

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG TEG-CFSS. 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 Board or EFRAG TEG-CFSS. 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 Board, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

Extractive Activities Issues Paper

Objective

- 1 To provide EFRAG TEG-CFSS with an update on the project.

Background

IASB

- 2 In April 2010 the IASB published the Discussion Paper *Extractive Activities* (Discussion Paper) which addressed financial reporting issues associated with exploring for and finding minerals, oil and natural gas deposits, developing and extracting those deposits and extracting the minerals, oil and natural gas.
- 3 Following feedback from the 2015 Agenda Consultation, the IASB decided to add a new research project on extractive activities to the research pipeline. This research project was activated in 2018 and aims to gather evidence to help the IASB decide whether to start a project to develop proposals on accounting requirements that would amend or replace IFRS 6 *Exploration for and Evaluation of Mineral Resources*.
- 4 The IASB issued IFRS 6 in 2004 as an interim step. The Standard allows entities adopting IFRS Standards to continue to apply some aspects of their existing accounting policies for exploration and evaluation expenditure until the IASB reviews the accounting practices of entities engaged in extractive activities. This has led to diversity in practice in the accounting policies developed by entities with extractive activities.
- 5 In 2018, feedback was requested from the national standard-setters whose staff contributed to the development of the Discussion Paper (being Australia, Canada, Norway and South Africa). Those national standard-setters were asked to provide an update on extractive activities in their jurisdictions since the publication of the Discussion Paper in 2010. This feedback was presented at the IASB's March 2019 meeting.
- 6 At its September 2019 meeting, the IASB discussed the potential effects, if any, on the analysis and proposals in the Discussion Paper in light of:
 - (a) Standards, amendments and other IASB documents issued since the publication of the Discussion Paper; and
 - (b) changes to the reserve and resource classification systems and other initiatives, such as 'publish what you pay' and sustainability reporting.

Extractive Activities - Issues Paper

- 7 At that meeting the IASB Board asked IASB staff to perform outreach in other jurisdictions and additional research activities in order to be able to determine:
- (a) what problems, if any, entities with extractive activities have applying IFRS Standards; and
 - (b) whether the primary users of financial statements of entities with extractive activities are obtaining all the information they need for these entities.
- 8 The IASB Staff have completed those additional research activities requested by the IASB Board and presented their findings on 23 June 2020 (refer to [IASB Staff Paper 19A](#))

EFRAG

- 9 At its meeting on 26 September 2018, EFRAG TEG-CFSS members were asked:
- (a) whether they are aware of any significant changes in extractive activities since the Discussion Paper; and
 - (b) what EFRAG TEG-CFSS members' view were on:
 - (i) whether users understand the diversity of accounting practices for extractive activities; and
 - (ii) how do users cope with that diversity?
- 10 EFRAG TEG-CFSS indicated that users coped with diversity by having some analysts focused solely on oil and gas and not on other extractive industries, which in turn was split into a mining aggregates category and a base metal category.
- 11 In terms of any significant changes in extractive activities since the 2010 DP, EFRAG TEG-CFSS pointed to regulation to deal with climate change even if it could not be incorporated into a standard. EFRAG TEG-CFSS also suggested digital mining as a possible topic.
- 12 On Monday 9 March 2020 (with a reminder on Friday 20 March 2020), the EFRAG Secretariat reached out to EFRAG TEG-CFSS members to request input on evidence about:
- (a) What problems, if any, there are with applying IFRS 6 by entities with extractive activities; and
 - (b) Whether the primary users of financial statements of entities with extractive activities are obtaining all the information they need for these entities.
- 13 The EFRAG Secretariat only received feedback from Denmark and Portugal who both indicated that no significant mining entities in their jurisdictions are reporting under IFRS.

Questions for EFRAG TEG-CFSS

- 14 Are there any other jurisdictions with significant mining activities who report under IFRS? If so, can you please respond to the outreach questions in appendix 1.
- 15 Does EFRAG TEG-CFSS have comments or questions on the project summary provided, above?

Appendix 1: Questions for EFRAG CFSS members

- 1 EFRAG is asking stakeholders to provide the following information about extractive activities within their jurisdiction:
- 2 Question 1—How significant is the extractives industry to your jurisdiction? For example, how significant is the extractives industry to your jurisdiction's GDP?
- 3 Question 2—What are the main types of entities with extractive activities that operate in your jurisdiction:
 - (a) state-owned;
 - (b) privately-owned;
 - (c) local: listed locally;
 - (d) local: listed overseas;
 - (e) foreign: listed locally; or
 - (f) foreign: listed overseas?
- 4 Question 3—Do those entities identified in Question 2 apply IFRS Standards?
- 5 Question 4—What reserve and resource classification system is used in your jurisdiction?
- 6 Question 5—What, if any, are the national or stock exchange regulatory requirements in your jurisdiction to disclose information on extractive activities, including reserve and resource disclosures?
- 7 Question 6—What financial reporting issues are you aware of in relation to extractive activities for:
 - (a) preparers—eg in what areas are IFRS Standards difficult to apply?
 - (b) regulators—eg are any areas of IFRS Standards difficult to enforce?
 - (c) users—eg is relevant information consistently available?
- 8 Question 7—Are there other industries which have been established in your jurisdiction that you consider should be included in the scope of extractive activities?
- 9 Question 8—Are there any recent developments in the extractives industry that you want to make the IASB aware of?
- 10 Question 9—Do you think there is a need for the IASB to undertake a standard-setting project on extractive activities? If so, why? What matters do you think the IASB should address in the project?