-2 Processes for engaging with consumers and end-users about impacts			
DR S4-3 Processes to remediate negative impacts and channels for consumers and end-users to raise concerns			
DR S4-4 Taking action on material impacts on consumers and end-users			
DR S4-5 Targets related to managing material negative impacts, advancing positive impacts and managing material risks and opportunities			
Governance			
DR related to ESRS 2 GOV 1 The role of the administrative, supervisory and management bodies	G1: Corporate culture	Coal: DR related to ESRS G1-1 Corporate culture and business conduct policies (para 112 to 113 of WP)	
DR related to ESRS 2 IRO 1 Description of the processes to identify and assess material impacts, risks and opportunities	G1: Corruption and bribery		AR related to G1 State aid and competition law (AR 115 to AR 118 of WP)
DR G1-1 Corporate culture and business conduct policies	G1: Anti-competitive behaviour		
DR G1-2 Management of relationships with suppliers	G1: Political engagement and lobbying activities	Data points related to ESRS G1-5 Business conduct (para 71 to 76 of WP)	
DR G1-3 Prevention and detection of corruption or bribery			
DR G1-4 Confirmed incidents of corruption or bribery	G1: Management of relationships including payment practices	Datapoints relating to ESRS G1-2 Management of relationship with suppliers (para 77 to 79 of WP)	AR related to G1-2 Management of relationship with suppliers (AR 113 to AR 114 of WP)
DR G1-5 Political influence and lobbying activities			Data points relates to ESRS S1-B1 (AR 119 of WP)
DR G1-6 Payment practices			Data points relating to ESRS S1-B2 (AR 120 of WP)
			Data points relating to ESRS S1-B3 (AR 121 of WP)
			Data points relating to ESRS S1-B4 (AR 122 of WP)

4 Table that shows the new DRs native to V2

<i>DRs native to V2</i>	<i>Sustainability matter</i>	<i>AR in V2 related to native DRs</i>
MIN 1 – List of operational sites (para 23 to 28 of WP)	NA	AR MIN 1 – List of operational sites (para AR 1 to AR 10 of WP)

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MIN 2-E1 – Sensitivity analysis (para 29 to 31 of WP)	E1 - Climate change adaptation	AR related to MIN 2-E1: Sensitivity analysis (para AR 24 to AR 28 of WP)
MIN 3-E1 -Impact of price and demand – closure and rehabilitation (32 to 34 of WP)	E1 - Climate change adaptation	AR related to MIN 3-E1 Closure and rehabilitation costs (para AR 29 of WP)
MIN 4-E2 Tailings facilities and impoundments and compliance with GISTM (para 35 to 44 of WP)	E2 – Industrial hazards	AR MIN 4-E2 Tailings facilities and impoundments and compliance with GISTM (para AR 52 to AR 58 of WP)
MIN 6-S3 Metrics of negative impacts on affected communities (para 62 to 65 of WP)	S3: Infrastructure, including adequate housing, adequate food, water and sanitation and power (electricity)	
MIN 7-S3: Proved and probable reserves (para 66 to 67 of WP)	S3: Land-related impacts	
MIN 8-S3: Policy to deal with human rights defenders (para 68 to 70 of WP)	S3: Human rights defenders	
MIN 9-G1 Contract transparency (para 80 to 81 of WP)	G1: Anti-competitive behaviour	
MIN 10-G1 State aid and competition law (para 82 to 83 of WP)	G1: corruption and bribery	
MIN 11-G1: List of beneficial owners (para 84 to 86 of WP)	G1: corruption and bribery	
MIN 12-G1 Number of data breaches, policies and practices relating to cybersecurity (para 87 to 90 of the WP)	G1: Cyber-security	
MIN 13-G1 – Policies and investments relating to closure and post-closure (para 91 to 94 of WP)	G1: corruption and bribery	
MIN 14-G1: Anti-competitive behaviour events (para 95 to 97 of WP)	G1: Anticompetitive behaviour	

Architectural and methodological decisions for [draft] sector ESRS

1. Methodology to select the sustainability matters

- 5 On the 14 December the EFRAG SRB received an update on the approach adopted in the preparation of the working papers leading. The relevant paper can be found at the link below:

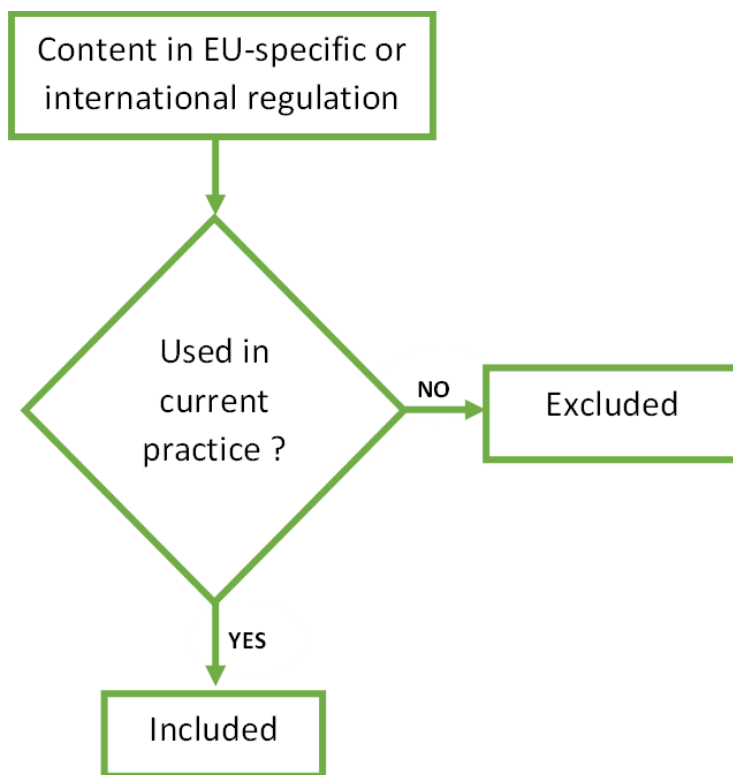
[Download \(efrag.org\)](https://www.efrag.org)

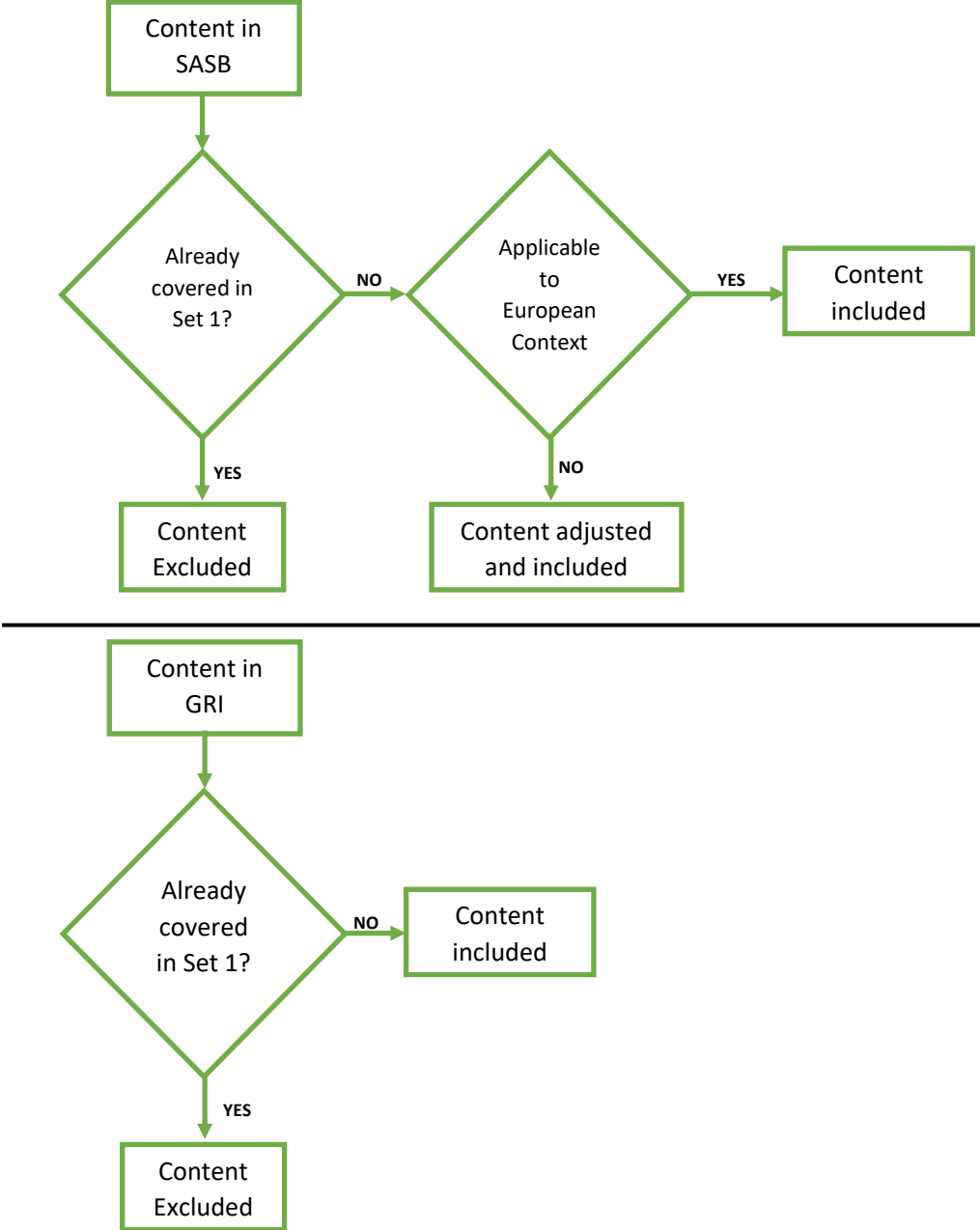
- 6 On the 12 September 2022 the EFRAG SRB approved a methodology for the selection of material matters to be included in the forthcoming [draft] sector ESRS. The relevant methodological document, that has informed the process followed for the preparation of the working papers, can be found at this link:

<https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FMeeting%20Documents%2F2212120938015426%2F04-03%20-%20Materiality%20approach%20to%20Sector%20Specific%20ESRS.pdf>

2. Decision three for the selection of content to be included

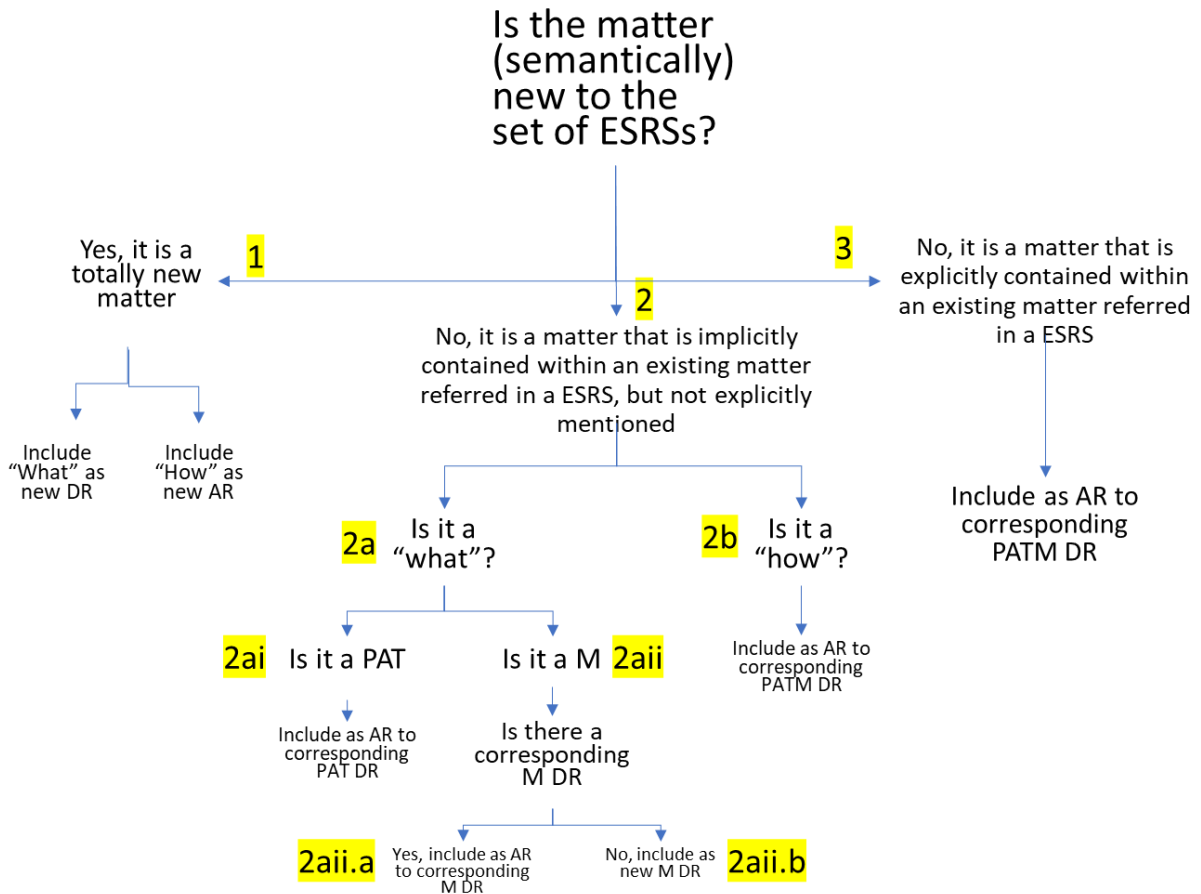
- 7 The starting point followed in the preparation of the drafts is a careful analysis of existing material, in order to build on existing initiatives reviewed under the CSRD/ESRS lens. Key sources have been the GRI standards for impact materiality and SASB standards for financial materiality. In addition, other sector-specific European and international sectorial guidelines/frameworks and regulations, where applicable, have been considered. The datapoints already included in the sector-agnostic standards and those not applicable to the European context have been excluded. The three graphs below illustrate this process. They are not exhaustive: if there are other relevant sustainability matters (or impacts, risks or opportunities) that are considered applicable, they are also included in the standards.





3. Decision three for the placement of content in V2

- 8 Once the content has been identified for inclusion following the process above, the next step is to determine the appropriate placement of the content in the draft ESRS standard, following the decision three below:



4. Materiality approach

- 9 EFRAG SR TEG discussed the materiality approach in its meeting on 12 January. The EFRAG SRB received an update on the outcome of that discussion on the 20 January. The agenda paper prepared for the EFRAG SRB meeting can be found here:
- 10 <https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FMeeting%20Documents%2F2212231203123809%2F04.01%20SRB%20230120%20Mining%20Working%20paper%20Cover%20Note.pdf>
- 11 The following materiality approach has been factored into V2:
- (a) the content of sector specific draft ESRS is incremental to the content of the topical standards in Set 1. This means that, when the undertaking concludes that a sustainability matter is material, it shall report according to the DRs of the topical standard in Set 1 and, in addition, according to the DRs of the sector specific ESRS;
 - (b) consistently with the sector agnostic approach, contents in the main body and AR of the draft sector ESRS that relate to ESRS E1 *Climate Change* and ESRS *General Disclosures* are to be reported irrespective of the materiality assessment;

- (c) consistently with the sector agnostic approach, DRs in ESRS S1 from 1 to 9 are to be reported irrespective of the materiality assessment for undertakings with more than 250 employees;
 - (d) consistently with the sector agnostic approach, the datapoints in Appendix C of ESRS 2 (stemming from EU regulation) are to be reported irrespective of the materiality assessment;
 - (e) a limited number of additional datapoints stemming from EU regulations (primarily but not limited to Pillar 3) that were not included in Set 1 due to their sector-specific nature, will be included (in the next iteration of the paper) as always to be reported, irrespective of their materiality;
 - (f) the draft sector ESRS identifies a list of sustainability matters that are deemed material for the sector; some of them are also covered in Set 1. The undertaking runs a materiality assessment supported by both the list of Appendix B in ESRS 1 and the list in paragraph 16 of the Mining ESRS working paper (V2). The list of material matters as a result includes:
 - (i) matters identified by the standard setter as material in the draft sector ESRS;
 - (ii) matters listed in ESRS 1 Appendix B and not included in the matters identified by the standard setter as material in the draft sector ESRS, identified by the undertaking as a result of its materiality assessment;
 - (g) the undertaking applies paragraphs 33 to 39 of ESRS 1 in determining the content of its sustainability statements with respect to the material matters identified in the previous step (f), considering both the content of the DRs in the sector agnostic standards AND the content of the DRs in the draft sector ESRS. This would mean that DRs (and their datapoints) in both sector agnostic and sector specific standards related to policies, actions and targets would always be reported for the material matters, while metrics (DR or datapoints) could be omitted if not material and therefore considered as « not material for the undertaking»;
 - (h) consistent with the sector agnostic approach, no reinforced transparency provisions are included (e.g. justification/disclosure when a DR or datapoint is omitted).
- 12 In its meeting of the 12 January, the SR TEG reached a tentative agreement on the preference for Approach 3¹ (the approach factored in V2 as described above), but also on the necessity to consider on a case by case basis how to go one level below the sustainability matter. Members noted that combining Approach 3 with Approach 4 (identify a subset of DRs mandatory for some of the NACE codes belonging to the sector) would not be feasible as a general principle, as it would be too burdensome to apply and impracticable to implement for EFRAG as standard setter (the current available material shows in general an aggregation of sustainability matters by sector and not by NACE code). Nevertheless, it was agreed to recommend to the EFRAG SRB to pragmatically consider specific cases of DRs for which there is evidence that the market practice considers them material for a specific aspect of a sustainability matter or for a specific NACE code. Please note that at this stage the EFRAG SRB has not yet taken a decision on this point, so the EFRAG SR TEG at this stage will be indicative, but still important in order to progress with a test with the first draft standard.

¹ Refer to this link for the full paper that explains the Approaches considered

<https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FMeeting%20Documents%2F2212231203409083%2F02-07%20SR%20TEG%20230112%20Mining%20Working%20paper%20Cover%20Note.pdf>

- 13 In the meeting on the 12 January the question of potentially addressing such cases in the ARs as « shall consider » or « may consider » (versus « shall disclose ») has not yet been discussed by SR TEG.

5. Level of disaggregation

- 14 A key aspect of materiality and relevance is the level of disaggregation adopted in the presentation of a specific element of disclosure.
- 15 Current practice and other existing frameworks and standards shows a number of disclosures disaggregated by location, at operational site level. Accordingly, the EFRAG Secretariat has indicated in the Mining draft ESRS working paper several datapoints for which a specific decision has to be taken regarding the level of disaggregation of the information (at operational site level, or potentially limited to the key operational sites – with 'key' to be appropriately defined, or at country level, or per each incident, etc.).
- 16 EFRAG SR TEG discussed this topic in its meeting on the 12 January 2023. In that meeting members agreed that for some of the DRs a disaggregation by site was needed. They agreed on the necessity to develop criteria that would support the standard setting exercise across the sectors, acknowledging that they will be tested only progressively, as the sectors will be covered in different progressive steps. On the basis of this discussion, the following possible avenues were suggested when defining the criteria:
- (a) distinguish between high-land impact operations (e.g. the actual mine VS hundreds of quarries – ask disaggregation at site level for high land impact operations while for quarries the information would be at entity level) and the other operational sites (offices, treatment plants);
 - (b) distinguish between active and legacy sites;
 - (c) information on biodiversity only for the key operational sites and to align with the SFDR approach;
 - (d) define key operational sites as those that pass 5% or 10% of the total production.
- 17 In the EFRAG SRB discussions in January, it was noted that this decision should be taken in conjunction with the preparation of a conceptualization of the criteria used for standard setting. This would support consistency across sectors, considering the future developments. The following paragraphs provide a proposal of these criteria, for discussion.
- 18 These criteria would constitute a tool to be used by the EFRAG SR TEG and EFRAG SRB when defining the requirement in the draft sector ESRS. They could be included in the package prepared for the public consultation and as part of the basis for conclusions.

General approach to level of disaggregation in ESRS 1

- 19 ESRS 1 already identifies the key principles for the desired level of disaggregation, and frames such principles in the context of the materiality assessment, in paragraphs 58 to 61, copied below. Disaggregation by country and by significant site or significant asset are identified as key dimensions for disaggregation, when disaggregation is needed for a proper understanding of material impacts, risks and opportunities. When instructions are provided in other ESRS for a specific item of disclosure (e.g. for a specific sector), such instructions will prevail over the general principle in ESRS 1.

59. When needed for a proper understanding of its material impacts, risks and opportunities, the undertaking shall disaggregate the reported information:

(a) by country, when there are significant variations of material impacts, risks and opportunities across countries and when presenting the information at a higher level of aggregation would obscure material information about impacts, risks or opportunities; or

(b) by significant site or by significant asset, when material impacts, risks and opportunities are linked to a specific location or asset.

59. When defining the appropriate level of disaggregation for reporting, the undertaking shall consider the disaggregation adopted in its materiality assessment. Depending on the facts and circumstances, a disaggregation by subsidiary may be necessary.

60. Where data from different levels, or multiple locations within a level, is aggregated, the undertaking shall ensure that this aggregation does not obscure the specificity and context necessary to interpret the information. The undertaking shall not aggregate material items that differ in nature.

61. When the undertaking presents information disaggregated by sectors, it shall adopt the ESRS sector classification. When a [draft] topical ESRS requires that a specific level of disaggregation is adopted in preparing a specific item of information, the requirement in the [draft] topical or sector-specific ESRS shall prevail.

- 20 The EFRAG Secretariat notes that the decision whether to require a disaggregation at operational site, whether to limit it to key operational sites or to require a higher level of aggregation has to reflect primarily the relevance of the resulting information and, as a second step, the cost/benefit profile of the disclosures. However, depending on facts and circumstances, presenting a long and detailed list of datapoints per each operational site could result in boilerplate non-informative disclosure.

Proposed principles for standard setting to be applied in [draft] sector ESRS

- 21 Consistent with ESRS 1, appropriate factors have to be considered in order to define in the sector ESRS the appropriate level of granularity, by keeping a focus on the necessity of the resulting information:
- (a) to be material;
 - (b) not to obscure the specificity and context necessary to interpret the information;
 - (c) not to aggregate material information items with different nature.
- 22 When considering impact materiality, a key conceptual reference is the severity and its characteristics (paragraph 48 and 49 of ESRS 1).
- 23 Moving to more detailed operational guidelines, the following paragraphs were included in a working paper prepared by Cluster Zero of the EFRAG PTF ESRS in preparation of *Double materiality conceptual guidelines for standard-setting* (due to the need to prioritise the discussions of the EFRAG PTF ESRS on the development of Set1, this document was not finalized by the PTF for consultation). The document can be found at the link below:
- <https://www.efrag.org/Assets/Download?assetUrl=/sites/webpublishing/SiteAssets/Appendix%202.6%20-%20WP%20on%20draft%20ESRG%201.pdf><https://www.efrag.org/Assets/Download?assetUrl=/sites/webpublishing/SiteAssets/Appendix%202.6%20-%20WP%20on%20draft%20ESRG%201.pdf>

Scale of impact is the level of seriousness of negative impacts.

The scale of a negative impact can depend on whether the impact leads to non-compliance with laws and regulations or with authoritative intergovernmental instruments with which the organisation is expected to comply. For example, if a negative impact leads to a violation of human rights or fundamental rights at work, or to non-compliance with the reductions in greenhouse gas (GHG) emissions to be

achieved under the United Nations (UN) Framework Convention on Climate Change (FCCC) Paris Agreement, the scale of this impact can be considered greater.

The scale of impact is a relative measure depending on the context in which the impact takes place. In the case of impacts on the environment, the condition and fragility of the impacted medium (such as water, soil, air, climate, and ecosystems) is an essential input to determine the seriousness of an impact. In case of impacts on people, the scale of an impact may depend on the extent to which the individuals affected are already in a situation of economic, social or other vulnerability. For example health impacts through pollution or chemicals use may be greater for individuals that already have compromised health or who lack access to healthcare; impacts on freedom of association may result in particularly grave impacts for individuals who are on low wages or in precarious forms of work.

Scope of impact is related to how widespread the impact is.

In case of environmental impacts the scope may be understood as the extent of environmental damage or a geographical perimeter. In case of impact on people the scope may be understood as the number of people adversely affected.

Remediability (irremediable character) concerns whether and to what extent the negative impacts could be remediated, restoring the environment or affected people to their prior state.

Any of the three characteristics (scale, scope, and irremediable character) can make an impact severe.

- 24 The geo-geographical boundary (based on scale) will reflect the geographical area under analysis for a given IRO's. In this case, a principle-based definition of terms like "near" or "local" may be necessary.
- 25 The scope dimension will vary from local to global and will profoundly impact on the appropriate level of aggregation and consolidation required in sustainability statements - but also needs to be linked to the nature of the phenomena under analysis.
- 26 As an example, for an understanding of impacts on climate, a globally consolidated GHG emissions figure is likely sufficient; but for an understanding of exposure to potential transition risks from climate regulation, a country reporting is likely required. So, for each impact, there is an appropriate scope of analysis, which should guide us in setting the appropriate granularity of information.
- 27 To this respect, an undertaking's sustainability impacts have, more often than not, a local expression that is typically not appropriately captured at the reporting undertaking (consolidated or separate) level. Consequently, being sustainability impacts usually localized, their aggregation is likely to hinder the necessary transparency required by stakeholders to address them.
- 28 Furthermore, this needs to be composed with requirements to only report on material impacts, and a judgement on materiality should be performed.

1. Principle of proportionate scope

- 29 The level of disaggregation to be required in the [draft] standards shall be commensurate to the scope at which the sustainability processes and impacts occur. In particular, to produce relevant information, when material impacts affect a specific operational site or a specific local area, such as for high-land impact operations, the draft sector ESRS shall require a disaggregation of the information at this level.

- 30 The paragraphs below illustrate this principle with reference to biodiversity sustainability matters.
- 31 The biodiversity impacts of ore mines can serve as an example of the application of this principle. Mines have very strong biodiversity impacts at site level, which can extend through very large areas. Depending on where the mine location is seating – a nature sensitive areas or not – this local impact can, by itself, be material.
- 32 The impact of the mine may be temporary - lasts only during the operating time of the mine and be easily remediated through proper closure and restoration – or have a lasting effects that can span generations – in particular, if no proper remediation and closure procedures are in place.
- 33 Beyond the direct impacts, mines can also have relevant indirect impacts, for example on biodiversity and local communities, due to the economic dynamics they are able to generate, such as de-localization of populations, urbanization and land use change. These can generate considerable impacts at landscape level and, depending on specific location, be relevant for biodiversity, water resources, etc..

2. *Material aspects affecting a specific site*

- 34 When specific events or aspects that are linked to a specific operational site or specific local area trigger material changes in the impact profile of the operations, the draft ESRS shall require disaggregation at level of this specific site or local area. As an illustration, for biodiversity, the draft ESRS will incorporate a presumption that for operations located in or near nature sensitive areas, the appropriate level of disaggregation is the specific operational site. [TO BE DISCUSSED: the undertaking may nevertheless adopt a higher level of aggregation when, based on reasonable and supportable evidence, material impacts are connected with a higher level of aggregation].
- 35 When the same material aspect (e.g. acid drainage in Mining) is linked to more than a site, disaggregation for each of the affected sites is needed.
- 36 As an illustration, in the mining sector, it is understood that mining operations can have material impacts at the site level. Consequently, asking a list of relevant sites, is potentially required to capture those impacts.
- 37 For example, at the time of decommissioning or when certain areas of the mine are exhausted and the mine expands to other areas, there is a need to systematically restore mining operations. The information about which mines are exhausted, expanded, closed is potentially relevant at the level of each operational site.
- 38 However, for example, in order to capture potential indirect landscape impacts on biodiversity, it is likely more important to have a metric that crosses site level data with information on nature sensitive areas; or seeks to understand new mining opportunities company is exploring in nature sensitive areas. This information could be reported at site level, at a very granular level, asking for a full list of impacts and assessments, but can also be reported at a different level of aggregation, for example a ratio between mine sites impacting nature sensitive areas to all mining sites.
- 39 To note that this presumption of materiality – which should be discussed– would not presume that all site level information needs to be disclosed. A presumption of potential materiality at sector level does not presume materiality at the undertaking level.

3. *Alternative information based on internal control*

- 40 In developing the required level of disaggregation, before defining a granularity at operational site level, the draft ESRS standards should consider whether relevant information can be obtained requiring to disclose alternative information based on the internal control evidences of the undertaking. Impact transparency may not always be required if transparency at the level of good governance, management

structures and/or actions are considered as a sufficient proxy or sufficient risk mitigation of impacts at that geo-granular level.

- 41 As an illustration, in the mining example, a site-level granular disclosure can be asked on governance, policy, plans and actions, as well as impacts and risks on water, biodiversity and resources at a site by site level. However, this could become very granular. Potentially, in some cases it is possible to find appropriate proxies, e.g. it could be required if an EMAS or ISO 14001 certification exists at site level, on which case you could assume, that issues related with the governance, policy and actions on environmental IRO at site level are being appropriately dealt with.
- 42 Likewise, instead of asking which sites do have mine restoration plans, it may be more relevant to require disclosure of mines that do not have it, particularly if in or near nature sensitive areas.

6. Centralised list of operational sites

- 43 Nex to the disaggregation at site level for a selected number of DRs as discussed above, the 'centralised list of operational sites' included in V2 supports the navigation of the disaggregated disclosures.
- 44 Following the EFRAG SRB discussion, this central list of operational sites has been enhanced in the current draft. The purpose is to provide users with an understanding of the « geographical » footprint of the undertaking complementing the NACE code footprint and the EITI (regulatory environment) footprint of the activities. In fact, it represents a critical mapping that may serve as a basis for the navigation of more detailed disclosures that relate to different material IROs. The idea is to avoid duplication in each and every 'by site' specific disclosure but instead to refer to this list as an 'entry point' for the different specific disclosures.
- 45 As an illustration, this list could include:
 - (a) numbering, site name, location (country, region, GPS location – if confirmed/to be discussed), EITI reference, mineral produced, type of production, NACE reference, annual volume (comparative), % of undertaking's activities (revenue/volume – to be discussed), active (expected duration of production, reserves) or closed;
 - (b) sector-specific IRO sensitivity, in order to pave the way to the disclosures via some sort of IRO mapping. For example: per each site, identify the IROs: methane, acid mine drainage, SOX NOX..., biodiversity, indigenous peoples, etc.
- 46 Along the lines of the EFRAG SR TEG proposal, the smaller sites (e.g. below 5% of activity) could be grouped, as long as they are homogeneous under key criteria (geography, mineral concerned...). The existence of an element of IRO sensitivity would however be visible in the central list at site level.

Questions for EFRAG SR TEG

- 47 Architecture of V2: do you agree with separate chapters for the Coal Operations and Quarrying sub-sectors (see separate issues paper) or should these disclosures and application requirements be integrated otherwise? Please explain.
- 48 Quarries: do you agree to include the potential disclosures for quarries into the WP Mining, Quarrying and Coal? Please explain.
- 49 Do EFRAG SR TEG members have comments on the content changes made? Do SR TEG members have further suggestions for change? Please explain.
- 50 Do EFRAG SR TEG members agree with the DR List of operational sites (par. 23 /28 and AR 1 / AR 10) as a way to implement the centralised list described in paragraph 6?
- 51 Refer to para. 24: should the term 'near' or 'local' be defined? How?
- 52 Are there elements in Appendix 1 that should be included in V2?
- 53 Do SR TEG members agree that, except those linked to ESRS E1 and ESRS 2, all the other DRs and ARs are to be reported subject to materiality assessment? If no, which DRs / ARs would SR TEG members recommend to be reported as always mandatory (outside materiality assessment)? Is this confirmed by current market practice? If not, why these contents would be always mandatory?
- 54 Do EFRAG SR TEG members agree with the proposed standard setting criteria for the definition of level of aggregation, in paragraph 5 above? Would they be suitable to support the decision on the list of points marked in the Mining working paper as [TO BE DISCUSSED]? How should they be further modified?

Other changes

- 55 A requirement has been added asking whether undertakings' processes comply with the International Organisation for Standardisation (ISO) standards and how these have been accredited.
- 56 The payment practices were aligned with the country-by-country reporting requirements of the Accounting Directive.

Agenda Papers

- 57 In addition to this cover note, agenda papers for this session are:
 - (a) Agenda paper 04-02 – WP Mining, Quarrying and Coal V2 (clean);
 - (b) Agenda paper 04-03 – WP Mining, Quarrying and Coal V2 vs V1 (compared);
 - (c) Agenda paper 04-04 – Issue paper on potential disclosures for Quarries.

Overview of main changes

Architecture/generic disclosures

- 58 Policies and actions have been largely moved to the application requirements. Metrics and data points are kept in the main body of the standard.
- 59 The sustainability matters have been rewritten at sub-subtopic level.
- 60 Granularity: the operational site level has been redefined using criteria i) ownership more than 20%, ii) production more than 5% out of total production and iii) having a significant influence. The operational site disclosure is aimed at providing the footprint of the undertaking at different levels.
- 61 The WP addresses three different subsectors: Mining, Quarries and Coal undertakings. Even if chapters are used in the paper, it is made clear that undertakings in the scope of the WP need to assess all disclosures in the WP.

Environmental disclosures/ application requirements

- 62 Financial metrics have been added such as sensitivity analysis and impact of price and demand. The scope of these disclosures have been broadened to all excavated material.
- 63 The tailings disclosures have been merged.

Social disclosures/application requirements

- 64 Data points have been added to report upon for ESRS S1 related matters.
- 65 Training and skills and health and safety related disclosures have been merged.
- 66 A new application requirement is proposed for child and forced labour.
- 67 A new application requirement is added for dealing with post-closure activities.
- 68 Disclosures on the impacts on local communities have been further specified.
- 69 Disclosure on human rights defenders has been further elaborated and a definition has been provided.

Governmental disclosures/application requirements

- 70 The disclosure on business conduct has been further specified.
- 71 The disclosure on assessing suppliers for social impacts has been further specified.
- 72 In relation to closure and post-closure further disclosures have been added.
- 73 Disclosure requirements to curb greenwashing have been added;

APPENDIX 1 – DRs and other aspects excluded from Set 1 and to be potentially considered in Sector standards

The following DRs of ESRS EDs have been deleted in the finalization of the sector-agnostic ESRS, as they were more relevant for specific sectors:

- (a) ESRS E1 Climate change ED: energy and GHG-intensive sectors: E1-1 Transition plan: quantitative locked-in emissions; E1-5 Energy consumption and mix: breakdown of non-renewable energy; E1-14 Avoided GHG emissions;
- (b) ESRS E3 Water and marine resources ED: DR E3-6 Marine resources related performance: the DR was deleted because the disclosure on performance metrics was not considered mature enough to be required at sector-agnostic level;
- (c) ESRS E4 Biodiversity and ecosystems ED: DR 4-8 Biodiversity-friendly consumption and production metrics: The DR was removed due to the difficulty of defining what biodiversity-friendly consumption and production really is. The DR may be added to a future Governance standard on responsible production and consumption. In sector-specific standards specific types of certificates may be referred to;
- (d) ESRS S1 Own workforce ED: DR S1-12 – Working hours (moved to sector specific);
- (e) ESRS G2 Business conduct ED: G2-4 – Anti-competitive behaviour prevention and detection and G2-7 – Anti-competitive behaviour events.

For ESRS E5 Circular economy ED, the DRs E5-7 –Resource use optimisation and E5-8 – Circularity support have been significantly simplified. To be verified whether there are sector standards that would benefit from the inclusion of specifications related to them. 26

In addition, ESRS S2 Workers in the value chain, ESRS S3 Affected communities and ESRS S4 Consumers and end-users do not include DRs related to metrics, as they are considered relevant at sector level. Accordingly, the sector specific draft ESRS will consider metrics to cover the sustainability matters in those standards.