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**WORKING PAPER IN PREPARATION OF  
DRAFT EUROPEAN SUSTAINABILITY REPORTING STANDARD**

**ESRS OIL AND GAS – UPSTREAM AND SERVICE**

**DISCLAIMER**

The working paper Oil and Gas – Upstream and Services is set out in paragraphs X-X and Appendices A: Defined Terms and B: Application Requirements. Appendices A and B have the same authority as the main body of the [draft] Standard. Each Disclosure Requirement is stated in a bold paragraph that illustrates the objective of the disclosures. This working papers also uses terms defined in other [draft] ESRS and shall be read in the context of its objective.

[Please note:

- title of disclosures in white are common for Midstream and Downstream
- title of disclosures with **blue highlight** are similar in structure but have specific nuances that make them different between Upstream& Services and Midstream&Downstream
- title of disclosures in **grey** are unique to the standard]

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## **Objective**

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1. The objective of this [draft] ESRS is to specify disclosure requirements applicable to all undertakings within the Oil and Gas Sector that are additional to the sector-agnostic ESRS disclosures. They address impacts, risks and opportunities not covered, or not sufficiently covered, by sector-agnostic Disclosure Requirements and have to be applied in conjunction with them.
2. In addition, this [draft] ESRS also specified Oil and Gas specific application requirements to existing sector-agnostic disclosure requirements, which should be taken in consideration by the undertaking in the preparation of their sustainability disclosures.
3. Disclosure Requirements in this [draft] ESRS will enable users of the sustainability statements to understand the undertaking's material impacts, as well as related material risks and opportunities arising with regard to a list of sustainability matters that are material for the undertakings in the Oil and Gas Sector.
4. This [draft] Standard requires undertakings in the sector to disclose:
  - (a) the material actual or potential, positive or negative impacts in relation the environmental, social and governance matters material for the Oil and Gas Sector;
  - (b) any actions taken, and the result of such actions, to prevent or mitigate actual or potential material negative impacts;
  - (c) the nature, type and extent of the undertaking's material risks and opportunities related to its impacts and dependencies in relation to the list of matters that are material for the Oil and Gas Sector, and how the undertaking manages them; and
  - (d) the financial effects on the undertaking over the short-, medium- and long-term time horizons of material risks and opportunities.

## **Interaction with other ESRS**

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5. This Oil and Gas sector [draft] ESRS identifies a list of matters that shall be considered material for all the undertaking operating in the Oil and Gas sector, irrespective of the outcome of their materiality assessment. The undertaking falls into the scope of application of this [draft] ESRS shall consider, for the purposes of paragraph 31 of ESRS 1, that the sustainability matters listed in the table in paragraph 16 below are material. The undertaking applies paragraphs 33 to 39 of ESRS 1 to define the information to be included in its sustainability statements in relation to each of these matters.
6. An undertaking is within the scope of application of this [draft] ESRS when it discloses Oil and Gas as a significant sector according to paragraph 38 (b) and/or (c) of ESRS 2, using the criteria in AR 12 of ESRS 2 to define a significant sector.
7. [draft] ESRS SEC 1 Sector classification defines the aggregation of activities (NACE codes) into sectors for the purposes of applying sector ESRS. The list of NACE codes that are considered as pertaining to the Oil and Gas sector are listed in Appendix D to this [draft] ESRS, consistent with SEC 1.
8. This Oil and Gas sector [draft] ESRS also outlines sector specific Disclosure Requirements applicable for undertakings in the Oil and Gas sector and includes two types of requirements:
  - (a) requirements that provide sector-specifications in relation to sector agnostic Disclosure Requirements in order to either (i) complement with additional datapoints - presented in the main body of this standard - or (ii) support the application of Disclosure Requirements - presented in the Application Requirements of this standard, therefore to be discloses if the related Disclosure Requirement from sector-agnostic disclosure is material;
  - (b) sector-specific Disclosure Requirements to be reported additionally to the Disclosure Requirements in the sector-agnostic standards – presented in the main body of this standard and when applicable accompanied by Application

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Requirements in Appendix B of this standard . These Disclosure Requirements are separately numbered.

9. Undertakings in the Oil and Gas sector shall apply the [draft] cross cutting and [draft] topical ESRS requirements in addition to requirements of this Standard to both its own operations and, where relevant, to reporting on material impacts, risks and opportunities in the undertaking's value chain.
10. When preparing its sustainability statements, the undertaking shall group the disclosures by cross-cutting reporting area and, where applicable, by sustainability topic (or when applicable matter). Disclosures stemming from the [draft] Oil and Gas ESRS shall be presented alongside the disclosures required by the corresponding sector-agnostic ESRS (see ESRS 1 paragraph 117).

## **Sector description and sustainability matters**

11. The Oil and Gas – Upstream and Services is composed of Oil and Gas Upstream activities and Oil and Gas services activities.
12. Oil and Gas Upstream activities include the exploration and production of energy products such as crude petroleum, the mining and extraction of oil from oil shale and oil sands and the production of natural gas and recovery of hydrocarbon liquids which forms part of the Oil and Gas value chain. The sector includes the activities of developing and/or operating oil and gas field properties. Such activities may include drilling, completing and equipping wells. Activities covered by this standard include the development of both on-shore and off-shore reserves.
13. Oil and Gas Services activities provide support services, manufacture equipment, or are contract drillers for oil and natural gas exploration and production undertakings. The drilling and drilling-support segment comprises undertakings that drill for oil and natural gas on-shore and off-shore on a contract basis. Undertakings in this segment may also manufacture jack-up rigs, semisubmersible rigs, and drill ships. Undertakings in the oilfield services segment manufacture equipment that is used in the extraction, storage, and transportation of oil and natural gas. They also provide support services such as seismic surveying, equipment rental, well cementing, and well monitoring.
14. NACE activities included in this sector are:
  - (a) B.06.10 Extraction of crude petroleum
  - (b) B.06.20 Extraction of natural gas
  - (c) B.09.10 Support activities for petroleum and natural gas extraction.

## **Sustainability matters: Oil and gas- Upstream and Services**

<b>Environmental</b>	<b>Social</b>	<b>Governance</b>
E1: Climate change adaptation (*)	S1: Working conditions (*)	G1: Protection of whistle-blowers (*)
E1: Climate change mitigation (*)	S1: Equal treatment and opportunities for all (*)	G1: Corporate culture (*)
E1: Energy (*)	S1: Other work-related rights (*)	G1: Political engagement and lobbying activities (*)
E2: Pollution of air (*) E2: Pollution of water (*) E2: Pollution of soil (*)	S2: Working conditions (*)	G1: Management of relationships with suppliers including payment practices (*)
E2: Substances of concern (*)	S2: Equal treatment and opportunities for all (*)	G1: Corruption and bribery (*)



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E3: Water withdrawals (*) E3: Water use (*) E3: Water discharges in water bodies and in the oceans (*)	S2: Other work-related rights (*)	
E4: Direct impacts driver of biodiversity loss (*)	S3: Communities' economic, social and cultural rights (*)	
E4: Impacts on the state of species (*)	S3: Rights of indigenous people (*)	
E4: Impacts on the extent and condition of ecosystems (*)		
E5: Depletion of non-renewable resources		
E5: Regeneration of renewable resources		
E5: Circular business models		
E5: Waste (*)		
(*) Sustainability matter covered by Disclosure Requirements in the topical sector-agnostic ESRS (see ESRS 1 Appendix B table in paragraph AR 12.)		

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## **ESRS 2 General Disclosures**

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### ***Disclosure Requirement OGMD A - List of operational and decommissioned sites and infrastructure***

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1. **The undertaking shall disclose its operational and decommissioned sites and infrastructure.**
2. The objective of this Disclosure Requirement is to enable an understanding of the potential impacts, risks and opportunities of the undertakings' operation sites.
3. The undertaking shall specify their potential risks for biodiversity and the closure and rehabilitation activities related to them. **[For each operational site/for the key operational sites – TO BE DISCUSSED]** the undertaking shall include:
  - (a) a description of the potential risk for biodiversity;
  - (b) whether the site is located in or near a protected area or a high-biodiversity area;
  - (c) where applicable, the size, location and status of habitats protected or restored;
  - (d) whether the site has a closure and rehabilitation plans in place;
  - (e) whether the site has been closed;
  - (f) whether the site is undergoing closure activities.
4. List decommissioned structures left in place and describe the rationale for leaving them in place, as well as to what extent potential liabilities have been transferred.
5. The undertaking shall specify an exhaustive list of locations of operations where indigenous peoples are present or affected by activities of the undertaking.

### ***Disclosure Requirement related to ESRS 2-SBM1-1 - Market position, strategy, business model(s) and value chain***

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6. **The undertaking shall provide a breakdown of its turnover by NACE codes and of its net revenue by countries per compliance with the Extractives Industry Transparency Initiative (“EITI”) quality assurance mechanism.**
7. The objective of this Disclosure Requirement is to provide insight into the turnover by NACE codes and into the extent to which the undertaking is active in countries that have subscribed to the EITI principles about the prudent use of natural resource exploitation contributing to sustainable economic growth.
8. The undertaking shall provide a breakdown of its turnover (both in monetary amount and as a percentage of its total turnover) per NACE-code activity where it is active for the following NACE-code activities:
  - (a) B.06.10 Extraction of crude petroleum
  - (b) B.06.20 Extraction of natural gas
  - (c) B.09.10 Support activities for petroleum and natural gas extraction.
9. The undertaking shall disclose the breakdown of its production, as well as its proved and probable reserves, split over the following categories of countries, according to their compliance with the EITI quality assurance standards as per its scale:
  - (d) Countries with a very high progress in complying;
  - (e) Countries with a high to satisfactory progress in complying;
  - (f) Countries with a moderate to meaningful progress in complying;
  - (g) Countries with a fairly low to inadequate progress in complying;

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- (h) Countries with low to no progress in complying;
  - (i) Countries that the 20 lowest rankings in Transparency International's Corruption Perception Index;
  - (j) Other countries.
10. The EITI categories of quality assurance are used to disclose alignment with how the principles are being implemented locally. The category "other" refers to countries for which the assessment is suspended or to countries for which the compliance has yet to be assessed.

***Disclosure Requirement related to ESRS 2-SBM1-2 - Market position, strategy, business model(s) and value chain***

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11. **The undertaking shall disclose the direct economic value generated and distributed.**
12. The objective this disclosure requirement is to understand how the undertaking handles and distributes the economic value it creates among stakeholders, namely how shareholders, employees and local communities benefit from it.
13. The undertaking shall disclose, [by country, or for each operational site/for the key operational sites – TO BE DISCUSSED], the direct economic value generated and distributed.

***Disclosure Requirement related to ESRS 2-SBM2 - Interests and views of stakeholders***

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14. **The undertaking shall disclose how the interests and views of local communities stakeholders are taken into account by the undertaking's strategy and business model(s).**
15. The objective of this Disclosure Requirement is to provide an understanding of how local communities stakeholders' interests and views inform the undertaking's strategy and business model(s), the impacts the company has on local communities stakeholders and how it is managing these impacts.
16. The undertaking shall:
- (a) describe the approach to identifying stakeholders within local communities;
  - (b) describe how it engages with local stakeholders;
  - (c) list the vulnerable groups that the organization has identified within local communities;
  - (d) describe the approach to engaging with vulnerable groups, including:
    - i. how it seeks to ensure meaningful engagement; and
    - ii. how it seeks to ensure safe and equitable gender participations.
17. When disclosing how the undertaking engages with its stakeholders in ESRS 2 SBM-2, the undertaking shall describe how it incorporates the OECD Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractives Sector.

***Disclosure Requirement related to ESRS 2 – SBM 3 Material impacts, risks and opportunities with their interaction with strategy and business model(s)***

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18. **When disclosing its impacts on own workforce, the undertaking shall disclose, where applicable, the undertaking's policies, actions and targets to help own**

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**workers manage the adverse impacts arising from the closure of its operational site(s).**

19. The objective of this Disclosure Requirement is to provide an understanding on how the undertaking helps its own workers and own workers' communities to overcome the closure of an operational site they have been dependent upon for many years.
20. **The socio-economic environment of local communities (unemployment, people moving out affecting the liveability of remaining supporting activities such as local shops, schools, and more) can be affected by the closure of an operational site(s).**
21. The undertaking shall disclose the labour transition plans in place to help workers manage the transition to a post-closure phase of operations (e.g., redeployment, assistance with redeployment, resettlement, and redundancy payments, training and skills programmes).
22. The undertaking shall also consider the collaborative efforts, projects and programs that are set up to manage the socio-economic impact of closure and restoration and disclose these.

## **E1: Climate**

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### ***Disclosure Requirement related to E1-2 – Policies related to climate change mitigation and adaptation***

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23. **The undertaking shall disclose its policies related to the management and abatement of methane emissions.**
24. The disclosure required by paragraph [previous] shall contain the information on the policies implemented by the undertaking to manage and abate methane emissions considering the disclosure content required in ESRS 2 DC-P – Policies adopted to manage material sustainability matters).
25. In the absence of methane emissions management policies, the undertaking shall explain why such policies are not in place.

### ***Disclosure Requirement related to E1-3 – Actions and resources in relation to climate change policies***

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26. **The undertaking shall disclose its actions and resources to manage and abate methane emissions.**
27. The objective of this Disclosure Requirement is to provide an understanding of the key actions taken and planned to reduce methane emissions.
28. The undertaking shall disclose:
  - (a) the methods used to monitor and quantify methane emissions, namely the use of Leak Detection & Repair (LDAR) surveys as well as:
    - a. the frequency of the monitoring;
    - b. the different methane monitoring technologies, e.g. remote sensing techniques or estimation methods.
  - (b) the frequency of the LDAR surveys;
    - I. the actions taken to address the methane leakages found as a result of the regular monitoring surveys;
    - II. the effectiveness of the actions taken;
    - III. the geographical location of any significant flaring or venting emissions;
    - IV. the % of routine and non-routine flaring and cases of flaring;

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- V. Indicate areas for operational improvements;
- VI. discuss the overall performance of the methane emissions management policy and actions, by source and activity in terms of total absolute emissions and emission intensities.

***Disclosure Requirement related to E1-4 – Targets related to climate change mitigation and adaptation***

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- 15. **The undertaking shall disclose methane emissions reduction targets that it has adopted.**
- 16. The objective of this Disclosure Requirement is to enable an understanding of the targets the undertaking has set to support its climate change mitigation and adaptation policies and address its material climate-related impacts, risks and opportunities.

***Disclosure Requirement related to E1-6 – Gross scope 1,2,3 and Total GHG emissions***

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- 17. **The undertaking shall provide a breakdown of its GHG emissions including the following:**
  - (a) Breakdown total scope 1 GHG emissions into total CO<sub>2</sub> and CH<sub>4</sub> emissions and do it in accordance to E-6 Application Guidance AG32 to AG42.
  - (b) Report the breakdown of total scope 1 GHG emissions by type of source, namely i) stationary combustion; ii) flaring; iii) venting, and iv) fugitive.
- 18. The undertaking shall disclose its Scope 3, Use of sold products emissions, considering physical trading of finished oil and gas products.

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

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- 19. **The undertaking shall disclose potential financial effects from managing its climate-risks and opportunities.**
- 20. The objective of this Disclosure Requirement is to understand how climate risks and opportunity are impacting i) investments in developed and undeveloped reserves; ii) the balance sheet and the valuation of existing assets; and iii) activity levels.
- 21. The undertaking shall disclose how climate change-related risks and opportunities affect:
  - (a) the development of currently proven and probable reserves;
  - (a) potential write-offs and early closure of existing assets;
  - (b) oil and gas production volumes for the current reporting period and projected volumes for the next five years.

***Disclosure Requirement OGUS-1 – E1 - CO<sub>2</sub> abatement technologies***

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- 29. **The undertaking shall disclose its activities related to CO<sub>2</sub> abatement technologies.**
- 30. The objective of this Disclosure Requirement is to provide an understanding of the extent to which the undertaking is implementing GHG abatement technologies at scale on its own sources or providing it as a service to others and at what scale. It seeks also to understand how issues related to potential liabilities for stored CO<sub>2</sub> leakage is being dealt and reported under the scopes defined in DR E1-6.
- 31. The undertaking shall disclose amounts of CO<sub>2</sub> abated from emissions sources through carbon capture technologies and:

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- (c) Transferred inside to the organization (e.g. as a CCS service):
    - i. Used for internal processes (e.g. enhanced oil recovery);
    - ii. Permanently sequestered (e.g. CCS technologies).
  - (d) Captured inside the organization and:
    - i. Transferred outside to the organization (e.g. sold as product);
    - ii. Used for internal processes (e.g. enhanced oil recovery);
    - iii. Permanently sequestered (e.g. CCS technologies).
32. When disclosing the information on GHG abated under paragraph 1, the undertaking shall report:
- (a) Total CO2 captured and stored for the reporting period;
  - (e) Total CO2 stored at the end of the reporting period;

**Disclosure Requirement OGUS-2 – E1 - GHG emission intensity**

33. **The undertaking shall disclose its GHG emission intensity per unit of energy produced.**
34. The objective of this disclosure is to provide a benchmark metric of full life-cycle GHG impacts of the company activity on a physical intensity basis and how it compares with expected values for the global economy under 1.5°C compatible GHG mitigation scenarios and how it is likely to change under current investment and/or transition plans.
35. The undertaking shall:
- (f) provide information on the GHG intensity of its energy production (CO2e/unit of energy);
  - (g) demonstrate how the GHG intensity of its energy production as well as its trajectory are aligned with the objectives of limiting global warming to 1.5°C;
  - (h) by reference to its transition plan for climate change mitigation (DR E1-1) and to its climate change mitigation action plan (DR E1-4), provide an explanation of how its CAPEX and financial resource allocation decision will influence the direction of the GHG intensity of its produced energy.
36. The undertaking shall explain the accounting for GHG emissions from its associates, joint ventures, unconsolidated subsidiaries and joint arrangements that are not structured through an entity (i.e., these entities and arrangements can be part of the undertaking's value chain), namely considering this sector standard application requirement AR8 to ARX provided to DR E1-6 – Gross scope 1,2,3 and Total GHG emissions.

**Disclosure Requirement OGUS-3 – Activity metrics**

37. **The undertaking shall disclose metrics on current and targeted production levels.**
38. The objective of this requirement is to contextualize the undertaking's impacts through the disclosure of activity metrics, as well as the provision of necessary information for financial actors to report on the climate impacts of their financing and investment activities.
39. Undertakings shall differentiate and separately report on:
- (i) Extraction of crude petroleum:

	<b>Current production</b>	<b>Targeted production</b>
Total Crude oil production, of which:	[bbl]	[bbl]

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of which:		
a. Oil sands or other extra heavy oil	[bbl]	[bbl]
b. Shale oil extracted via hydraulic fracturing	[bbl]	[bbl]
c. Crude oil near or in nature sensitive areas	[bbl]	[bbl]

(j) Extraction of natural gas:

	Current production	Targeted production
Total Natural gas production	[Nm <sup>3</sup> ]	[Nm <sup>3</sup> ]
of which:		
a. Natural gas processed into Liquefied natural gas (LNG)	[Nm <sup>3</sup> ]	[Nm <sup>3</sup> ]
b. Shale gas extracted via hydraulic fracturing	[Nm <sup>3</sup> ]	[Nm <sup>3</sup> ]
c. Natural gas near or in nature sensitive areas	[Nm <sup>3</sup> ]	[Nm <sup>3</sup> ]

***Disclosure Requirement OGMD-4 - Potential impacts from climate-risks and opportunities management***

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- 40. **The undertaking shall disclose potential impacts from managing its climate-risks and opportunities.**
- 41. The objective of this Disclosure Requirement is to understand impacts of risk mitigation activities on society and the environment.
- 42. The undertaking shall disclose if it considered the potential impacts of the materialization of the climate hazard in terms of impact on society and ecosystems.
- 43. In case the risk is mitigated, which mitigation measures have been identified and which impacts the mitigation measures have on society and ecosystems, in particular, actions of the organization to prevent or mitigate the impacts of the transition to a low- carbon economy on workers and local communities.

**E2: Pollution prevention and control**

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***Disclosure Requirement related to E2-1 – Policies related to pollution***

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- 44. **The undertaking shall disclose its strategy and policies for avoiding, managing and minimising the impact of pollutants release to air, water, soil and organisms from:**
  - (a) normal operation of its facilities and equipment through its policies on pollution prevention and control, namely its maintenance practices and how it systematically identifies and implements Best Available Technologies.
  - (b) Industrial hazards and accidents.
  - (c) The description of the policy shall follow ESRS 2 DC-P - Policies adopted to manage material sustainability matters.

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***Disclosure Requirement related to E2-2 – Pollution action plans and resources***

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45. **When disclosing its actions and resources according to E2-2, the undertaking shall disclose its pollution-related action plans and the resources allocated to their implementation, with regards to:**
- (a) normal operation of its facilities and equipment through its policies on pollution prevention and control, namely its maintenance practices and how it systematically identifies and implements Best Available Technologies; and
  - (b) Industrial hazards and accidents.
46. The description of the pollution-related action plans and resources shall follow the principles defined in ESRS 2 DC-A – Actions and resources in relation to material sustainability matters.

***Disclosure Requirement related to E2-3 – Targets related to pollution***

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47. **When disclosing its targets related to pollution following E2-3, the undertaking shall disclose the pollution-related targets it has adopted with regards to the prevention and control of:**
- (a) oil spills and hydrocarbon substances discharged to soil and water;
  - (b) tailings from oil sands mining;
  - (c) substances of concern and substances of very high concern;
  - (d) other types of pollutants from the upstream and downstream value chain.
48. The description of targets shall follow the principles defined in ESRS 2 Disclosure Guideline DC-T – Tracking effectiveness of policies and actions through targets.
49. The description of targets shall contain the information on whether the targets adopted are mandatory (based on legislation, including future legislation) or voluntary.

***Disclosure requirement OGUS-5- Industrial risk management***

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50. **The undertaking shall disclose its methods and tools used for risk assessment and risk management of industrial hazards.**
51. The objective of this disclosure requirement is to understand how the undertaking prevents and manages industrial risks.

***Disclosure requirement OGUS-6 – E2 - Hydraulic Fracturing***

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52. **The undertaking shall disclose the information regarding the use of hydraulic fracturing wells.**
53. The purpose of this DR is to provide visibility on the use of a particular technique which can significantly impact on water resources.
54. The undertaking shall disclose the following indicators:
- (a) percentage of hydraulically fractured wells for which there is public disclosure of all fracturing fluid chemicals used;
  - (b) percentage of hydraulic fracturing sites where ground or surface water quality deteriorated compared to a baseline.



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## **E3: Water and Marine Resources**

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### ***Disclosure Requirement OGUS-7 E3 – Water Withdrawal***

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55. **The undertaking shall disclose the freshwater and other water withdrawal for its activities and from what sources the water is withdrawn from.**
56. The objective of this disclosure requirement is to understand the dependency of the undertaking on water withdrawals, as well as potential significant impacts water withdrawals can have on local water resources and use.
57. The undertakings shall disclose the following indicators:
- (a) Total volume of water withdrawn from all areas in megaliters, including a breakdown by:
    - i. Total Freshwater divided by:
      - 1. Surface water;
      - 2. Groundwater;
    - ii. Other water:
      - 3. Seawater;
      - 4. Produced water and recycled process wastewater;
      - 5. Third-party water.
  - (b) Total volume of water withdrawn from water stressed areas in megaliters, including a breakdown by:
  - (c) Total Freshwater divided by:
    - 1. Surface water;
    - 2. Groundwater;
  - (d) Other water:
    - 1. Seawater;
    - 2. Produced water and recycled process wastewater;
    - 3. Third-party water.
  - (e) A list and/or a percentage of your projects and operations that are in water-stressed or water-scarce areas.
  - (f) Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.

### ***Disclosure Requirement OGUS-8 - Water Discharge***

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58. The undertaking shall disclose the volume, the destination, and the impacts of the water it discharges to the environment or exports to third-parties; and the actions it may have taken to improve the quality of the water discharged.
59. The purpose of this DR is to provide understanding of the impact of the undertakings' water discharges on local water resources and use.
60. The undertakings shall disclose the following indicators:
- (a) Total water discharged in megaliters and a breakdown of this total by the following types of destination, if applicable:
    - iii. Freshwater bodies, divided by:

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1. Surface water;
2. Groundwater;
- iv. Other water bodies, divided by:
  3. Seawater;
  4. Exported to a third-party for treatment and discharge to the environment;
  5. Exported to a third-party for re-cycling and re-use.
- (b) Total volume of water discharged to water stressed areas in megaliters, including a breakdown by:
  - v. Freshwater;
  - vi. Other water.
- (k) Report volume in megaliters of produced water and process wastewater discharged.
- (l) The number of occasions on which discharge limits were exceeded;
- (m) Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.

## **E4: Biodiversity and Ecosystems**

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### ***Disclosure Requirement related to E4-1 - Transition plan on biodiversity and ecosystems***

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61. **When disclosing its transition plan according to DR E4-1, the undertaking shall indicate whether these plans apply to existing and future operations and to operations beyond areas of high biodiversity value**

### ***Disclosure Requirement related to E4-2 - Policies related to biodiversity and ecosystems***

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62. **When disclosing its policies implemented to manage its material impacts, risks and opportunities related to biodiversity and ecosystems, the undertaking shall:**
- (n) Describe policies and commitments to achieving no net loss or a net gain to biodiversity on operational sites; and whether these commitments apply to existing and future operations and to operations beyond areas of high biodiversity value
  - (o) Describe its biodiversity management approach, including policy, positions, goals, strategies, risk / impact assessments, mitigation plans and outcomes. This can include how the undertaking applies the mitigation hierarchy and international biodiversity standards in its operational planning, from early concept through to decommissioning
63. Where applicable and relevant, the entity shall describe specific policies and practices that apply to areas with protected conservation status and/or areas of critical habitat, which are defined by the International Finance Corporation (IFC) Performance Standard 6 as areas with high biodiversity value, including:
- (a) habitat of significant importance to Critically Endangered and/or Endangered species;
  - (b) habitat of significant importance to endemic and/or restricted-range species;
  - (c) habitat supporting globally significant concentrations of migratory species and/or congregatory species;

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- (d) highly threatened and/or unique ecosystems; and/or
  - (e) areas associated with key evolutionary processes
64. When describing policies and commitments to achieving no net loss or a net gain to biodiversity on operational sites; the undertaking shall include whether these commitments apply to existing and future operations and to operations beyond areas of high biodiversity value
65. The undertaking shall describe separately the environmental management policies and practices for active sites and operations

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***Disclosure Requirement related to E4-3 - Actions and resources related to biodiversity and ecosystems***

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66. [TBD]

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***Disclosure Requirement related to E4-4 - Targets related to biodiversity and ecosystems***

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67. **When describing its targets related to the biodiversity and ecosystems, the undertaking shall include targets related to:**
- (a) minimising average disturbed acreage per oil and per gas well site;
  - (b) minimising acreage disturbed and maximising percentage of impacted area restored;
  - (c) implementing new technologies, products and services certified for considering biodiversity or conforming with new regulations on biodiversity.
68. The undertaking shall describe its commitments, including avoidance and mitigation measures, that relate to projects and operations in or near protected areas and priority sites for biodiversity conservation.

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***Disclosure Requirement related to E4-5 - Impact metrics related to biodiversity and ecosystems change***

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69. When reporting on its metrics related to the biodiversity and ecosystems, the undertaking shall include metrics related to:
- (a) average disturbed acreage per oil and per gas well site;
  - (b) terrestrial acreage disturbed and percentage of impacted area restored;
  - (c) total number of IUCN Red List species and national conservation list species with habitats in areas affected by the operations of the organization, by level of extinction risk (Critically endangered / endangered / vulnerable / near threatened / least concern).
70. The undertaking may also provide metrics such as:
- (a) number of new technologies, products and services certified for considering biodiversity or conforming with new regulations on biodiversity;
  - (b) number of projects contributing to forestry maintenance, educational activities, research and development to reduce biodiversity impact and land use, conservation measures (planting trees);
  - (c) development and sales of new products that conform with new regulations on biodiversity;
  - (d) Number of incidents (fines, suspension or rejection of permission or license, litigations) due to violation of laws and regulations related to biodiversity.

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71. The undertaking shall disclose significant impacts on biodiversity with reference to affected habitats and ecosystems. The undertaking shall consider impacts deriving from both direct impact on land and sea use; indirect impacts; as well as impacts from industrial hazards (e.g. spills, other tail-risk events).

## **E5: Resource use and circular economy**

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### **Disclosure Requirement related to E5-1 – Policies related to resource use and circular economy**

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72. **When reporting on the policies related to resource use and circular economy according to the E5-1, the undertaking shall disclose its strategy and policies to manage material impacts, risks and opportunities in the following areas:**
- (p) Drilling waste (muds and cuttings)
  - (q) Scale and sludges
  - (r) Tailings
  - (s) Carrying of decommissioning activities for offshore and onshore assets
73. The objective of this Disclosure Requirement is to provide an understanding of the key policies related to resource use and circular economy.
74. The description of the policy shall follow the principles defined in ESRS 2 DC-P – Policies adopted to manage material sustainability matters.

### **Disclosure Requirement related to E5-2 – Action plans and resources in relation to resource use and circular economy**

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75. **When reporting on the action plans and resources in relation to resource use and circular economy according to DR E5-2, the undertaking shall disclose its action plans and the resources allocated with regards to:**
- (a) Minimising and managing the drilling waste (muds and cuttings)
  - (b) Minimising and managing the scale and sludges
  - (c) Minimising and managing tailings
  - (d) Decommissioning activities for offshore and onshore assets
76. The objective of this Disclosure Requirement is to provide an understanding of the key actions taken and planned to achieve the efficient resource use and circular economy for the areas specific in the sector.
77. The undertaking should provide the number, location, status and brief description of decommissioning and associated remediation projects, as per OGUS-A, that it considers to be relevant, and the total financial provision made by the undertaking for decommissioning offshore and / or onshore projects.
78. The description of the action plans and resources should follow the principles defined in sector agnostic Disclosure Requirement E5-2 and ESRS 2 DC-A Actions and resources in relation to material sustainability matters.

### **Disclosure Requirement related to E5-3 – Targets related to resource use and circular economy**

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79. When reporting on the targets related to resource use and circular economy according to the E5-2, the undertaking shall describe the resource use and circular economy targets related to the following:
- (t) Drilling waste (muds and cuttings)
  - (u) Scale and sludges

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- (v) Tailings
  - (w) Decommissioning activities for offshore and onshore assets
80. The description of targets shall follow the principles defined in Disclosure Requirement E5-3 and ESRS 2 Disclosure Guideline DC-T Tracking effectiveness of policies and actions through targets.

#### ***Application Requirement to E5-4 – Resource inflows***

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81. When reporting on the resource inflows according to the E5-4 sector agnostic disclosure, the undertaking shall include the following sector-specific inflows, on the reporting period:
- (a) Tonnes oil recovered from oil spills;
  - (e) Cubic meters of hydraulic fracturing fluid used;
  - (f) Tonnes of materials recovered from decommissioning activities of offshore and onshore assets.
82. The information provided [under the previous paragraph] should be reflecting the total weight of the inflow material in its original state, without data modification, such as reporting on a “dry weight” basis.
83. The description of the resource inflows should follow all the principles defined in sector agnostic Disclosure Requirement E5-4.

#### ***Application Requirement to E5-5 – Resource outflows***

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84. When reporting on the resource outflows according to DR E5-5 the undertaking shall include the following sector-specific outflows, on the reporting period:
- (g) Tonnes of drilling waste (muds and cuttings)
  - (h) Tonnes of scale and sludges
  - (i) Tonnes of tailings
85. The information provided [under previous paragraph] should be reflecting the total weight of the outflow material in its original state, without data modification, such as reporting on a “dry weight” basis.
86. The description of the resource outflows should follow all the principles defined in sector agnostic Disclosure Requirement E5-5.

### **S1: Own workforce**

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#### ***Disclosure Requirement related to S1-6 - Characteristics of the Undertaking’s employees***

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87. The Undertaking shall calculate the percentage of top management hired from local communities using data on full-time employees.
88. Top management hired from the local community includes those individuals either born or who have the legal right to reside indefinitely (such as naturalized citizens or permanent visa holders) in the same geographic market as the operation. The geographical definition of ‘local’ can include the community surrounding operations, a region within a country, or a country.

#### ***Disclosure Requirement related to S1-14 - Health and safety indicators***

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89. The undertaking shall report the number of Tier 1 process safety events.
90. The undertaking shall provide qualitative descriptions of:
- (a) any significant process safety events that occurred during the reporting year;

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- (b) the actions taken in response;
  - (c) lessons learned to prevent recurrence;
  - (d) its regular review process of the assessment and management of process safety risks.
91. The undertaking shall report the number of Tier 2 process safety events.
92. The undertaking shall describe its approach and application of Tier 3 and 4 leading metrics
93. The undertaking shall report the number of worked hours.
94. The undertaking shall describe the management systems used to integrate a culture of safety throughout the exploration and production lifecycle.

### **S3: Affected communities**

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#### ***Disclosure Requirement related to S3-1 – Policies related to affected communities***

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95. **The undertaking shall describe its policies, programmes and procedures for land acquisition and involuntary resettlement, including engagement processes and practices with affected communities, including any international standards that it has used as reference.**
96. The undertaking shall list, quantify and / or describe cases of involuntary resettlement required by its activities (where governments permit disclosure).
97. The undertaking shall describe its approach to providing remediation to local communities or individuals subject to involuntary resettlement, such as the process for establishing compensation for loss of assets or other assistance to improve or restore standards of living or livelihoods

#### ***Disclosure Requirement related to S3-2 - Processes for engaging with affected communities about impacts***

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98. **The undertaking shall describe the approach to identifying stakeholders within local communities and to engaging with them.**
99. The undertaking shall disclose the percentage of operations with implemented local community engagement, impact assessments, and/or development programs, including the use of:
- (x) social impact assessments, including gender impact assessments, based on participatory processes;
  - (y) environmental impact assessments and ongoing monitoring;
  - (z) public disclosure of results of environmental and social impact assessments;~
  - (aa) local community development programs based on local communities' needs;
  - (bb) stakeholder engagement plans based on stakeholder mapping;
  - (cc) broad based local community consultation committees and processes that include vulnerable groups;
  - (dd) works councils, occupational health and safety committees and other worker representation bodies to deal with impacts;
  - (ee) formal local community grievance processes.
100. The undertaking shall list the vulnerable groups, including any indigenous peoples, that it has identified within local communities and the approach to engaging with those vulnerable groups, including:
- (a) how it seeks to ensure meaningful engagement; and

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- (b) how it seeks to ensure safe and equitable gender participations, namely how it seeks to ensure indigenous women can participate safely and equitably.
101. The undertaking shall list any collective or individual rights that it has identified that are of particular concern for local communities (including vulnerable groups).

**Disclosure Requirement related to S3-3 - Processes to remediate negative impacts and channels for affected communities to raise concerns**

102. **The undertaking shall report the number and type of grievances from local communities identified, including:**
- (a) the number and / or percentage of sites with grievance mechanisms or similar conflict resolution procedures; and
  - (b) data on the types of concerns raised via engagement or grievance mechanisms, supported by qualitative information on how it has addressed concerns, including elevation to corporate management, where appropriate;
  - (c) percentage of the grievances that were addressed and resolved;
  - (d) percentage of the grievances that were resolved through remediation
103. The undertaking shall describe its policies, approach and / or mechanisms that aim to secure non-retaliation, non-discrimination and confidentiality when addressing grievances. This might extend to access to third-party independent grievance mechanisms.
104. The undertaking shall describe impacts on the health of local communities as a result of exposure to pollution caused by operations or use of hazardous substances.
105. The undertaking shall disclose examples of significant indirect impacts, positive and negative impacts, as well as the significance of indirect impacts in the context of external benchmarks and stakeholder priorities, such as national and international standards, protocols, and policy agendas.

**Disclosure Requirement related to S3-4 - Taking action on material impacts, and approaches to mitigating material risks and pursuing material opportunities related to affected communities, and effectiveness of those actions and approaches**

106. **The undertaking shall disclose its approaches to taking action on affected communities and to mitigating material risks and pursuing material opportunities**
107. The objective of this Disclosure Requirement is to provide insight on the interactions with, programmes developed, percentage of top management recruited from the affected communities and significant investment on infrastructure and services supported. activities.
108. The undertaking shall disclose [for each operational site/for the key operational sites – TO BE DISCUSSED]:
- (a) the percentage of top management that are recruited from the local community;
  - (b) the percentage of the procurement budget spent on suppliers local to that operation;
  - (c) the extent of development of significant infrastructure investments (e.g. transport links, utilities) and services (e.g. community social facilities, health, and welfare centres) supported and whether these investments and services are commercial, in-kind, or pro bono engagements.
109. The undertaking shall also disclose [for each operational site/for the key operational sites – TO BE DISCUSSED]:
- (a) the number and description of identified incidents of violations involving the rights of indigenous peoples;

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- (b) its interactions with indigenous peoples, including but not limited to means of communication, language used, frequency;
- (c) where applicable, the co-ownership programs developed for indigenous peoples and local communities. This shall include equity shares acquired by communities and their value;
- (d) the most recent examples of involvement in the process of seeking free, prior, and informed consent from indigenous peoples to any of the undertakings' activities, and whether an agreement has been reached and if it is publicly available.

**Disclosure Requirement OGUS-8-S3 - Impact metrics on affected communities**

- 110. **The undertaking shall disclose, [for each operational site/for key operational sites] impact metrics on affected communities.**
- 111. The objective of this Disclosure Requirement is to enable an understanding of the impacts of the undertaking on affected communities.
- 112. The undertaking shall disclose:
  - (a) The undertaking shall disclose the number and describe impacts on the health of local communities as a result of exposure to pollution caused by operations or use of hazardous substances.
  - (b) Report the number and type of grievances from local communities identified, including:
  - (c) percentage of the grievances that were addressed and resolved;
  - (d) percentage of the grievances that were resolved through remediation
  - (e) whether it has caused or contributed to involuntary resettlement or where such a resettlement is ongoing; in this case the undertaking shall disclose the operational site involved. It shall also describe measures taken to ensure that livelihoods and human rights have been preserved and valuation methods used and how legitimate tenure rights holders have been involved in determining valuation.

**Disclosure Requirement OGUS-9-S3- Reserves in or Near Areas of Conflict**

- 113. **The undertaking shall disclose its reserves located in or near areas of conflict**
- 114. The objective of this disclosure is to understand the undertaking asset exposure to areas of active conflict and how it may drive impacts on society.
- 115. The entity shall disclose the percentage of net proved reserves that are located in or near areas of active conflict.

**Disclosure Requirement OGUS-10-S3 - Reserves In Or Near Indigenous Land**

- 116. **The undertaking shall disclose its reserves located in or near indigenous peoples' land**
- 117. The objective of this disclosure is to understand the undertaking asset exposure to lands where particular rights of indigenous peoples should be upheld and respected and how the undertaking may impact the rights of indigenous peoples.
- 118. The entity shall disclose the percent of net proved reserves and net probable reserves that are located in or near areas that are considered to be indigenous peoples' land.
- 119. The organization shall also report a list of the locations of operations where indigenous peoples are present or affected by activities of the Organization.



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### ***Disclosure Requirement OGUS-11-S3 – Respect for Human Rights***

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120. **The undertaking shall describe its approach to ensuring respect for human rights of the affected communities.**
121. The objective of this disclosure is to understand the potential impacts of the undertakings operations on human rights of local communities.
122. The undertaking shall describe the procedures on working with public or private security providers and how those relationships are managed, whenever public or private security providers are used to guarantee the safety of own employees.
123. The undertaking shall disclose the number, describe and list any collective or individual human rights that the organization has identified that are of particular concern for local communities stakeholders identified in DR related to SBM-2 - Interests and views of stakeholders.
124. The undertaking shall disclose the number and describe the identified incidents of violations involving the rights of indigenous peoples.
125. The undertaking shall disclose the number and describe impacts on the health of local communities as a result of exposure to pollution caused by operations or use of hazardous substances.

## **G1: Business conduct**

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### ***Disclosure requirement related to G1-5 – Political influence and lobbying activities***

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126. **The undertaking shall disclose its participation in public policy development and lobbying.**
127. The objective to this Disclosure Requirement is to: i) understand how the undertaking works at promoting its views in politics; ii) understand the size and how an undertaking attempts to influence politics; iii) the undertakings stance on climate change and understand how this effects its political engagement.
128. The undertaking shall include:
  - (a) a description of its stance on significant issues that are the focus of its participation in public policy development and lobbying.
  - (b) any differences between these positions and its stated policies, goals, or other public positions.
  - (c) whether it is a member of, or contributes to, any representative associations or committees that participate in public policy development and lobbying, including:
    - i. the nature of this contribution;
    - ii. any differences between the undertaking's stated policies, goals, or other public positions on significant issues related to climate change, and the positions of the representative associations or committees.
  - (d) a description of its approach to public policy development and its lobbying activities specifically on the topic of climate change.
  - (e) disclose the total monetary value of financial and in-kind political contributions made directly and indirectly by the organization by country and recipient/beneficiary.
  - (f) If applicable, how the monetary value of in-kind contributions was estimated.

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***Disclosure requirement related to G1-6 – Payment practices***

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129. **The undertaking shall disclose its approach to contract transparency, including:**
- (a) Whether contracts and licenses are made publicly available and, if so, where they are published;
  - (b) if contracts or licenses are not publicly available, the reason for this and actions taken to make them public in the future.

***Disclosure Requirement OGUS 12-G1 – Sales to, support received from and payments made to governments***

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22. The undertaking shall disclose its sales to, support received from and payments made to governments.
23. The objective of this Disclosure Requirement is to provide transparency on the economic relationships with the governments.
130. The undertaking shall disclose:
- (a) the oil and gas sales to government organizations, including for oil and gas extraction, trade, handling, transport and export, and including sales to third parties appointed by the state on their behalf;
  - (b) the fee or payment for the sales to government organizations (or third parties acting on the government's behalf);
  - (c) various types of materials purchased, names of the buying undertaking(s), and the recipient of the fee;
  - (d) a breakdown of the payments to governments levied at the project-level, by project and revenue streams [granularity TO BE DISCUSSED];
  - (e) the monetary value of financial assistance received by the undertaking from any government during the reporting period, split [by country/ by key country – TO BE DISCUSSED];
  - (f) whether, and the extent to which, any government is present in the shareholding structure and in which country;
  - (g) all payments to governments relating to oil and gas upstream activities, trade and transport from all concerned / affected countries, in accordance with jurisdictional legislation. Undertakings shall disclose all relevant payments in line with the principals outlined in the Extractive Industry Transparency Initiatives (EITI).

***Disclosure requirement OGUS-13-G1 – Beneficial owners***

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131. The undertaking shall disclose its beneficial owners and how it identifies the beneficial owners of business partners, including joint ventures and suppliers.
132. The objective of this Disclosure Requirement is to understand who the undertakings beneficial owners are and how the undertaking identifies them.
133. The undertaking shall disclose:
- (c) its beneficial owners. This includes, but is not limited to name, nationality, country of residence, any politically exposed persons;
  - (d) an explanation of how it identifies the beneficial owners of business partners, including joint ventures and suppliers.

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**Disclosure Requirement OGUS-14-G1 – Suppliers assessed for social impacts**

134. **The undertaking shall disclose the outcome of its assessment of its suppliers for social impacts. The objective of this Disclosure Requirement is to understand the degree of actual and potential negative social impacts in the supply chain of the undertaking and to understand to which extent the undertaking uses social criteria in selecting its suppliers.**
135. The undertaking shall disclose:
- (h) the number of suppliers assessed for fundamental human rights and decent working conditions.
  - (i) the percentage of new suppliers that were screened using social criteria.
  - (j) significant actual and potential negative social impacts identified in the supply chain, namely:
    - i. operations and suppliers in which workers' rights to exercise freedom of association or collective bargaining may be violated or at significant risk either in terms of:
      - 1. type of operation (such as manufacturing plant) and supplier;
      - 2. countries or geographic areas with operations and suppliers considered at risk.
    - ii. measures taken by the organization in the reporting period intended to support rights to exercise freedom of association and collective bargaining.
  - (k) the number of suppliers identified as having significant actual and potential negative social impacts.
  - (l) percentage of suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon as a result of the assessment; and
  - (m) percentage of suppliers identified as having significant actual and potential negative social impacts with which relationships were terminated as a result of assessment and why.

**Disclosure Requirement OGUS-G1-15– Anti-competitive**

136. **The undertaking shall disclose the outcome of its assessment of its suppliers for social impacts. The objective of this Disclosure Requirement is to understand the degree of actual and potential negative social impacts in the supply chain of the undertaking and to understand to which extent the undertaking uses social criteria in selecting its suppliers.**
137. The undertaking shall disclose:
- (n) the number of suppliers assessed for fundamental human rights and decent working conditions.
  - (o) the percentage of new suppliers that were screened using social criteria.
  - (p) significant actual and potential negative social impacts identified in the supply chain, namely:
    - i. operations and suppliers in which workers' rights to exercise freedom of association or collective bargaining may be violated or at significant risk either in terms of:
      - 1. type of operation (such as manufacturing plant) and supplier;
      - 2. countries or geographic areas with operations and suppliers considered at risk.

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- ii. measures taken by the organization in the reporting period intended to support rights to exercise freedom of association and collective bargaining.
- (q) the number of suppliers identified as having significant actual and potential negative social impacts.
- (r) percentage of suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon as a result of the assessment; and
- (s) percentage of suppliers identified as having significant actual and potential negative social impacts with which relationships were terminated as a result of assessment and why.

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## **Appendix A: Defined terms**

This appendix is integral part of the [draft] ESRS.

<b>Hydrocarbon spill</b>	
<b>Underground storage tank</b>	
<b>Accident releases</b>	
<b>Non-accident releases</b>	
<b>Active conflict</b>	Areas identified by the presence of armed conflict, widespread violence, including violence generated by criminal networks, or other risks of serious and widespread harm to people. Armed conflict may take a variety of forms, such as a conflict of international or non-international character, which may involve two or more states, or may consist of wars of liberation, or insurgencies, civil wars.
<b>Biosphere Reserves recognised within the framework of UNESCO's Man and the Biosphere (MAB) Programme</b>	<p>Biosphere reserves are 'learning places for sustainable development'. They are sites for testing interdisciplinary approaches to understanding and managing changes and interactions between social and ecological systems, including conflict prevention and management of biodiversity. They are places that provide local solutions to global challenges. Biosphere reserves include terrestrial, marine, and coastal ecosystems. Each site promotes solutions reconciling the conservation of biodiversity with its sustainable use.</p> <p>Biosphere reserves are nominated by national governments and remain under the sovereign jurisdiction of the states where they are located. Biosphere Reserves are designated under the intergovernmental MAB Programme by the Director-General of UNESCO following the decisions of the MAB International Coordinating Council (MAB ICC). Their status is internationally recognized.</p>
<b>Community development program</b>	A plan that details actions to minimise, mitigate or compensate for adverse social and/or economic impacts, and/or to identify opportunities or actions to enhance positive impacts of a project on the community.
<b>Cyber security</b>	Cyber security relates to the practice of protecting electronic data, computer systems, servers, networks, mobile devices, tablet devices etc. from malicious criminal attacks, theft of sensitive data, and damage to IT systems.
<b>Decommissioning activities</b>	
<b>Drilling waste</b>	
<b>Developed reserves</b>	
<b>Undeveloped reserves</b>	
<b>Energy recovery</b>	The use of combustible waste as a means to generate energy through direct incineration with or without other waste but with recovery of the heat.
<b>Enhanced Oil Recovery</b>	

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<b>Fugitive emissions</b>	Gas leakages directly into the atmosphere through valves and seals, hoses and flexible piping, as well as evaporation from hydrocarbon liquids and from cuttings. Fugitive emissions can never be fully eliminated, but can be minimised by use of good / appropriate materials, equipment and design, as well as through good operating procedures.
<b>High-risk area</b>	High-risk areas are those where there is a high risk of conflict or of widespread or serious abuses as defined in paragraph 1 of Annex II of the OECD Guidance. Such areas are often characterized by political instability or repression, institutional weakness, insecurity, collapse of civil infrastructure, widespread violence, and violations of national or international law.
<b>Hydraulic fracturing fluid</b>	
<b>“near”</b>	Within 5 kilometres (km) of the boundary of an area of protected conservation status or an endangered species habitat to the location of the entity’s proven and probable reserves.
<b>near miss</b>	An unplanned incident in which no property or environmental damage or personal injury occurred, but where damage or personal injury easily could have occurred but for a slight circumstantial shift.
<b>Probable reserves</b>	Probable reserves are crude oil and gas reserves calculated to be at least 50 percent likely to be recovered through drilling. Recovery probabilities help estimate the present and future value of assets owned or operated by firms in the oil and gas sector.
<b>Proved reserves</b>	Proved reserves (or P1) are the amount of oil or natural resources contained under a piece of land with a 90% or greater probability of profitable extraction.
<b>Recycled and remanufactured materials</b>	Waste materials that have been reprocessed or treated by means of production or manufacturing process and made into a final product or made into a component for incorporation into a product.
<b>Reserves</b>	Part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination.
<b>Resources</b>	“Undiscovered, technically recoverable resources” estimated to exist based on geologic knowledge and theory.
<b>Scale and sludges</b>	
<b>Tailings</b>	The waste stream resulting from milling and mineral concentration processes that are applied to ground ore (i.e., washing, concentration, and/or treatment). Tailings are typically sand to clay-sized materials that are considered too low in mineral values to be treated further. They are usually discharged in slurry form to a final storage area commonly referred to as a tailings storage facility (TSF) or tailings management facility (TMF).
<b>Venting</b>	Emissions from various processes in a facility and routed to the atmosphere as a result of planned and selected operational solutions. Emissions usually happens through dedicated pipe systems where the natural gas is discharged at a safe place. Venting (direct emissions) as a solution may be selected for several reasons; safety issues, high levels of inert gases (mainly nitrogen) in the gas, pressure conditions of the facility or purely cost-related preferences (very expensive to eliminate/reduce emissions relative to the amount of emissions) or a

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	combination of this. In many cases venting can be avoided by good design. The options may be recycling of gas or flaring.
<b>Waste</b>	Where waste is defined as anything for which the undertaking has no further use, and which is discarded or released to the environment.
<b>Produced water</b>	Water (brine) obtained from the hydrocarbon bearing formation strata during the extraction of oil and gas. This can include formation water, injection water, and any chemicals added downhole or during the oil/ water separation process.
<b>Area of high-water stress</b>	Regions where the percentage of total water withdrawn is high (40-80%) or extremely high (greater than 80%) in the World Resources Institute's (WRI) Water Risk Atlas tool Aqueduct. See also water scarcity  <b>Definition of water-stressed area (GRI)</b> <b>(the undertakings may use either of the following threshold)</b> <b>1. The ratio of total annual water withdrawal to total available annual renewable water supply (i.e., baseline water stress) is high (40-80%) or extremely high (&gt;80%) ;</b> <b>2. The ratio of water consumption-to-availability (i.e., water depletion) is moderate (dry-year depletion, where for at least 10% of the time, the monthly depletion ratio is &gt;75%), high (seasonal depletion, where for one month of the year on average, the depletion ratio is &gt;75%), or very high (ongoing depletion, where the depletion ratio on average is &gt;75%)</b>
<b>Water scarcity</b>	Refers to the volumetric abundance, or lack thereof, of freshwater resources. Scarcity is human driven; it is a function of the volume of human water consumption relative to the volume of water resources in a given area. As such, an arid region with very little water, but no human water consumption would not be considered scarce, but rather arid. Water scarcity is a physical, objective reality that can be measured consistently across regions and over time. Water scarcity reflects the physical abundance of freshwater rather than whether that water is suitable for use. For instance, a region may have abundant water resources (and thus not be considered water scarce), but have such severe pollution that those supplies are unfit for human or ecological uses. (The CEO Water Mandate, Corporate Water Disclosure Guidelines, 2014).
<b>Freshwater</b>	Surface water of a quality generally acceptable for, or requiring minimal treatment to be acceptable for, domestic, municipal or agricultural uses (at least <10,000 mg/l TDS, though a range of additional quality properties may also be considered). "High quality" fresh water sources considered acceptable for potable use are typically characterized as having concentrations of dissolved solids less than 1,000 mg/l. <b>Definition of Fresh water (GRI)</b> <b>(i) Freshwater (≤1,000 mg/L Total Dissolved Solids);</b> <b>(ii) Other water (&gt;1,000 mg/L Total Dissolved Solids).</b>
<b>Other water</b>	Surface water that is not fresh water, and water from other sources.
<b>Surface water</b>	surface water, including rainwater, water from wetlands, rivers and lakes. Water that is naturally occurring water on the Earth's surface

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	in ice sheets, ice caps, glaciers, icebergs, bogs, ponds, lakes, rivers and streams, and has a low concentration of dissolved solids.
<b>Ground water (renewable and non-renewable)</b>	Water which is being held in, and can be recovered from, an underground formation. Renewable groundwater sources can be replenished within 50 years and are usually located at shallow depths. Non-renewable groundwater has a negligible rate of natural recharge on the human time-scale (more than 50 years), and is generally located at deeper depths than renewable groundwater; this is sometimes referred to as “fossil” water.
<b>Water withdrawal</b>	
<b>Water consumption</b>	
<b>Water discharge</b>	



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## **Appendix B: Application Requirements**

This Appendix is an integral part of the proposed [draft] ESRS Oil and Gas. It supports the application of the requirements set for in paragraphs X to X and has the same authority as the other parts of the [draft] Standard.

### ***ESRS 2 - related requirements***

#### **Application Requirements OGMD-A– List of operational and decommissioned sites**

- AR 1. With respect to DR OMGD A, paragraph 5, undertakings shall take into consideration that:
- a) Indigenous lands are considered those occupied by people who self-identify as indigenous, per Article 33 of the United Nations Declaration on the Rights of Indigenous Peoples and the International Labour Organization Convention No. 169, and likely have one or more of the following characteristics based on the working definition of “Indigenous Peoples” adopted by the United Nations:
    - i. Historical continuity with pre-colonial and/or pre-settler societies;
    - ii. Strong link to territories and surrounding natural resources;
    - iii. Distinct social, economic, or political systems;
    - iv. Distinct language, culture, and beliefs;
    - v. Form non-dominant groups of society;
    - vi. Resolve to maintain and reproduce ancestral environments and systems as distinctive peoples and communities
  - b) "near" is defined as within 5 kilometers of the recognized boundary of an area considered to be indigenous land to the location of the undertaking's proven and probable reserves.

#### **Application Requirements to ESRS 2–SBM1-1 - Market position, strategy, business model(s) and value chain**

- AR 2. The EITI categories of quality assurance are used to show alignment with how the principles are being implemented locally. The category “other” refers to countries for which the assessment is suspended (for different reasons) or to countries for which the compliance has yet to be assessed.

#### **Application Requirements to ESRS 2–SBM1-2 - Market position, strategy, business model(s) and value chain**

- AR 1. When disclosing the direct economic value generated and distributed (EVG&D), the undertaking shall:
- (a) do it on an accrual's basis. If data are presented on a cash basis, report the justification for this decision.
  - (b) report the following basic components of EVG&D:
    - i. Direct economic value generated: revenues;
    - ii. Economic value distributed: operating costs, employee wages and benefits, payments to providers of capital, payments to governments by country, and community investments;
    - iii. Economic value retained: ‘direct economic value generated’ less ‘economic value distributed’.

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AR 2. Where significant, report EVG&D separately at country, regional, or market levels, and the criteria used for defining significance.

**Application Requirement to ESRS 2-SBM-2**

AR 2. When disclosing how the undertaking engages with its stakeholders in ESRS 2 SBM-2, the undertaking shall describe how it incorporates the OECD Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractives Sector.

**Application Requirements to ESRS2-GOV-4 – Statement on sustainability due diligence**

AR 3. When disclosing a mapping of the information provided in its sustainability statements about its sustainability due diligence process answering the GOV-4 Statement on due diligence, undertakings that fall within the scope of the Oil and Gas sector need to also consider:

- (a) OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (current version)
- (b) OECD Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractive Sector (current version).

AR 4. The undertaking shall include procurement in its mapping as well as and environmental factors. This may be presented adopting a tabular form.

Core elements	Paragraphs in the sustainability matters
<b>OECD Due diligence guidance for Responsible Supply chains of Minerals from Conflict-Affected and High-Risk areas</b>	
Establish strong company management system	
Identify and assess risk in the supply chain	
Design and implement a strategy to respond to identified risks	
Carry out independent third-party audit of supply chain due diligence at identified points in the supply chain.	
Report on supply chain due diligence	

**Application requirements on Biodiversity material impacts, risks and opportunities and their interaction with strategy and business model(s) (ESRS 2 IRO-1)**

AR 5. When describing the process to identify material impacts, risks and opportunities according to the DR ESRS 2 IRO-1, the undertaking shall:

- (a) include how it applies the mitigation hierarchy and international biodiversity standards in its operational planning, from early concept through to decommissioning
- (b) Set out its processes for identifying and managing activities in sensitive operating areas, such as Biodiversity Actions Plans and include the criteria used to determine sensitivity and any applicable metrics
- (c) Report whether application of the mitigation hierarchy has informed actions to manage biodiversity-related impacts

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## **ESRS E1 - related requirements**

### **Application requirements to E1-1 – Transition plan for climate change mitigation**

AR 6. Undertakings shall breakdown their CAPEX expenditure into the following categories:

- (d) Prospection of new fossil resources;
  - i. undeveloped reserves to bring assets into production (developed producing reserves);
  - ii. non-producing reserves to bring assets into production (developed producing reserves);
  - iii. Investments in developed producing reserves;
- (e) Renewable-energy sources:
  - i. All sources (by type of source), excluding bioenergy;
  - ii. Bioenergy, including novel biofuel types;
- (f) Carbon Capture Utilization and Storage:
  - i. Fossil Carbon capture and storage;
  - ii. DACS;
- (g) Nature-based solutions to mitigate climate change;
- (h) Other research and development initiatives that can address the organization's risks related to climate change.

AR 7. The undertaking may further detail these categories to align OpEx and CapEx plans with the EU taxonomy.

AR 8. When disclosing information on DR E1-1[16(d)] on potential locked-in GHG emissions from the undertaking's assets and products, undertakings shall consider this to be the emissions potential of proven (P1) and probable (P2) reserves of their oil and gas assets and shall calculate this potential considering the recommendations in (Russel, 2016)<sup>1</sup>.

AR 9. Undertakings shall disclose a breakdown of locked-in emissions according to the following table:

<b>Reserves</b>	<b>Proved</b>	<b>Probable</b>	<b>Total</b>
<b>Developed producing reserves</b>	[MtCO <sub>2</sub> ]	[MtCO <sub>2</sub> ]	[MtCO <sub>2</sub> ]
<b>Developed non-producing reserves</b>	[MtCO <sub>2</sub> ]	[MtCO <sub>2</sub> ]	[MtCO <sub>2</sub> ]
<b>Undeveloped reserves</b>	[MtCO <sub>2</sub> ]	[MtCO <sub>2</sub> ]	[MtCO <sub>2</sub> ]

### **Application Requirement to E1-4 – Targets related to climate change mitigation and adaptation**

AR 10. When disclosing the information required under DR E1-4 on targets related to climate change mitigation, the undertaking shall also disclose the mandatory legislation the goals and targets are aligned with or contribute to.

### **Application Requirements to E1-6 – Gross scope 1,2,3 and Total GHG emissions**

AR 11. When disclosing its Scope 3, Use of sold products emissions, in accordance to DRE1-6, paragraph 26, the undertaking shall consider only physical trading of crude oil and

<sup>1</sup> Russel, Stephen (2016) "A recommended methodology for estimating and reporting the potential greenhouse gas emissions from fossil fuel reserves", World Resource Institute, 2016 available at <https://tinyurl.com/3xv7mvyx>.

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gas products and exclude financial trading. Physical trading is all trading of crude oil and gas that actually involved the physical delivery of the product.

AR 12. The undertaking shall additionally report emissions from associates and JV's not accounted for under the proportional consolidation method.

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***Application Requirements to OGUS-1-E1 – GHG abatement technologies***

AR 13. [Placeholder: Need to consider what may make sense for Upstream and Services]

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***Application Requirements to OGMD-2-E1 – GHG emission intensity***

AR 14. [Placeholder: Need to consider what may make sense for Upstream and Services]

***ESRS E2 - related requirements***

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***Application Requirement to E2-1 – Policies related to pollution***

AR 15. In disclosing its policies related to pollution the undertaking shall explain how they address:

- (i) spills and loss of containment events for hydrocarbon and other chemicals used in operations;
- (j) tailings from oil sands mining and in particular the existence of any tailing ponds or dams;
- (k) substances of concern and substances of very high concern, namely:
  - i. their use and disposal;
  - ii. how substances of concern and very high concern are defined, e.g. in accordance to any international standard, law, authoritative list or criteria used;
  - iii. the approach for setting discharge limits for substances of concern or very high concern.
- (l) maintenance and inspection frequency of critical infrastructure, in particular:
  - i. percentage of natural gas pipelines inspected
  - ii. percentage of hazardous liquid pipelines inspected

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***Application Requirements to E2-2 – Pollution action plans and resources***

AR 16. In disclosing its action plans and resources related to pollution the undertaking shall explain in particular actions and resources related to the prevention, mitigation and management of impacts derived from:

- (a) air pollution, including the nitrogen oxides (NO<sub>x</sub>), sulphur oxides (SO<sub>x</sub>), volatile organic compounds (VOC), particulate matter (PM), carbon monoxide (CO), ozone-depleting substances (ODS), and other air emissions with an environmental impact;
- (b) oil spills and hydrocarbon substances discharged to soil and water;
- (c) tailings from oil sands mining;
- (d) use and disposal of substances of concern or substances of very high concern;
- (e) other types of pollutants from the upstream and downstream value chain.

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AR 17. The undertaking shall specify to which layer in the mitigation hierarchy an action plan and resources can be allocated to:

- (a) avoid pollution including any phase out of materials/compounds that have a material negative impact (prevention of pollution at source);
- (b) reduce pollution (minimisation), including by meeting BAT requirements in the future;
- (c) restore and regenerate ecosystems where pollution occurred (control of the impacts both from regular activities and incidents);
- (d) transform ecosystem e.g. through technological, economic, institutional, and social factors and changes in underlying values and behaviours;
- (e) meet enforcement requirements or future compliance needs such as meeting BAT requirements in the future, or any phase out of materials/compounds; and
- (f) address failures to comply with Do-No-Significant-Harm criteria for pollution prevention and control according to the EU Taxonomy Regulation and its Delegated Acts.

AR 18. The undertaking should disclose what technologies does it use to manage its impact on air quality, such as technologies that remove or treat combustion emissions in operations or fuel products.

AR 19. The undertaking shall provide case studies or examples of significant spills, as determined by the company, which may include descriptions of the following:

- (a) The criteria on establishing the significance;
- (b) the cause of the spill and volume of spill recovered;
- (c) the undertaking's response measures to address immediate and long-term effects;
- (d) any secondary effects on local communities and stakeholders;
- (e) the undertaking's stakeholder engagement;
- (f) incident investigation findings, if available, including root-causes; and
- (g) actions that were taken to prevent recurrence and share lessons.

#### ***Application Requirements to E2-4 – Pollution of air, water and soil***

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AR 20. When providing information under ESRS E2, paragraph 25 to 27, in addition to the pollutants referred to in ESRS E2 AR21 to AR26, the undertaking shall disclose emissions of the following pollutants that have occurred during the reporting period:

AR 21. With regards to the air emissions, volumes (in tonnes) of: a) particulate matter (PM10); b) hydrogen sulphide (H<sub>2</sub>S); c) carbon monoxide (CO); d) other air emissions with an environmental impact, if applicable.

AR 22. With regards to the water emissions:

- (a) volumes (in tonnes) of: i) hydrocarbon spills to water; ii) tonnes of other chemical discharges to water.
- (b) number of hydrocarbon spill events to water;
- (c) average and distribution of hydrocarbon content (in mg/l) in discharged water for all measurements taken throughout reporting year;
- (d) Number of incidents of non-compliance with discharge limits related to substances of concern or very high concern.

AR 23. With regards to the soil emissions:

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- (a) volumes (in tonnes) of: i) hydrocarbon spills to soil; ii) other chemical discharges to soil.
- (b) number of hydrocarbon spill events to soil.

AR 24. The undertaking shall disclose Tier 1\* process safety events rates, as defined by the International Association of Oil & Gas Producers (OGP).

AR 25. The undertaking shall disclose the:

- (a) Number of reportable pipeline incidents, percentage of significant incidents;
- (b) Number of accident releases\* from rail transportation;
- (c) Number of non-accident releases\* from rail transportation;
- (d) Percentage of engines in service that meet Tier 4 compliance for non-road diesel engine emissions.

AR 26. The undertaking shall report on the number of underground storage tanks, including the number of underground storage tanks releases requiring clean-up.

### ***ESRS E3 - related requirements***

#### **Application Requirement to E3-1 - Policies related to water and marine resources**

AR 27. When disclosing the information required in DR E3-1 on policies and targets related to water and marine sources, the undertakings shall include in the narrative its interactions with water as a shared resource, particularly in water-stressed areas and where conflicts between different water uses may emerge.

AR 28. The undertakings may include in its narrative the following:

- (a) A description of how the organization interacts with water, including how and where water is withdrawn, consumed, and discharged, and the water-related impacts the organization has caused or contributed to, or that are directly linked to its operations, products, or services by its business relationships (e.g., impacts caused by runoff).
- (e) A description of the approach used to identify water-related impacts, including the scope of assessments, their timeframe, and any tools or methodologies used.
- (f) A description of how water-related impacts are addressed, including how the organization works with stakeholders to steward water as a shared resource, and how it engages with suppliers or customers with significant water-related impacts.
- (g) An explanation of the process for setting any water-related goals and targets that are part of the organization's approach to managing water and effluents, and how they relate to public policy and the local context of each area with water stress
- (h) An overview of water use across the organization's value chain.
- (i) A list of specific catchments where the organization causes significant water-related impacts.

AR 29. When compiling the information about water-stressed area, the reporting organization shall use publicly available and credible tools and methodologies for assessing water stress in an area.

AR 30. When disclosing the indicators of water discharge, undertakings may present the internal standards they may have established for the management of water discharge-related impacts. The undertakings may give a description of any minimum

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standards set for the quality of effluent discharge, and how these minimum standards were determined, including:

- (a) how standards for facilities operating in locations with no local discharge requirements were determined;
- (j) any internally developed water quality standards or guidelines;
- (k) any sector-specific standards considered;
- (l) whether the profile of the receiving waterbody was considered

**Application Requirement to OGUS-7-E3 – Water Withdrawal**

AR 31. The undertaking may follow the table shown below when disclosing information required in DR OGUS 6 – Water Withdrawals.

<b>Water Withdrawals</b>	<b>From water stressed areas</b>	<b>Total</b>
<b>Fresh Water</b>		
Surface water		
Groundwater		
<b>Other water</b>		
Seawater		
Produced water and recycled process wastewater		
Third-party water		

**Application Requirement to OGUS-8 -E3 – Water Discharge**

AR 32. The undertaking may follow the table shown below when disclosing information required in DR OGUS 7 – Water Discharge.

<b>Water Discharge</b>	<b>From water stressed areas</b>	<b>Total</b>
<b>Fresh Water</b>		
Surface water	NA	
Groundwater		
<b>Other water</b>		
Seawater	NA	
Exported to a third-party for treatment and discharge to the environment		
Exported to a third-party for re-cycling and re-use by a third party		

***ESRS E4 - related requirements***

**Application requirements to E4-1 - Transition plan on biodiversity and ecosystems**

AR 33. [TBD].

**Application Requirement to E4-2 - Policies related to biodiversity and ecosystems**

AR 34. [TBD].

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**Application Requirement to E4-3 - Actions and resources related to biodiversity and ecosystems**

AR 35. When describing biodiversity and ecosystems-related actions and the resources allocated to their implementation, the undertaking shall explain how the application of the mitigation hierarchy, if applicable, has resulted in:

- (a) areas protected through avoidance measures or offset measures;
- (m) areas restored through on-site restoration measures or offset measures.

AR 36. The undertaking shall provide examples or case studies of operating areas where it has put biodiversity management activities and adaptive management in place.

**Application Requirement to E4-4 - Targets related to biodiversity and ecosystems**

AR 37. [TBD].

**Application Requirement to E4-5 - Impact metrics related to biodiversity and ecosystems change**

AR 38. [TBD].

***ESRS E5 - related requirements***

**Application Requirements to E5-1 – Action plans and resources in relation to resource use and circular economy**

AR 39. [TBD].

**Application Requirements to E5-2 – Action plans and resources in relation to resource use and circular economy**

AR 40. [TBD].

**Application Requirements to E5-3 – Action plans and resources in relation to resource use and circular economy**

AR 41. [TBD].

**Application Requirements to E5-4 – Resource inflows**

AR 42. [TBD].

***ESRS S1 - related requirements***

**Application Requirement to S1-14 - Health and safety indicators**

AR 43. A Tier 1 process safety event is defined by API RP 754 as an unplanned or uncontrolled loss of primary containment (LOPC) release of any material, including non-toxic and non-flammable materials, such as steam, hot condensate, nitrogen or compressed air, from a process that results in one or more of the following consequences



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AR 44. A Tier 2 process safety event is defined similarly but with less severity than the Tier 1 criteria above. See API RP 754 and IOGP's Report 456 for detailed definitions and guidance.

### **ESRS S3 - related requirements**

#### **Application Requirement to S3-1 – Policies related to affected communities**

AR 45. [TBD].

#### **Application Requirement to S3-2 - Processes for engaging with affected communities about impacts**

AR 46. [TBD].

#### **Application Requirement to S3-3 - Processes to remediate negative impacts and channels for affected communities to raise concerns**

AR 47. [TBD].

#### **Application Requirement to S3-4 - Taking action on material impacts, and approaches to mitigating material risks and pursuing material opportunities related to affected communities, and effectiveness of those actions and approaches**

AR 48. The Undertaking shall calculate the percentage of senior management hired from local communities using data on full-time employees.

AR 49. Senior management hired from the local community includes those individuals either born or who have the legal right to reside indefinitely (such as naturalized citizens or permanent visa holders) in the same geographic market as the operation. The geographical definition of 'local' can include the community surrounding operations, a region within a country, or a country.

#### **Application Requirement to OGUS-9-S3 – Reserves in or Near Areas Of Conflict**

AR 50. The percentage of proved reserves shall be calculated as the amount of proved reserves located in or near areas of conflict divided by the total amount of proved reserves.

AR 51. Active conflict is defined according to the Uppsala Conflict Data Program (UCDP) definition as: a conflict, both state-based and non-state, is deemed to be active if there are at least 25 battle-related deaths per calendar year in one of the conflict's dyads

AR 52. Reserves shall be considered to be in or near an area of active conflict if they are located in the same country as the active conflict.

AR 53. If the undertaking can demonstrate that a conflict is contained to a region, state, or designated area that is not proximate to its reserves, then it may exclude these from the scope of disclosure.

AR 54. If reserves are located in a country, region, or state adjacent to an active conflict and/or can be reasonably expected to be operationally impacted by the conflict, then these reserves shall be included in the scope of disclosure.

AR 55. The undertaking shall follow guidance published by the U.S. Securities and Exchange Commission (SEC) in its Oil and Gas Reporting Modernization (Regulation S-X Section §210.4-10) for the classifying of reserves as proved and probable.

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AR 56. Reserves of oil products shall be reported in millions of barrels.

AR 57. Reserves of natural gas products shall be reported in millions of standard cubic feet.

**Application Requirement to OGUS-10 -S3 - Reserves In Or Near Indigenous Land**

AR 58. The percent of net proved reserves and net probable reserves are to be calculated and reported separately.

AR 59. The percentage of proved reserves shall be calculated as the amount of proved reserves located in or near indigenous land divided by the total amount of proved reserves.

AR 60. The percentage of probable reserves shall be calculated as the amount of probable reserves located in or near indigenous land divided by the total amount of probable reserves.

AR 61. Indigenous lands are considered those occupied by people who self-identify as indigenous, per Article 33 of the United Nations Declaration on the Rights of Indigenous Peoples and the International Labour Organization Convention No. 169, and likely have one or more of the following characteristics based on the working definition of "Indigenous Peoples" adopted by the United Nations:

- (a) Historical continuity with pre-colonial and/or pre-settler societies;
- (n) Strong link to territories and surrounding natural resources;
- (o) Distinct social, economic, or political systems;
- (p) Distinct language, culture, and beliefs;
- (q) Form non-dominant groups of society;
- (r) Resolve to maintain and reproduce ancestral environments and systems as distinctive peoples and communities

AR 62. For the purposes of this disclosure, "near" is defined as within 5 kilometers of the recognized boundary of an area considered to be indigenous land to the location of the undertaking's proven and probable reserves.

AR 63. The undertaking shall follow guidance published by the U.S. Securities and Exchange Commission (SEC) in its Oil and Gas Reporting Modernization (Regulation S-X Section §210.4-10) for the classifying of reserves as proved and probable.

AR 64. Reserves of oil products shall be reported in millions of barrels.

AR 65. Reserves of natural gas products shall be reported in millions of standard cubic feet.

**Application Requirement to OGUS-11-S3 – Respect for Human Rights**

AR 66. When describing the procedures and management of public or private security providers, the undertaking shall refer to training provided on company policies or international standards focused on safeguarding human rights as well as guidelines on the use of physical force and reporting procedures. It may also refer to screening and assessment processes, cost reimbursement and the use of company facilities.

***ESRS G1 - related requirements***

**Application Requirement to G1-2 – Management of relationships with suppliers**

AR 67. Suppliers local to an operation are undertakings operating and registered in the same geographic market as the operation. The geographical definition of 'local' can include the community surrounding operations, a region within a country, or a country.

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AR 68. The Undertaking may describe how the procurement process helps or encourages its first level of suppliers and contractors to source locally.

AR 69. The Undertaking may use case studies to illustrate how its local procurement policies, programmes and procedures are implemented locally, including results and lessons learned.

AR 70. The Undertaking may describe further activities designed to assist supplier development, such as engagement in collaborative groups (e.g. with other companies or chambers of commerce) to promote local enterprise and economic development.

### ***Application Requirement to G1-5 – Political influence and lobbying activities***

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AR 71. When reporting in accordance to paragraph 116e) the undertaking shall calculate financial political contributions in compliance with national accounting rules, where these exist.

### ***Application Requirement to OGUS 12 – Sales to, support received from and payments made to governments***

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AR 72. When reporting in accordance to paragraph 132a) the undertaking shall include:

- (s) volumes and types of oil and gas purchased;
- (t) full names of the buying undertaking(s) and the recipient of the payment;
- (u) payments made for the purchase.

AR 73. When reporting in accordance to paragraph 132d) the undertaking shall include the following revenue streams in the breakdown:

- (v) The host government's production entitlement;
- (w) National state-owned company production;
- (x) Royalties;
- (y) Dividends;
- (z) Bonuses (e.g., signature, discovery, and production bonuses);
- (aa) License fees, rental fees, entry fees; and other considerations for licenses or concessions;
- (bb) Any other significant payments and material benefits to government.

AR 74. The undertaking shall also report the value of any thresholds that have been applied and any other contextual information necessary to understand how the project-level payments to governments reported have been compiled. When reporting in accordance to paragraph 132e) shall include:

- (cc) tax relief and tax credits;
- (dd) subsidies.
- (ee) funds received through the Just Transition Mechanism of the EU;
- (ff) investment grants, research and development grants, and other relevant types of grants;
- (gg) awards;
- (hh) royalty holidays;
- (ii) financial assistance from Export Credit Agencies (ECAs);
- (jj) financial incentives;
- (kk) other financial benefits received or receivable from any government for any operation.

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AR 75. The undertaking shall also reference sources of disclosure for its payments to host governments, where reporting is subject to governmental legal or policy mandates, or EITI requirements.

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## **Appendix C: Sustainability matters**

# Environment

### ***E1: Climate***

#### ***Climate change adaptation***

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The sector is exposed to a range of risks from the current and future climate variability. Those risks may include, for example, reduced window of time for tundra travel due to the permafrost melting, increased lightning strikes in northern latitudes, coastal erosion leading to degradation of barriers, increased storms and wave loading on offshore facilities, changes in precipitation patterns affecting the water management or flooding, and reduced certainty regarding efficiency of equipment. Thorough risk evaluation and assessment as well as working towards resilience across the whole value chain, including surrounding communities and infrastructure, are essential to manage risk and opportunities related to the matters of climate change adaptation.

#### ***Climate change mitigation***

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Sector's GHG emissions, such as CO<sub>2</sub> and CH<sub>4</sub> are major contributor to climate change. Depending on the activity specifics, actions to reduce emissions may cover areas of fugitive methane emissions, flaring of natural gas, but also mitigation of other GHG releases such as N<sub>2</sub>O, HFCs, PFCs, SF or NF. Climate transition efforts for the sector extend across the whole value-chain, including the Scope 3 emissions. Change to a low-carbon economy is linked to multiple aspects of climate change mitigation (emissions management, long-term decline in demand, presence of stranded assets) and investments in renewable energy, technologies to remove CO<sub>2</sub> from the atmosphere, as well as implementation of nature-based solutions, such as reforestation, afforestation, coastal and wetland restoration.

### ***Energy***

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The oil and gas sector represents an energy-intensive industry and hence energy efficiency and savings are essential to the industry's operations. Examples of energy-consuming equipment used within the sector may include boilers, fired heaters, waste incinerators, gas turbines, gas engines and diesel engines. On-site generation of non-fossil energy, new sources of electric power or other non-combustion energy sources can represent an opportunity for managing the energy transition. The energy efficiency and energy consumption factors remain critical matters to be managed to minimise negative climate impacts of the industry.

### ***E2: Pollution***

#### ***Pollution of air***

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Air emissions from oil and gas operations may contribute to local or regional impacts and affect human health, flora and fauna or cultural heritage sites. While the impacts associated with

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greenhouse gas emissions are taken in account as a part of the climate mitigation topic, other significant air pollutants from regular sector activities are relevant to consider and may include, but are not limited to SO<sub>x</sub>, NO<sub>x</sub>, H<sub>2</sub>S, VOCs, PM. Monitoring and management of the impacts related to the air quality, as well as an innovative approaches to improve performance in this regard are significant matters for the industry.

### ***Pollution of water***

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Sector activities may result in water discharges, such as hydrocarbon liquids, acids, biocides or muds. Water contamination can also occur from the injection of drilling fluids into wells and flowback from hydraulic fracturing. Inefficient treatment of water discharges, oil spills from transportation accidents, ruptured pipelines or seepage, or failure of an oil sands tailings dam can cause severe impacts on water quality. Pollution can result from regular activities or can be related to incidental spills and industrial hazards connected to operations, infrastructure decommissioning or abandoned assets. Such incidents, events and catastrophes may result in severe environmental and social consequences and trigger significant financial liabilities, reputational damage and can be especially acute in areas of experienced water stress.

### ***Pollution of soil***

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Activities within the sector can result in release of harmful substance, vibration or other contaminant into sand, silts, shells and gravel, as well as the underlying sediments and groundwater resources. Such pollutants can include cuttings, muds, hydrocarbon liquids or fluids from drilling, as well as non-hydrocarbon substances, which result from regular activities or can be related to incidental spills and industrial hazards connected to operations, infrastructure decommissioning or abandoned assets. Consequent pollution incidents and catastrophes may result in severe environmental and social consequences and trigger significant financial liabilities and reputational damage.

### ***Pollution of living organisms and food resources***

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Living organisms and food resources can be at risk of exposure to potential contamination with pollutants present in the sector's value chain. Hydrocarbon and other types of pollution may negatively impact development of soils and plants and cause severe effects on marine and other living organisms, impacting availability of food resources. Monitoring and management of pollution sources is therefore essential for avoiding negative environmental, social and economic consequences for the industry.

### ***Substances of concern***

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Multiple activities in oil and gas may involve a large range of substances of concern which need to be managed. The use of these substances is currently regulated and overseen under REACH regulation due to their human health and environmental impact.

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### ***Substances of very high concern***

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Certain activities in oil and gas may also involve a large range of substances of very high concern (SVHC) which need to be managed by undertakings. Those substances are currently regulated and overseen under REACH regulation due to their human health and environmental impact.

### ***E3: Water and marine resources***

#### ***Water withdrawals***

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Oil and gas activities have significant impacts on water availability. Specific sector activities may withdraw large water quantities for extraction or processing methods, including the hydraulic fracturing or oil sands mining. The scale of water withdrawals can vary depending on the activity, but reinjection and reuse is playing critical role in minimizing the negative impacts. Given that the large proportion of industrial activities takes place in the areas of high water stress, marked by increased competition for water resources, management of risks along the whole supply chain is essential for the sector to avoid significant environmental and social impacts connected with water availability and quality.

#### ***Water consumption***

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The amounts of water that are not returned to the environment are relevant sustainability matter within the sector and are referred as to consumed water. Impacts related to water consumption within oil and gas industry may refer to water converted to waste, evaporated, transpired, or being polluted to the point of being unusable by other users, which prevents it from being released back to surface water, groundwater, seawater, or a third party over the course of the reporting period.

#### ***Water use***

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Oil and gas sector can use relatively large quantities of water depending on their size and the complexity of the processes. This exposes the undertakings to the risk of reduced water availability, depending on their location, and related costs. Usage of water from water-stressed regions may also create tensions with local communities. Sustainable management of water often require wastewater treatment and disposal, often via on-site wastewater treatment plants before discharge. Reducing water use and contamination through recycling, other water management strategies, and use of non-toxic fracturing fluids could create operational efficiency for companies and lower their operating costs. Such strategies could also minimize the impacts that regulations, water supply shortages, and community-related disruptions have on operations.

#### ***Water discharges in water bodies and in the oceans***

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The oil and gas industry handles large quantities of water, process wastewater and stormwater, which can be then discharged to surface water, groundwater or seawater. These are normally treated to remove contaminants before being discharged, in compliance with regulatory requirements. Subsequent to that, water can be discharged into the receiving waterbody either at the defined discharge points or dispersed in an undefined manner, it also can be authorized or

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unauthorized. The quality of its discharges can have impacts on ecosystems and people. Constituents or measures for discharges may include chemical oxygen demand (COD), sulphides, ammonia, phenols, total suspended solids (TSS), or non-aqueous drilling fluids discharged).

### ***Habitat degradation and intensity of pressure on marine resources***

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Leaks, accidental discharges, pipeline rights-of-way, and open easements over ecologically sensitive land could impact ecosystems in several ways, including natural habitat loss and changes in species movement. Impacts on the habitat degradation and intensity of pressure on marine resources can result also from decommissioning offshore structures when elements that should be removed become part of benthic communities and habitats. In some cases, decommissioning can occur in situ and structures may be left in place. When this happens, impacts can include marine pollution from corrosion, ecosystem changes, damage to fishing equipment, and navigational hazards to shipping.

## ***E4: Biodiversity and ecosystems***

### ***Direct impact drivers of biodiversity loss***

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High impact activities in the sector include, but are not limited to land clearance, seismic testing, drilling of exploration wells, infrastructure establishing, transportation, water and waste discharges, spills and leaks. Such activities may result in contamination of air, soil and water, soil erosion, and sedimentation of waterways, contributing to degradation of biodiversity and ecosystems. Considering that biodiversity-related risks are likely to increase within the sector with progressing resources depletion and moving of activities into new, more remote areas, it is essential to monitor and manage the direct, indirect and cumulative impacts, within both short and long term.

### ***Impacts on the state of species***

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Impacts on the state of species can include animal mortality or increased vulnerability to predators, habitat fragmentation and conversion, as well as the introduction of invasive species and pathogens, land degradation, or soil sealing. Severe effects from activities can be exacerbated when activities occur in protected areas or areas of high biodiversity value and may extend well beyond the closure and rehabilitation of operational sites or geographic boundaries of activities.

### ***Impacts on the extent and condition of ecosystems***

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Due to its multiple potential direct and indicated impacts, sector activities can lead to significant land degradation (e.g. due to pollution) and soil sealing (e.g. due to road construction, increased local economic activity, etc), impacts that occur by same pressures that drive land-use change.

### ***Impacts and dependencies on ecosystem services***

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Sector activities may affect ecosystems' ability to regulate water flow, water quality, and hazards like fires and floods, provide a suitable habitat for pollinators (who in turn provide a service directly to people and economies), and sequester carbon (in terrestrial, freshwater and marine realms).



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Monitoring of direct, indirect and cumulative impacts on biodiversity in long and short term is therefore of essential importance to environment, but is also vital to human health, food security, economic prosperity, and mitigation of climate change and adaptation to its impacts.

## ***E5: Resource and circular economy***

### ***Resources inflows, including resource use***

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The oil and gas sector activities are based on inflow of geologically stored fossil fuels. Optimising resource exploitation, improving resource efficiency and implementing effective ways of materials management are therefore critical to minimize local risks to the environment and communities, as well as improve the cost efficiency. The opportunities for efficient use of materials include renewable and alternative energy generation, implementing responsibly produced materials in supply chain and undertaking circularity measures that aim at reusing or recycling materials (for example, recycling of construction materials, oil regeneration, recycling of plastic waste).

### ***Resource outflows related to products and services***

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Resource outflows refer to materials, products and services coming out of the sector, including petroleum products put on the market and their packaging. Opportunities aimed to enhance circular economy can include prevention of post-consumer waste, design to recycle and all the activities to increase material recirculation and minimise disposal.

### ***Waste***

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Regular activities, development of new facilities, as well as decommissioning of infrastructure typically generates high volumes of waste, including hazardous waste. The waste streams can consist of drilling muds and cuttings, tailings, scale or sludges, which may contain high amounts of pollutants and carry the risks of environment contamination. Waste streams that cannot be reduced, or diverted from disposal, are typically stored, treated or disposed through various methods. Undertaking's infrastructure and approach to waste management is therefore critical to avoid severe environmental impacts.

## **Social**

### ***S1: Own workforce***

#### ***Working conditions***

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The sector's continuous operation results in many jobs having complex shift patterns, including long shifts and/or night shifts, which may create health and safety risks for the workforce. Examples of work that may result in extended shifts include fly-in fly-out arrangements (FIFO) to operational sites or works at marine vessels. Irregular work shifts and schedules, time spent away from families, and potentially limited communication facilities can further impact workers' physical, psychological, and/or social health. The job security is also a concern for the sector, linked to

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potential job loss due to oil price drops or changing business models, including work automation. Organizations in the sector can support workers by planning for a just transition and developing their skills to improve employability in other sectors.

### ***Equal treatment and opportunities for all***

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The required conditions, locations, skills, and types of work associated with the oil and gas sector can be a barrier for entry, hinder employee diversity and result in discrimination. Discriminatory practices can limit access to jobs, as well as lead to inequalities in treatment, remuneration, and benefits. Cases of discrimination in the sector may include race, colour, sex, gender, disability, religion, national extraction, and worker status. Recruitment bias and unequal pay may also create disadvantage for local communities. The sector features significant gender imbalance, showing especially in senior management positions. Limited parental leave, extended work arrangements, social or cultural biases, or specific country-laws preventing women from working in hazardous or arduous occupations may also increase the barriers to job access.

### ***Other work-related rights***

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The sector's business relationships, including relations with state-owned enterprises in countries where violations of human rights occur, may result in incidents of forced labour and modern slavery. Some oil and gas resources are in countries where collective bargaining and trade unions are restricted. Regardless of location, limitations of collective bargaining and trade unions may significantly limit worker representations and result in unfair treatment. In specific conditions, organizations in the oil and gas sector may employ alternative means of worker representation and engagement. Large group in the sector is represented by contract workers, often excluded from collective bargaining agreements and facing less favourable employment and remuneration conditions.

## ***S2: Workers in the value chain***

### ***Working conditions***

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While the sector generates employment across all its value chain, its practices may also be associated with negative impacts, such as disparities in working conditions for contract workers, ineffective labour-management consultations and job insecurity. Outsourcing activities is common in the industry, resulting in reduced labour costs and avoiding collective agreements. It may cause less favourable conditions for contract workers, lower remuneration, less training, higher accident rates, diminished job security, lack of social protection or access to the grievance mechanisms, as well as unequal terms between different groups of workers. Lack of relevant skills, knowledge, or accessible training programs may also restrict local communities from accessing employment opportunities created by the sector.

### ***Equal treatment and opportunities for all***

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The conditions, locations, necessary skills, and types of work associated with the oil and gas sector can be a barrier for entry, hinder employee diversity, and result in discrimination. Discriminatory

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practices can impede access to jobs and career development, as well as lead to inequalities in treatment, remuneration, and benefits. Documented cases of discrimination in the oil and gas sector concern race, color, sex, gender, disability, religion, national extraction, and worker status. The sector's widespread use of contract workers, often with differing terms of employment, can also be conducive to discrimination.

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### ***Other work-related rights***

The sector is exposed to risks of violations of human rights and other ways of exploitation in its supply chain, which may include organizations that operate in the countries with low rates of enforcement of human rights. Activities at risk can include work at oil fields and offshore platforms, such as in catering, cleaning, construction, maintenance and waste management, as well as in marine and land transportation activities. Operations aboard ships registered in countries other than the country of the ship's beneficial owner may create increased risks of human rights violations linked to external crewing companies and obscured accountability. Offshore work may bring risk of forced labour due to isolated locations and challenges in enforcing appropriate measures. Selection of suppliers using social criteria is essential to mitigate negative impacts.

### ***S3: Affected communities***

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#### ***Communities' economic, social and cultural rights***

The sector positive impacts may include investment and income for local communities, local employment and procurement, community education and training, leading to increased purchasing power and local business development. Depending on the organization practices, the industry can also cause negative impacts related to potential economic disparities, increased dependence of local suppliers and vulnerability of local groups. For example, an influx of external workers may increase pressure on housing, infrastructure and public services. Local communities may also need to cope with environmental legacy costs of sector activities. The transition to a low-carbon economy is expected to decrease the activity in the oil and gas, making communities that depend on the sector more vulnerable to the resulting economic downturn.

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#### ***Communities' civil and political rights***

Oil and gas activities may trigger local conflict or intensify existing ones, especially in the areas characterized by social and political instability. Possible causes to conflicts may include negative environmental impacts, inadequate engagement of stakeholders and indigenous people in decision-making, uneven or disproportionate distribution of economic benefits or disputes over the use of land and natural resources. Such conflict can heighten the need to engage security personnel, increasing the risks for violations of human rights, such as the rights to freedom of association and freedom of speech, as well as lead to violence, injuries, or deaths. Organizations in the sector have responsibility to ensure security practices consistent with protection of human rights and facilitating communication to address the sources of conflict.

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### ***Particular rights of indigenous communities***

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Sector's proximity to communities can present economic opportunities and benefits for indigenous peoples through employment, training, and community development programs. However, it can also disrupt indigenous peoples' cultural, spiritual, and economic ties to their lands or natural environments, on which they may be dependent. Sector's activities may risk compromising indigenous peoples' social cohesion, rights, safety and well-being, cause displacement or limit access to water for those communities. Some negative impacts may affect indigenous women more severely than men. Indigenous peoples have often a special legal status and before initiating development on lands or resources that indigenous peoples use or own, organizations are expected to seek free, prior, and informed consent (FPIC).

## Governance

### ***G1: Business conduct***

#### ***Corporate culture***

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Given the wide sustainability impacts of oil and gas sector, as well as its dynamics and complexity, a system of shared values and norms are essential to provide a clear expectation on behaviours for stakeholders across the whole value chain. The corporate culture is essential to manage the risks related to governance and it typically envelops code of conduct and ethics within the organization, policies related to dialogue with stakeholders, as well as the governance bodies influencing organization.

#### ***Political engagement and lobbying activities***

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The oil and gas sector can exert significant influence on government policies and is among the sectors with the largest lobbying expenditures. In regions where activities generate significant revenues, organizations in the sector may obtain better representation amongst government representatives and increased power over public policy decisions. Strong political influence creates risks of disruption to the policies and regulations, unequal distribution of governmental subsidies or setting commodity prices that do not reflect the full costs of products. Monitoring and management of political engagement of the sector is essential for effective allocation of national resources towards the low-carbon economy transition, sustainable development and decreasing dependence on the fossil fuels.

#### ***Management of relationships with suppliers including payment practices***

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Organizations in the oil and gas sector deal with many complex financial transactions, including payments to suppliers and governments. The fair behaviour with suppliers is essential to avoid supply chain disruption, especially in context of dealing with small and medium enterprises, which can be particularly vulnerable to late payments. Transparency of payments to governments, reporting country-level and project-level payments can also help distinguish the economic importance of the oil and gas sector to countries, enable public debate, and inform government

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decision-making. It can also enable governments to address tax avoidance and evasion, correct information asymmetry and level the playing field for governments when negotiating contracts.

### ***Corruption and bribery***

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Corruption in the oil and gas sector can occur throughout the value chain and has been linked to various negative impacts, such as misallocation of resources revenues, damage to the environment, abuse of democracy and human rights, and political instability. Due to its characteristics of interactions and complexity of financial transactions, the oil and gas sector faces higher risks of corruption in comparison with other sectors. To combat corruption and prevent the negative impacts that stem from it, organizations in the oil and gas sector are expected by the marketplace, international norms, and stakeholders to demonstrate their adherence to integrity, governance, and responsible business practices. Responsible business conduct of the sector also includes the anti-competitive behaviour practices as well as beneficial ownership.

### ***Risk management and internal control processes***

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Risk management is viewed as the process of identifying possible significant incidents to the undertaking, and implementing processes to reduce and / or eliminate material impacts. Such tools should be used in extractive industries to prevent and / or mitigate significant incidents from occurring.