

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 SRT members to follow the discussions in the meeting. Given that the first sector-specific working paper is Mining, Quarrying and Coal, the purpose of this paper is twofold. On the one hand, to have the first discussion on the architecture and approach on sector-specific working papers and, on the other, to discuss the technical content for Mining, Quarrying and Coal.

WP Mining, Quarrying and Coal Cover Note

Objective

- 1 The objective of this session is to continue the discussion on the WP Mining, Quarrying and Coal.
- 2 The papers used are the ones uploaded for SR TEG 3 February 2023.
- 3 The same papers support as well the Session n. 5 of this meeting.

Summary of the discussion of the SR TEG 3 February on level of disaggregation

- 4 SR TEG members generally supported the proposed approach described in the paper, also considering its consistency with the due diligence concepts.
- 5 Use a science-based approach to the definition of 'near' rather than an arbitrary number (e.g., less than 5 or 10 km radius), also to be consistent with international standards.
- 6 Focus needs to be on practicality and meaning provided by the outcomes in context of the abundance of natural reserves or parks in a country like Germany for example.
- 7 A preparer should not be able to avoid disclosure of a mine which causes the undertaking's most significant impact but is not 'near' to a natural habitat or park.
- 8 Another member proposed a distinction between sites in the EU and those outside where for the latter, more detailed information is required.
- 9 The GRI Sector Standard (GRI staff attended the meeting) for mining includes several mine-site / operational-site level reporting, due to the significance of impacts experienced locally from mining activities. This type of reporting has been identified as crucial by the GRI Mining Working Group to be able to understand a mine's impacts on the surrounding communities, and how these are addressed. The expectation for reporting this level of detail is emerging from a variety of stakeholders, ranging from investors to customers to governments, as well as the increasing interest from affected communities for in, timely, accessible, project-level reporting of environmental, social, and economic information. It was also noted that many organizations are already collecting information on a site level for internal and/or corporate reporting purposes. The mining sector standard exposure draft includes mine-site reporting for GHG and air emissions, biodiversity impacts, closure and rehabilitation plans and activities, engagement with Indigenous peoples, local communities, the presence of artisanal and small-scale mining, child or forced labour. Public consultation will start next week for 3 months.

- 10 Caution that if we were to adopt all of GRI requirements, given the difference in materiality approach this may lead to obscuring important information. Not all the GRI requirements will be included, similarly to what has been done in Set 1, however those included should be to the maximum extent possible consistent to avoid double reporting.
- 11 Agree that information per site is overload, and there are additional filters to be applied such as materiality or Europe vs non-Europe. A preparer may need to provide information about a limited number of sites but those are material. Digitisation also mitigates the concern around overload and humans do not read a report from the beginning to the end.
- 12 Some members expressed concern on the disaggregation by site to become a general principle, rather than an exception. General support for having a disaggregation by site as an exception, linked to the impactful nature of the operations in mining.
- 13 The criteria for selecting the aggregation level should allow linkage of the operational sites to the financial reporting including scope of consolidation. Therefore, the influence criterion should be operationalized. Furthermore, ownership may not be relevant in mining as many operations are licensed.
- 14 While not all sites are necessarily important, in some cases completeness may be relevant, e.g., all acid drainage sites. At the same time, for quarries, a full list of operational sites would be too exhaustive and aggregation by type of impact may work well.
- 15 Refer to a percentage extracted rather than to 5% of production.
- 16 The location should be included for all operational sites especially when close to a sensitive area or if high impact. Buildings and offices are probably not important. Can also consider inside EU vs outside EU.
- 17 Shall the internal organization play a role in the aggregation, e.g. grouping the sites that are all under the same operational responsibility (e.g. similar to IFRS 8 approach)?
- 18 MIN 3-E1: provision per operational site in paragraph 33 (financial materiality). Four members that provided a view considered that for financial materiality what matters is the difference between provisions already accounted for in the balance sheet versus potential liabilities that do not yet meet the recognition criteria. IAS 37 do not require to disclose the amount of provision per each litigation, but when there is an individual provision particularly significant, normally companies include specific information, so this is on an exception basis. For financial materiality, what matters is the entity obliged to pay, which is the same for all the sites; so aggregated information makes sense. However, two members supported information per site. Further assessment is needed on the nature of the information to be provided (potential outflow of resources that do not yet meet the definition of provision in IAS 37? Provided only where there is a legal obligation?) and on how to operationalize connectivity. Probably a question to constituents will be needed on this specific aspect.
- 19 Tailings facilities and impoundments – compliance with GISTM. Paragraph 35. The majority of SR TEG members agreed to ask this information per operational site level (GRI requires this split and this is also confirmed by current practice). One member asked whether all the tailing facilities are connected with hazardous substances and questioned the granularity per site on this basis; he will have an exchange with experts in his country and will update the group/secretariat. It was considered to exclude the tailings with low risk from the disaggregation. However, to make a split between high risk, medium risk and low risk tailings required an external expertise that could lead to the introduction of a payment wall into the

ESRS. On this basis it would be preferable (less burdensome) to require granularity by site but not to classify by level of risk.

- 20 Impact metrics related to biodiversity and ecosystems change. Paragraph 45. Disaggregation at site level when a key biodiversity area is impacted (sites situated in or near it) is a principle already embedded in ESRS E4 and in TNFD. This would suggest to disaggregate information by site. However, the qualitative description of the approach used to the conservation may be relevant also at aggregated level, provided that there are no differences between different sites in the approach. It was suggested to include a question to constituents in the final ESRS for public consultation.

Agenda papers

- 21 In addition to this cover note, the following papers are being referred to:
- (a) Agenda paper 04-01 – SR TEG 3 February 2023;
 - (b) Agenda paper 04-02 – SR TEG 3 February 2023;
 - (c) Agenda paper 04-03 – SR TEG 3 February 2023; and
 - (d) Agenda paper 04-04 – SR TEG 3 February 2023.