Process followed to develop the draft ESRS

Mining Sector

Objective

1 This paper provides a detailed overview of the process and tasks completed as part of the development process for the [draft] ESRS working paper on the Mining Sector. The process was aimed at implementing the methodology agreed by SR TEG and SRB in August/September 2022.

Structure of this document:

2 This paper is structured in 2 Sections. Section 1 describes the process followed in the research that allowed the writing team (part of the EFRAG Secretariat) to build the [draft] ESRS working paper for mining. Section 2 describes the sources identified and provides background information on the sustainability matters that are commonly used in the mining sector.

Contents

PART 1: PROCESS TO DEVELOP THE DRAFT ESRS WORKING PAPER

General Approach to Development of [draft] Working Paper: Mining Sector

Work Completed as part of Cluster 7 ("C7") (2022)

Preliminary Analysis

3 The EFRAG Secretariat commenced its research work on sector specific standards in Q2 2022, based on the agreed list of sectors identified and outlined in [draft] SEC 1 *Sector Classification* using existing SASB sector specific standards as an initial guide and starting point. The EFRAG Secretariat benefitted from the work performed by the EFRAG PTF NFRS (active from September 2020 to March 2021) and renamed EFRAG PTF ESRS (active from May 2021 to April 2022), collectively 'PTF'. A specific Cluster (Cluster 7) of experts in the PTF was dedicated to run preparatory work for the sector standards.

4 Cluster 7 developed the classification system, using NACE codes and aggregating them into 40 Sectors, and delivered the document SEC 1 Exposure Draft. This document has not been exposed for comments so far.

5 Cluster 7 completed an initial mapping of the SASB standards to the NACE codes and to the EU Taxonomy and identified 40 different sectors and 14 sector groups. The Mining standard falls within the Mining sector, which includes Coal Mining and Mining.

6 C7 began by mapping the SASB Disclosure Requirements ("DRs") to the 40 ESRS sectors identified in [draft] SEC 1 and then did an analysis of whether the DRs for the relevant sector were covered by the agnostic standards or should be applied to sector specific standards.

7 This analysis was presented to all the topical clusters in the PTF and changes were made in accordance to their feedback.

8 This updated mapping was then informally presented to SASB staff, who suggested amendments, but on a general basis agreed with the reconciliation work done.

9 All remaining DRs were reviewed for US specific references which would not be applicable to Europe and subsequently these DRs were either amended or removed.

10 The DRs that remained created the V.0 of the standard and this version of the standard was presented in an initial set of workshops across 40 sectors during June 2022.

Stakeholder Workshop 1: Mining: June 2022

11 The first Mining sector stakeholder engagement workshop was attended by both experts from the industry and NGOs.

12 The general feedback was that additional work was required based on the initial [draft] working paper developed for Mining and changes were required to include additional and vital topics. Inputs were received during the session from attendee's on sustainability matters and topics via polling which has been included in Appendix X.

13 An important recommendation was to consider using existing standards in the mining industry in use for a number of years in the sector for reporting purposes including IRMA, GISTM and EITI.

Incorporating Workshop Feedback: Initial Workshop Mining

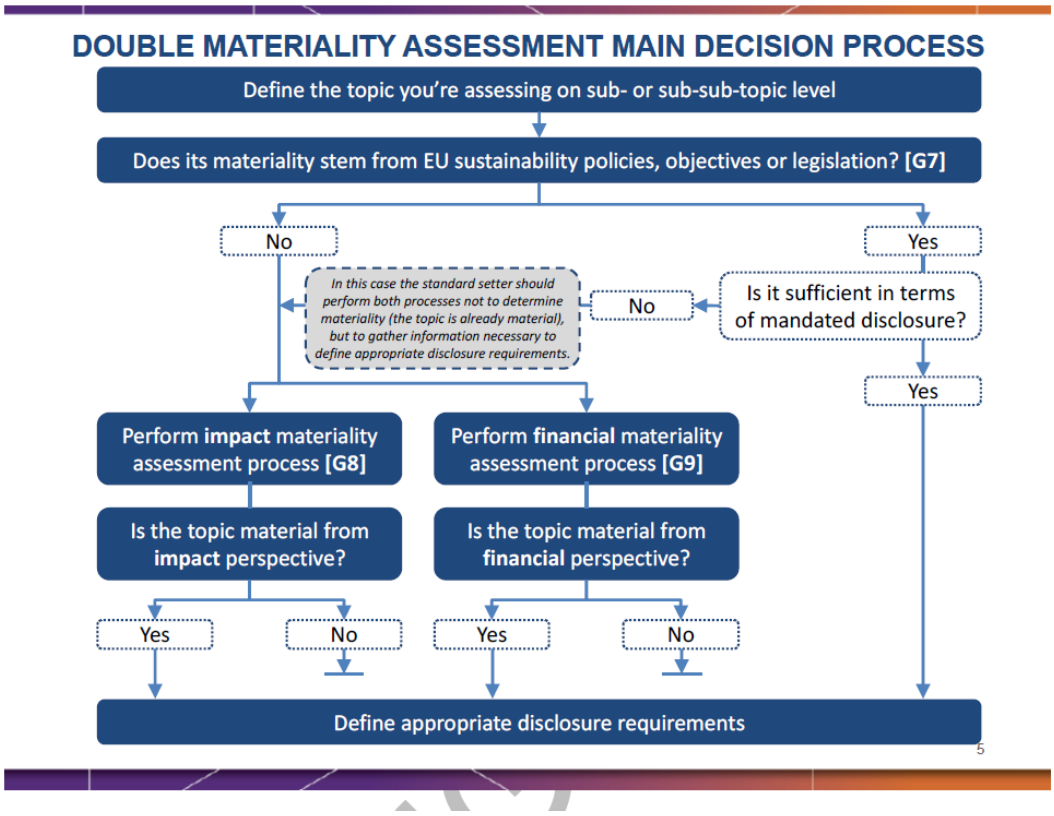
14 Workshop recordings, notes and polling inputs were analysed and reviewed for relevant updates to the [draft] working papers with the main feedback and review beginning with incorporating GRI and other regulatory and reporting standard information to the review of sustainability matters and topics and an overall regulatory review.

15 Please note that GRI is currently developing a standard on mining, which is not yet available. However, GRI has a standard on Coal and considering the similarities between the two sectors, the EFRAG Secretariat has used the content of the GRI Coal standard as a proxy of what could be the content of an impact materiality standard for Mining. So, in the development of the ESRS working paper for mining, reference is made to the content of the GRI Coal standard.

Proposed Methodology for determining material topics in sector-specific ESRS

16 In August and September 2022 a [draft] paper was approved by SR TEG and SRB outlining a proposed methodology for determining material topics in sector-specific ESRS. The process and methodology outlined in this paper follows the decision making process and tasks completed for Mining in developing the [draft] working paper.

17 **Double Materiality Assessment and Main Decision Process:**



<u>Review & Development Sustainability Matters: Mining Sector</u>

Preliminary Analysis

18 The initial list of sustainability matters was based on the relevant industry topics identified in the SASB standards.

19 These matters and related descriptions were reviewed by Cluster 7 and following this review combined, updated and a draft list was issued for review by C7 to be released as an Appendix C to the [draft] SEC 1 Sector Classification Working paper.

20 Though the feedback from the PTF was relatively good, the sector specific expert working group found it required additional work and it was therefore removed from SEC 1, and not issued at that point alongside [draft] SEC 1.

Development of Sustainability Matters: Mining

21 Following the initial workshops completed in June an analysis was completed on the main sustainability matters and topics covered by the aforementioned standards and defined by Cluster 7.

22 In addition to this, the matters and topics covered by the largest undertakings in the sector were identified through additional analysis of company / sustainability reporting both in Europe and globally, to gain a better understanding of what currently is being and has been reported. An overview of companies reviewed during this process is included in this paper from paragraph 75 onwards.

23 In addition to this the updated list of matters and topics was mapped to sustainability matters included within [draft] agnostic standards.

24 This resulted in an updated and more complete list of sustainability matters and topics being drafted for the Mining Sector. This list is included in the [draft] working paper.

25 Descriptions of each sustainability matter were created post the above process based on the impacts, risks and opportunities.

26 In addition the updated list of sustainability matters were mapped to the different topics from GRI, GISTM, IRMA and EITI as outlined later in this document under Legislative, Regulatory Review and Policy Alignment. This mapping is included in supplemental excel documents "Coal and Mining DR Mapping File.xls" and "DR from other standards.xls".

Stakeholder Workshop 2: Mining: Sustainability Matters Discussions

27 In October 2022 the list of sustainability matters developed above and their descriptions were both presented in a questionnaire shared with subscribers to workshops for completion before the workshop was held the output of which was presented in generic form during Workshop 1 (sustainability matters and regulatory review). This had both a private session with sector communities (subscribers to be part of Mining sector community) and a short public session which shared feedback from the private session.

Incorporating Workshop Feedback: Sustainability Matters Mining

28 Feedback and inputs on prioritisation of sustainability matters were incorporated into the list of matters included in the [draft] working paper.

29 In addition to this when [draft] ESRS 1 was published in November 2022, the final list of sustainability matters covered by the sector agnostics standard was used to map the sustainability matters identified in mining.

30 Exceptions following this process were (i) Industrial hazards was left within the Mining standard and (ii) "Management of relationships to suppliers" was amended in Mining to "Management of relationships" to include relationships to governments.

Review and Development of Disclosure Requirements: Mining Sector

Preliminary Analysis

31 SASB DRs formed the starting point for [draft] DRs included in Mining which was completed as part of Cluster 7 work.

32 Following this and feedback from initial workshops completed, relevant DRs from the GRI Coal mining standard were incorporated.

33 Following this, DRs already covered by the agnostic standards were removed and any that were purely for the Coal industry were amended where necessary to reflect Mining specificities. GRI's mining standard was not complete yet.

34 Additional and new DRs were also included at this point incorporating feedback received at workshops (most notably regarding human rights defenders). To do this we took inspiration from other similar disclosure requirements by companies and used their structure but changed the topics.

Stakeholder Workshop 3: Mining: November 2022

35 During the third and final workshop the EFRAG Secretariat presented the main topics/shortened versions of proposed DRs to the sector communities and asked for them to rank the importance of the DRs, to manage what was already a rather long list of potential DRs.

36 This had both a private session with sector communities (subscribers to be part of Mining sector community) and a short public session which shared feedback from the private session.

37 This allowed to benefit from industry experts participating in the Workshops to get an understanding of what the industry considered most important when moving forward with the prioritization.

Incorporating Workshop Feedback: DRs Mining

38 We received a significant amount of feedback and attempted to incorporate where possible in the [draft] Working paper for Mining. This feedback was summarised in the information presented at the public session of the workshop.

Review and Development of Sector Descriptions: Mining Sector

Preliminary Analysis

39 The initial sector description that was included in [draft] SEC1 was based the SASB sector descriptions and the NACE code sector descriptions.

40 This was presented during the first Mining workshop in June 2022.

41 The main point of not for consideration was in relation to manufacturing of metals and whether it should be included in the mining sector. We attempted to do this after the workshop but found that the scope would be too large and as a result there would be a lot of DRs that would not be material for undertakings that were primarily in the metals manufacturing industry and vice versa.

Stakeholder Workshop 3: Mining: October 2023

42 This limited scope outlined above to only include mining was presented in the workshop and accepted.

Incorporating Workshop Feedback: Sector Descriptions Mining

43 See further information in the sector description chapter below.

EU Legislation, Regulatory Review and Policies Alignment:

CSRD

44 The CSRD states that, in addition to a set of 'sector-agnostic' standards and disclosure requirements for Set 1 ESRS, EFRAG is to develop a set of 'sector-specific' standards.

45 As part of the process in development of [draft] DRs for the Mining sector the requirements under Article 29b) and its definition of an exclusive list of sustainability factors categorised in E, S, and G formed part of the development of DRs.

46 Mapping of DRs developed for the Mining sector to requirements as set out in Article 29b) are included in Coal and Mining DR Mapping File.xls..

Preliminary Analysis

47 Cluster 7 did a preliminary analysis of relevant legislation during Q1 2022. C7 and the expert working group started the work with identifying as much international and EU legislation as possible divided into ESG topics.

48 Additional desk research and review was completed in Q3 2022 to supplement this initial review and outputs presented at Workshop 2 during October 2022. The writing teams approach was to focus primarily on EU legislation and started with a broad sweep of all relevant European regulation we could find on Eur-lex and identified possible relevant legislation.

49 This list was presented to stakeholder during Workshop 2 in October 2022. The only additional item noted by stakeholders was to consider the EU Accounting Directive Chapter 10. This is currently under review by the writing teams.

50 The writing team has endeavoured to consider all relevant legislation and regulation in their review but acknowledge that due to time constraints in the process additional work may need to be performed for completeness which will be done in parallel to review of the [draft] Working papers.

51 An overview of relevant regulation, mapping and review completed is include in the DR from other standards.xls mapping file.

Stakeholder Workshop 2: Mining: Regulatory Review (October)

52 There were no additional comments to the regulatory overview and review completed and presented to stakeholders other than that we needed to consider the EU Accounting Directive Chapter 10 (2013/34/EU).

Incorporating Workshop Feedback: Regulatory Review Mining

53 The above consideration is currently under review and no additional DRs have been added to the [draft] Working paper.

PART 2: SOURCES AND COMMON SUSTAINABILITY MATTERS IN MINING

Analysis of Sustainability Reporting in the Mining Sector: 2022 Available Information

Existing Standards

54 As part of the regulatory and legislative review we have considered the below regulations and reporting requirements as relevant to the mining industry and used information as a basis to develop the [draft] Working paper for Mining.

Sustainability Accounting Standards Board ("SASB")

55 The SASB standards are the most developed in regards to comprehensive sector specific sustainability reporting. Their work is also being incorporated into ISSB and has therefore been the foundation of our standard development.

56 However, SASB standards have been developed for the USA and are therefore not up to date with European or global legislation. They have also not been updated over the past 10 years and are therefore lacking some technological aspects to our society that are vital to create a comprehensive standard.

57 https://www.sasb.org/standards/download/?lang=en-us

Global Reporting Initiative ("GRI")

58 The most updated and comprehensive sector specific sustainability standards are the ones being developed by GRI. Though the Mining standard is still being developed we have had several meetings with GRI staff and have attended one of their community meetings to gain insight and ensure cohesion.

59 However, GRI has a global perspective and therefore is not EU specific. Furthermore, being a voluntary framework, it is therefore a question of whether complete alignment between the ESRSs and GRI would be a too heavy of a burden on undertakings within the scope of the CSRD (mandatory standards).

60 https://www.globalreporting.org/standards/standards-development/sector-standard-for-coal/

Initiative for Responsible Mining Assurance ("IRMA")

61 IRMA is a certification standard covering the Mining industry, that allow undertakings to certify environmental and social aspects at mine sites.

62 https://responsiblemining.net/what-we-do/certification/

Global Industry Standards on Tailings Management ("GISTM")

63 ICMMs GISTM is a standard that sets forth 77 requirements for good practice of tailings management.

64 https://globaltailingsreview.org/global-industry-standard/

Extractives Industry Transparency Initiative ("EITI")

65 The EITI is a standard that seeks to uphold good business practices and allows countries to become EITI countries.

66 Though this standard focuses primarily on countries, it creates a good climate for transparency if the undertaking operates within these countries.

67 https://eiti.org/collections/eiti-standard

OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas

68 The due diligence guidance instructs undertakings how to conduct a due diligence for conflict minerals and helps ensure a comprehensive due diligence to prevent violations of human rights.

69 However, the guidance has a limited scope as it is only for specific minerals from areas of high risk and conflict which limits the scope and it only focuses on the human rights aspects.

70 https://www.oecd.org/corporate/mne/mining.htm

OECD Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractive Sector

71 The due diligence guidance for stakeholder engagement is a useful guidance for engaging with stakeholders within the industry which will in turn facilitate positive social and economic development.

72 https://www.oecd.org/publications/oecd-due-diligence-guidance-for-meaningful-stakeholder-engagement-in-the-extractive-sector-9789264252462-en.htm

Safety First

73 The Safety First standard was developed by Earthworks and is a Guideline for responsible Mine Tailings Management. Compared to IRMA and GISTM, which were developed by the industry, it focuses more on the consequences of tailing dams and how they affect communities.

74 https://earthworks.org/resources/safety-first/

CRAFT

75 The CRAFT was developed by the alliance for responsible Mining ("ARM") and resolve and focuses on Artisanal and small-scale mining. It facilitates the application of the OECD Due Diligence Guide for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

76 https://www.craftmines.org/en/2020/craft-v-2-0-is-out/

Sustainability Reporting: Large Mining Organisations

77 When conducting our research for the Coal and Mining industries we looked at several large companies to see which topics they focused on and how they reporting on sustainability. We did a simple google search for large companies in the mining/coal industries and found websites with lists over the largest undertakings in the industry and went to their websites to look for sustainability information.

78 Our general observation was that the sustainability reporting was very "either or". Some undertakings had extensive sustainability reports with a large amount of detailed information, others had no information all at.

Hydro

79 Hydro's sustainability report and information about sustainability is extensive and detailed. Hydro's website references GRI, CDP, GISTM, EITI, the UN Global compact, the UN Sustainability development goals among others.

80 https://www.hydro.com/en-US/sustainability/sustainability-reporting/

81 Hydro identified their material issues on their website (2020):

- Bauxite residue and tailings
- Biodiversity
- Climate Change
- Closure planning and legacy impacts
- Diversity and inclusion
- Emergency preparedness
- Ethics and compliance
- Health, safety and security
- Human and workers' rights
- Impact on local communities
- Innovation
- Organizational capabilities and culture
- Pandemics
- Products quality and liabilities

- Renewable energy transition
- Supply chain
- Water

BHP

82 BHP also has extensive and detailed information available on their website. The reference, GRI, UN SDGs, SASB, TCFD, ICMM, UNGC, CEO Water Mandate, CA 100+, CDP, the UK modern anti-slavery act and many more.

83 https://www.bhp.com/sustainability/approach

84 BHP has identified their material sustainability issues (2020):

- Air quality and emissions
- Anti-competitive behavious
- Automation
- Biodiversity and land management
- Climate change and greenhouse gas emissions
- Community engagement and health and wellbeing
- Community livelihoods and social investment
- Compliance with laws and regulation
- Critical incident risk management
- Cybersecurity
- Dams and tailings management
- Economic contribution
- Employment practices
- Environmental impacts of our business
- Ethics and business conduct, anti-corruption
- Freedom of association and collective bargaining
- Governance and management of our joint venture operations and non-operated joint ventures
- Indigenous peoples (including cultural heritage)
- Pandemic preparedness and response
- Political contributions and influence
- Portfolio resilience to climate change
- Product stewardship
- Remuneration policies
- Respecting human rights
- Sustainability governance
- Taxes and royalties
- Training, skills and capability
- Transparency
- Trust in institutions and corporations
- Value chain sustainability and responsible sourcing
- Waste management (excluding tailings and waste rock)
- Water stewardship
- Workforce inclusion and diversity
- Workforce health and wellbeing
- Workforce safety

Teck

85 Teck also has extensive information, and references ICMM, GRI, SASB, TCFD, CDP, UN Global Compact CoP in addition to many more.

86 https://www.teck.com/sustainability/approach-to-responsibility/sustainability-report-and-disclosure-portal/

87 TECK has identified their material sustainability issues (2020):

- Health and safety

- Climate change
- Tailings management
- Our people
- Responsible production (circular economy)
- Biodiversity and reclamation
- Water
- Communities and indigenous peoples
- Human rights
- Equity, diversity and inclusion
- Air quality
- Supply chain management
- Business ethics

Yancoal Australia Ltd:

88 Yancoal also has quite a lot of information and reference the Modern anti-slavery act and GRI.

89 https://www.yancoal.com.au/page/en/sustainability/

90 Yancoal has identified their material sustainability issues (2020):

- Business integrity
- Trust & Transparency
- Transition to a lower carbon economy
- Water stewardship
- Mine closure
- Air and noise impacts
- Land stewardship
- Waste management (including tailings storage facilities)
- Indigenous cultural Heritage
- Health, safety and mental wellbeing
- Our people
- Community investment
- Sustainable and ethical supply chains

Known Issues in the Mining Industry

91 Based on review of organisations in the Mining sector, desk research and review on sustainability matters and relevant regulation and stakeholder and sector community feedback on Mining the issues relevant to the Mining industry are noted as follows:

1. Tailings

92 Tailings and tailings management is probably the largest environmental issue in the industry. Tailings dams are a by-product of mining, consisting of the processed rock or soil left over from the separation of the commodities of value from the rock or soil within which they occur.

93 Poor management or design of tailings facilities can lead to leaks or collapses, with serious impacts on local communities, livelihoods, infrastructure, and the environment. Failures can result from inadequate water management, overtopping, foundation or drainage failure, erosion, and earthquakes. Impacts become more severe when tailings contain high levels of bioavailable metals or hazardous chemicals.

2. Human Rights Defenders

94 Feedback from participant of the June workshop: “The Resource Centre has been tracking and documenting attacks on Human Rights Defenders (‘HRDs’) since 2015 (see our database here) – more than 3,800 of which 616 took place in 2021. Analysis of collected data shows that mining is the most dangerous sector for HRDs – which strongly suggests that direct impacts on HRDs is likely to be a material sustainability matter for all mining undertakings. Mining accounts for 1012 out of 3904 attacks collected between 2015 and April 2022, representing 25.9% of all cases. Our data (Jan 2015 – April 2022) shows that conflict-affected and high-risk countries are close to the top of the list of countries where

defenders are most likely to experience retaliation and violence if they raise human rights concerns about mining operations: most attacks related to mining among the CAHRA countries happen in the Philippines (118 attacks), Mexico (89 attacks), Colombia (83) and India (71) – only Peru and Honduras are linked to higher levels of such violence. Defenders in India and the Philippines, in particular, have been facing worsening threats and abuse – Philippines are the 2nd most dangerous country overall (across all years, in relation to all sectors), and India topped the list this year, as explained in our most recent report. We have also done specific research about defenders and business in Colombia, naming the mining companies most linked to attacks.

95 This is compounded by findings from the Resource Centre's Transition Minerals Tracker (May 2022) – compiling evidence from 2010 to 2021 on allegations of abuses associated with the extraction of nickel/manganese/zinc/lithium/copper and cobalt, which shows that out of a total 495 allegations, nearly 30% (148) involved a HRD attack.

96 We also wish to draw attention on recent guidance on ensuring respect for human rights defenders issued by the UN Working Group on the issue of human rights and transnational corporations and other business enterprises (2021). The report highlights that "there is growing concern about the role of business in causing, contributing, or being directly linked to attacks against human rights defenders, or in failing to take actions against such attacks" (p.1). It recommends that "Business enterprises should develop policies on respect for the rights of human rights defenders" (p.19). It also further specifies that "Business enterprises that operate in, or have business relationships in, contexts where risks to defenders are significant, should consider having an explicit commitment to prevent and address impacts on defenders […]" (p. 19)»

3. Child Labour and Forced Labour

GRI identifies the following as significant issues:

97 Child labor is defined as work that deprives children of their childhood, their potential, and their dignity, and that is harmful to their development, including by interfering with their education. It is a violation of human rights and can lead to lifelong negative impacts. Abolition of child labor is a fundamental principle and right at work. Around one million children between ages five and 17 are estimated to be engaged in artisanal and small-scale mining and quarrying activities, and the use of child labor in coal mining has been documented in several countries [244] [249]. Risks of child labor in the coal sector are higher when the work is taking place on an informal basis or in remote areas. Coal mining activities are dangerous to children in various ways. Children face multiple hazards in coal mines, such as falling rocks, explosions, fires, and collapse of mine walls, leading to serious accidents and injuries (see also topic 12.14 Occupational health and safety). Other impacts can result from working in remote areas with limited access to schools and social services. In the absence of family or community support, the conditions may also foster alcohol abuse, drugs, and prostitution. Coal organizations interact with a high number of suppliers, including in countries with low enforcement of human rights. Coal organizations may be involved with incidences of child labor because of their business relationships with suppliers, for example, during construction of operational sites. Child labor has a higher prevalence in areas affected by armed conflict (see also topic 12.12 Conflict and security). The coal sector's impacts on local communities and organizations' employment practices can affect children's rights and well-being, for example, parents' working conditions, including irregular working hours, shift work, and fly-in flyout arrangements (see also topic 12.15 Employment practices).

98 Forced labor is defined as all work or service which is exacted from any person under the menace of penalty and for which a person has not offered themselves voluntarily. Freedom from forced labor is a human right and a fundamental right at work. This topic covers an organization's approach to identifying and addressing forced labor and modern slavery. Coal is a product at risk of being mined using forced labor or modern slavery in several countries [252] [259]. Additionally, coal organizations may be involved with human rights violations and other instances of exploitation via interaction with suppliers, which may include those operating in countries with low rates of enforcement of human rights. Coal organizations may also be involved with incidences of forced labor and modern slavery as a result of their joint ventures and other business relationships, including those with state-owned enterprises in countries where international human rights violations are documented. Conducting due diligence within the large and complex supply chains common in the sector may also pose difficulties for detecting and addressing incidents of forced labor and modern slavery. There

are documented cases of human rights violations throughout the supply chain concerning activities such as coal shipping and construction. Migrant workers can face higher risks of modern slavery when dealing with third-party employment agencies, such as those found to overcharge workers for visas and flights or demand recruitment costs be paid by workers rather than employers. As part of a global effort, several governments have issued legislation requiring public reporting on addressing traditional and emerging forced labor practices, including modern slavery. Such legislation applies to many organizations in the coal sector.

4. Closure and rehabilitation

GRI identifies the following as significant issues:

91 At the end of commercial use, organizations are expected to close assets and facilities and rehabilitate operational sites. Impacts can occur during and after closure. This topic covers an organization's approach to closure and rehabilitation, including how the organization considers the impacts on the environment, local communities, and workers. Following the closure of coal mines, potential environmental impacts include soil and water contamination, changes to landforms, and disturbance of biodiversity and wildlife. Closure can also lead to lasting socioeconomic consequences for local communities (see also topic 12.9). Preparation for and implementation of responsible closure is becoming increasingly important for the coal sector due to the need to reduce greenhouse gas (GHG) emissions and the transition to a low-carbon economy (see topic 12.2 Climate adaptation, resilience, and transition). This urgency will lead to more frequent and earlier closures of coal activities. Impacts from closure can differ between surface and underground mining. For example, surface mining requires more land use and substantial rehabilitation, whereas abandoned underground mines may emit coal mine methane even after active mining has ceased, making an ongoing contribution to GHG emissions (see also topic 12.1). Closure often requires planning already in the early phases of a project's life cycle to anticipate potential impacts, including impacts on local communities and their livelihoods. Closure and rehabilitation activities can include:

- stabilization of open-pit or underground workings, such as landfilling to prevent subsidence;
- removal or conversion of infrastructure to ensure the safety of people;
- rehabilitation of waste rock stockpiles and tailings facilities to control erosion and land degradation;
- management of waste, surface water, and groundwater quality issues resulting from abandoned mine drainage, waste rock, and leaching from tailings (see also topics 12.6 Waste and 12.7 Water and effluents); and
- post-closure environmental and socio-economic monitoring

99 Once complete, closure and rehabilitation of operational sites should result in a stable and sustainable ecosystem compatible with planned post-closure land use that considers the needs of local stakeholders. Failure to close assets and rehabilitate sites effectively can render land unusable for other productive uses and can result in health and safety hazards due to contamination or the presence of hazardous materials. Impacts from closure can be exacerbated if there is insufficient notice or lack of adequate planning for economic revitalization, social protection, and labor transition. Without clearly assigned responsible parties or allocated funds, closed coal facilities can leave a legacy of environmental issues and financial burden for communities and governments. However, the closure and rehabilitation phase may also offer additional employment opportunities. This can involve an influx of additional workers for an extended period, potentially exacerbating other environmental pressures. Once this phase is completed, workers may be retrenched and local communities face economic downturns and social disruption. This is especially relevant for those communities that depend on the coal sector for employment, income, taxes and other payments, community development, and other benefits. A collaboration between local and national governments, coal organizations, workers, and unions is essential to mitigate negative impacts and ensure a just transition that enables decent jobs, social inclusion and economic opportunities while transitioning to a low-carbon economy [101]. Examples of actions organizations may take include offering early retirement, reskilling, retraining, worker transfer programs, and relocation assistance programs.

5. Gender equality

Feedback from UNICEF:

100 In traditionally male-dominated industries in mining, women may be discriminated against in both recruitment and employment. For women, discrimination may be related to gender, but also pregnancy, maternity and family status or responsibilities.

101 When describing policies and commitments, the undertaking can include any measures to avoid discrimination against women in the recruitment process, i.e. ensuring that women are not questioned on their marital status or family responsibilities; any requirements in relation to pregnancy testing, whether as a pre-condition of employment or where there are risks to health and safety; the extent of job security for pregnant employees and protection from dismissal for pregnant employees and those on family-related leave; the right of employees on family-related leave to return to their jobs or similar jobs on not less favourable terms and conditions; measures to eliminate and reduce health and safety concerns for employees who are pregnant and breastfeeding, especially those related to the risk of exposure to reproductive hazards; and the provision of breaks for pre- or post-natal healthcare and for breastfeeding or expression of breastmilk.

6. Artisanal and Small Scale Mining ("ASM")

102 Artisanal and small-scale mining (ASM) refers to mining by individuals, groups, families or cooperatives with minimal or no mechanisation, often in the informal sector of the market (Hentschel et al. 2002). The ASM sector is usually high labour intensive and requires low investment levels. Compared to the Large Scale Mining (LSM), the demand for land is usually lower, due to the small concessions areas, and legal status is mostly informal on the production site.

103 According to recent estimates provided by the Delve platform, more than 40 million people worldwide were directly engaged in ASM in 2019, 30% of which being women. In Africa, the share of women is about 40-50%, in Asia less than 10% and in Latin America between 10 and 20% (IGF 2017). Women are usually not involved in digging and other heavy mining activities, but participate in various activities like ore processing and sale and provision of food to the miners (IGF 2017).

104 According to very rough estimates, artisanal and small-scale mining produces around 15-20% of global minerals, including 80% of all sapphires, 20% of all gold, and 20% of diamonds (IGF 2017). ASM is also a major producer of raw materials strategic to electronics manufacturing, and accounts for 26% of global tantalum production and 25% of tin production (IGF 2017)

105 https://rmis.jrc.ec.europa.eu/?page=artisanal-and-small-scale-mining-a6f8a3#:~:text=Artisanal%20and%20small%2Dscale%20mining%20(ASM)%20refers%20to%20mining,and%20requires%20low%20investment%20levels.

7. Transparency in payments to and from governments

Feedback from June workshop:

106 This paragraph refers to transparency in payments to governments. A more specific reference to the existing EU rule would be useful (Chapter 10 of the EU Accounting Directive 2013/34/EU and Article 6 of Directive 2013/50/EU). This is an important reference as it mandates disclosure of information at project-level (as defined by Article 41(4) of directive 2013/34/EU).

GRI identifies the following as significant issues:

107 Lack of transparency about payments to governments can contribute to inefficient management of public funds, illicit financial flows, and corruption. This topic covers impacts from an organization's practices related to payments to governments and the organization's approach to transparency of such payments. Organizations in the coal sector deal with a large number of complex financial transactions and make a variety of payments to governments. These include commodity trading revenues, exploration and production licensing fees, taxes and royalties, signature, discovery, and production bonuses. Transparency of payments to governments can help distinguish the economic importance of the coal sector to countries, enable public debate, and inform government decision-making. It can also provide insights into the terms of contracts, increase government accountability,

and strengthen revenue collection and management. Insufficient transparency of these payments, on the other hand, can impede detection of misallocation of revenues and corruption (see also topic 12.20 Anti-corruption). Taxes, royalties, and other payments from organizations in the coal sector are an important source of investment and revenue for local communities, countries, and regions (see also topic 12.8 Economic impacts). However, aggressive tax practices or tax non-compliance can lead to diminished tax revenues in countries where coal organizations operate. This can be particularly damaging for developing countries that may lack or have high needs for public revenue. The sector receives substantial subsidies from governments in many countries, despite commitments to phase out financial support by 2018. Excessive subsidies for the sector can result in commodity prices that do not reflect coal's total environmental or social costs, and impede the transition to a low-carbon economy (see also topic 12.2 Climate adaptation, resilience, and transition). When disclosing information on payments to governments, organizations in the coal sector often report aggregate payments at an organizational level. However, this can provide limited insight into payments made in each country or related to a project. Reporting country-level and project-level payments enables a comparison of the payments made to those stipulated in fiscal, legal, and contractual terms as well as to assess the financial contribution of coal activities to host countries and communities. It can also enable governments to address tax avoidance and evasion, correct information asymmetry, and level the playing field for governments when negotiating contracts.

108 State-owned enterprises: A state-owned enterprise (SOE) is, according to the Extractive Industries Transparency Initiative (EITI), 'a wholly or majority government-owned company that is engaged in extractive activities on behalf of the government' [283]. SOEs often have special status, which can involve financial advantages and preferential treatment. In some major coal producing countries the largest coal organizations are state-owned enterprises. As direct customers, SOEs are also highly relevant for the sector. Of all power plants burning coal, 40% belong to SOEs, with the figure rising to 56% when including joint ventures.

8. Sexual Exploitation of Women and Children

Feedback from UNICEF:

109 Women and children living in close proximity to mining operations face increased risks of violence, particularly sexual violence and exploitation.

110 Factors that increase the risk of sexual violence include changes in living conditions, such as the isolation of mine workers and communities in remote areas; high population density due to in-migration of a large, male-dominated workforce (e.g., fly-in, fly-out work arrangements); and high rates of poverty in remote areas surrounding mining operations.

111 Mining operations can contribute to increasing the risk of violence and sexual violence against women and children, and incidents of violence can be perpetrated by undertaking's personnel and on undertaking's sites of operation.

9. Granularity- Operational sites

112 Many mining companies have multiple operation sites in Europe and other countries. Aggregating all of the sustainability information to company level may not be useful as aggregating the data can make it hard to clearly identify what is actually happening and where. This is also standard practice within the mining industry and is used in multiple sustainability standards. It was also requested by multiple stakeholders in several of the workshops.

Sector Description

113 To ensure consistency with the public policy targets of the European Union, and to allow alignment with other initiatives, the scope of the sector is determined with the aid of the NACE classification system and includes the following activities:

B.07.10 Mining of iron ores

B.07.21 Mining of uranium and thorium ores

B.07.29 Mining of other non-ferrous metal ores

B.08.11 Quarrying of ornamental and building stone, limestone, gypsum, chalk and slate

B.08.12 Operation of gravel and sand pits

B.08.91 Mining of chemical and fertiliser minerals

B.08.92 Extraction of peat

B.08.93 Extraction of salt

B.08.99 Other mining and quarrying n.e.c.

B.09.90 Support activities for other mining and quarrying"

The scope description of the sector was generally well received during the preparatory works.

During the preparatory works it was suggested that many undertakings active in mining are also active in refining and manufacture of metals. After comparing this information with the database of undertakings that would have to apply the ESRS Mining standard, it was found that such an inclusion would expand the sector scope to a large extent encompassing many undertakings that have no activities related to mining. Hence, these activities were not included in the sector description.

During the preparatory works lithium was added to the exemplative list of metals and minerals in the sector description in order to stress its important role in the transition towards a clean carbon future.

In contrast to GRI the ESRS Mining Standard does not include activities such as transport or storage activities. The reason for this is the alignment of ESRSs with the NACE framework and transportation and storage are covered by other ESRS sector standards with a scope much wider than minerals or mining ore.