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## Summary of the sector community feedback Issues paper

### Objective

1. This document summarises the key themes of feedback received from the stakeholders during the outreach carried out in 2024.

### Background

2. The EFRAG Secretariat shared its updated working documents with Oil and Gas Sector Community to request feedback. The package of documents provided to the community consisted of four draft documents: Working Paper Oil and Gas ESRS (1), Comparison of changes (2), Basis for Conclusions (3), as well as Community Survey (4). The request for feedback included a briefing event 23 January 2024 and the deadline for feedback was 16 February 2024.
3. Industry associations, individual preparers, CSOs, institutional investor body, academics, as well as entities providing services for oil and gas industry provided feedback and numbered more than 200 comments from stakeholders. When needed, follow-up meetings were organised to discuss the feedback in detail. Feedback was also provided during the educational meeting with EFRAG SR TEG and SRB.
4. **The objective of the feedback request was to leverage to the maximum extent the expertise of stakeholders in sector community, identify red flags and main areas of concern, and report these findings back to the EFRAG SR TEG for further decisions. Following the feedback received, EFRAG Secretariat improved clarity of the draft and identified key areas of feedback that received divergent views.**
5. **In respect to the due process, EFRAG Secretariat did not act on introducing substantial changes to the content approved by EFRAG SR TEG in 2023. The key comments to the standard technical aspects were instead summarised and discussed with TEG on 6 June 2024, which resulted in a number of modifications agreed and described in Paper 05-01.**
6. This paper is intended to provide a summary of feedback and therefore may not reflect the full details of every comment received.

### Summary of respondents' views

7. With regards to **methane reporting**, out of four stakeholders, two (NGO and institutional investor body) proposed to extend the reporting aspects of the standard, suggesting additional requirements related with OGMP 2.0 compliance, methane targets and disclosures on methane emissions strategy. Two stakeholders (preparer and industry association) highlighted that methane disclosures are already made by the sector under other more appropriate frameworks and including them in sustainability reporting will carry a risk of reports becoming obscured by non-material information.

- *The EFRAG Secretariat recognises potential split views from stakeholders on the topic of methane reporting and recommends investigating this matter in depth during the public consultation.*
8. One out of four stakeholders, two (preparer and industry association) disagreed with **the site-specific disclosures** on the basis that the volume of information generated will not help users to understand the information or its relative importance. A preparer agreed with the principle, as aligned with GRI 11. An NGO highlighted the importance of site-specific disclosures and project-level information, to governments and local communities. Three stakeholders requested further clarification and improvements on the requirements of the disclosure related to the mapping of operational sites and understanding of the ‘top 20 sites’.
- *Only for selected disclosure by-site information is proposed in the ED, in addition to the list of major sites in OG 1. At the same time, Secretariat recognises potential split views from stakeholders on the topic of site-specific disclosures and recommends investigating this matter in depth during the public consultation.*
9. With regards to the **reporting boundaries**, out of seven respondents who commented on the topic, four stakeholders were against the provision proposed in the standard that requires to explicitly describe the adopted approach to consolidating reported data across E, S and G disclosures. According to the feedback received from one preparer and one auditor, given the complexity of the sector, it would be advisable to adopt a common definition of the reporting boundary that allows for more comparability between different undertakings. Three responders (preparer, industry association, academic) welcomed the proposition in the standard, acknowledging that it offers desired flexibility to the sector. One responder (business advisory) remarked that the current version falls short in addressing the diverse nature of the industry. Additionally, one responder (NGO) requested to explicitly include Non-Operated Joint Ventures (NOJV) within the scope of boundaries.
- *The EFRAG Secretariat considers that IG 2 covers already this issue.*
10. Five stakeholders (two preparers, two NGOs, one industry association) commented on the proposed, **principle-based definition of ‘near’** in the standard. The feedback highlighted unanimously that the definition introduces a significant degree of interpretation, may lead to ambiguity and reduced comparability.
- *Including a quantitative threshold results in the risk of an arbitrary result. In general, bright lines are avoided in standard setting. Acknowledging that the principle-based approach to the definition of ‘near’ was agreed during the TEG meeting on 16 January 2023, EFRAG Secretariat did not implement changes in this matter.*
11. One stakeholder (industry association) commented that metrics related to financial information (**CAPEX, OPEX, green Research and Development (RnD)**) should be defined with reference to the relevant line item in the undertaking’s financial statements, rather than the EU Taxonomy. The stakeholder remarked that the EU Taxonomy definitions of revenue, CAPEX and OPEX differ from IFRS and are not easily reconciled to the financial statements, which makes them less valuable for users. The stakeholder advocated for consistency with the financial statements to promote better integration of financial and sustainability information. With respect to the transition planning, the same stakeholder proposed that the standard takes a flexible approach by allowing company to set out its CAPEX and its proportion allocated to transition activity. Two stakeholders (preparers) requested to further qualify the ‘green RnD’ definition.
- *With regards to green R&D, EFRAG Secretariat proposed the change of name to transition-related R&D expenditures and provided a provision that allows the undertakings to disclose its definition of these expenditures.*

- *With regards to the CAPEX, EFRAG Secretariat acknowledges that the approach to defining CAPEX is stemming from the SRB discussion and therefore did not implement changes in this matter.*
12. One stakeholder (institutional investor body) highlighted the importance of **forward-looking metrics** related to oil and gas production, as an information needed for the investors to compare growth assumptions and climate scenarios and understand the risk profile of capital investment.
- *The EFRAG Secretariat did not include additional datapoints in this phase. If this point arises again in the public consultation, it will be discussed.*
13. With regards to the **Scope 3 emissions**, one stakeholder (institutional investor body) advocated for including the disclosures on the contribution of customer actions to the medium- and long-term emission targets, as well as clearly set out strategy for customer actions. The same stakeholder recommended to include Scope 3, Category 1 (purchased goods and services) as a high priority, as a particularly material source of emissions for integrated companies that purchase and sell third party produced oil and gas products, as well as advocated to consider emission Categories 4 and 9. Two stakeholders expressed their support for the inclusion of targets related to Category 11, while two others were opposed to their inclusion, signalling that companies are unable to dictate how end-use customers use their products.
- *Based on the feedback in 2023 and 2024, EFRAG Secretariat recognises potential split views from stakeholders on the topic of different categories of Scope 3 reporting and recommends investigating this matter in depth during the public consultation.*
14. One stakeholder (business association) explained that the disclosure related to **financial effects of closure of assets** is concerning information already disclosed elsewhere by the sector and it carries the risks of reporting becoming obscured by non-material information. One stakeholder (preparer) requested clarification on the potential write-off situations that do not meet the accounting recognition criteria.
- *Clarifications to be provided in the basis for conclusions.*
15. Two stakeholders (preparer and industry association) highlighted the challenge of disclosing **locked-in emissions**, given that methodologies for calculating locked-in emissions are under development and there is not yet a widely accepted approach. One stakeholder (institutional investor body) highlighted the usefulness of disclosure on locked-in emissions.
- *EFRAG Secretariat acknowledges the feedback and will investigate the possible ways to non-authoritatively facilitate the disclosure on locked-in emission.*
16. One stakeholder (NGO) requested to reinstate the **EITI reference** in the standard disclosure on oil and gas reserves, as it is directly concerned with the extractive industries.
- *Considering the feedback received in 2023, EFRAG Secretariat recognises potential split views from stakeholders on this topic recommends investigating this matter in depth during the public consultation.*
17. Two stakeholders (NGO, preparer) commented on the **definition of affected communities**. It was considered broad, and one respondent suggested that undertakings should define and describe their definition which is aligned to GRI.
- *EFRAG Secretariat considers that a question should be included in the public consultation on this regard given that pros and cons could be observed if entity-specific definitions are used, and comparability is reduced.*

18. Two stakeholders (business organisation, consultant) expressed that it was critical to **update the definitions of human rights and environmental defenders and active conflict areas** as the latter could be considered out-of-date in a short timeframe.
- *EFRAG Secretariat following further feedback from SR TEG changed the concept of active conflict for conflict-affected or high-risk areas with a definition in the glossary. The definition of human rights and environmental defenders was moved to the glossary.*
19. One stakeholder (NGO) highlighted the relevance and strong support towards the **governance disclosures** on transparency about government contracts, beneficial ownership, political influence and lobbying activities. However, some other stakeholders (preparers) disagreed with the proposals on transparency of contracts and beneficial ownership. On the former, there seem to be a concern that the details of contracts have to be provided in the sustainability statement. Concerns about the link between beneficial ownership and corruption similar to those expressed by the SRB were mentioned.
- *The EFRAG Secretariat considers that these topics are very important in the fight against corruption. However, it acknowledges the concerns around beneficial ownership specifically and recommends consulting on this matter during the public consultation. Please refer to Appendix 1 of this document for further information, specifically the ECJ decision on the topic in the context of money laundering.*
20. Two stakeholders (industry association and preparer) provided feedback with regards to the **cybersecurity**. One stakeholder (preparer) expressed support for the disclosure requirement in a form limited to reporting the incidents that have been made public. One stakeholder (industry association) flagged public practices of reporting this topic in the management report, signalling that such reporting is not limited to the oil and gas sector.
- *EFRAG Secretariat recommends investigating this matter in depth during the public consultation. Please refer to Appendix 2 for considerations on this topic. The EFRAG Secretariat also considers that in the context of feedback by SR TEG that the metrics may be replaced by requiring information about training to governance bodies as well as workforce. However, this was not evaluated by SR TEG.*
21. Three stakeholders (two preparers and one business advisory) commented on possible improvements to the **standard architecture** and possible improvements to the readability, i.e. by putting more emphasis on interconnections between different topics or avoiding cross-references inside the standard.
- *EFRAG Secretariat took into consideration the comments and proposed improvements to the standard architecture.*
22. Six stakeholders (one preparer, two NGOs, one institutional investor body, two business providers) commented on **sustainability matters narrative descriptions** in the standard. Majority of commenters considered the description as overall comprehensive. Detailed comments and improvements on wording were suggested to be implemented. One stakeholder proposed to add additional list of sustainability matters (Price fluctuations and market uncertainties, Safety and regulatory compliance, Lack of customer understanding of complex processes and technical aspects, Environmental concerns and sustainability, Fair and Equitable Employment Practices, Lack of Innovation and Continuous Improvement, High Turnover Rates, Health and Safety Risks in Remote Locations, Accidents and Injuries from Physical Demands and Machinery, Safety Hazards, Decreased Productivity).
- *EFRAG Secretariat took into consideration the suggestions and improved the descriptions of sustainability matters.*
23. One stakeholder (business association) commented on activity metrics related to **EBA Pillar 3 ITS Template** highlighting that it is not clear whether contextualizing information by NACE

## OG: Sector community feedback

codes can be helpful and suggesting a careful review. One stakeholder (preparer) requested to clarify whether disclosures are gross or net.

- EFRAG Secretariat took into consideration the suggestions and intends to improve the activity metrics related to EBA Pillar 3 ITS Template based on the future feedback from financial institutions.
24. One stakeholder highlighted that draft standard risks obscuring material information with non-material due to number of requirements and granularity. The respondent warned about the need for consistency with approach of GHG Protocol, ISSB and SEC reporting.
- *To improve the clarity, EFRAG Secretariat proposed Appendix C. At the same time, it is envisaged to work on the appropriate mappings and correspondence tables to facilitate the integration with third party standards.*

## Appendix 1: Beneficial ownership and other G topics

### Objective

1. The objective of this Appendix is to provide the SRB with the **summary of the research** on the topic of “beneficial ownership” as sustainability matter related to its decisions on the OG ED.
2. During the previous discussions on the Oil and Mining EDs, the following concerns were expressed:
  - (a) There was too much focus on corruption-related aspects; and
  - (b) There was overlap with requirements in the Accounting Directive designed to cover the same topic.

### Background

3. During the initial discussions with the sector communities, the Secretariat received strong feedback about the importance of the [EITI](#) (Extractive industry transparency initiative) recommendations for Governance as a sustainability topic.
4. This topics under consideration:
  - (a) Contract transparency for contracts with government.
  - (b) Purchases from governments; and
  - (c) Beneficial ownership.
5. The fourth topic, namely ‘payments to government’ is already covered by article 43 of the Accounting Directive for amounts above EUR 100 000 within a financial year and so removed from a previous version of the ED. Please note that while this sounds similar to ‘purchases from governments or agencies’, it is not explicitly mentioned by the directive and is dealt with separately by both EITI, GRI. IPIECA (a global oil and gas association for advancing environmental and social performance across the energy transition) includes this with payments to governments in its standard.
6. These disclosures form part of **GRI’s sector requirements** as well as required by **EITI** in its [2023 standard](#). The EITI standard place requirements on implementing countries for disclosures rather than the undertakings in these sectors. However, other initiatives such as IPIECA emphasises and requires reporting compliance with EITI.

### IPIECA

7. IPIECA’s chapter on *Governance and business ethics* explains the concerns around the need for transparency as follows: “Transparency is an important part of demonstrating ethical practice, particularly for revenue payments to host governments, advocacy or lobbying. Oil and gas companies contribute large sums of money to the economies of host governments. However, a lack of transparency can mask how that wealth is distributed, making it hard to see how revenues benefit a country and its communities – an effect that contributes to what is known as the ‘resource curse’.”

### Further research

8. Given the concerns mentioned above, the EFRAG Secretariat conducted further research, however, this kind of research (similar to research on fraud), is always hampered by the need to conceal the actions and therefore the extent of the problem.

## Beneficial ownership

9. Transparency International contacted EFRAG after the release of the draft set 1 ESRS expressing their concern about the omission of the topic Beneficial Ownership in ESRS G1 *Business conduct*.
10. Transparency international notes the following on the topic<sup>1</sup>:
- (a) It is easy for criminals to hide when companies do not have to state their beneficial owners, i.e., the real person who benefits from it. Without information, it is much harder for investigative journalists and law enforcement to detect wrongdoing and follow the money.
  - (b) Anonymous companies and trusts used to hide the identity of the person at the source of the funds, become vehicles to launder and transfer stolen money, or to operationalise corrupt deals. These companies and offshore accounts pay bribes and buy influence. Anonymity and secrecy also make it easier for the corrupt to use dirty money to purchase properties and other luxury goods at home and abroad.
  - (c) In 2016, the Panama Papers shed light on the wide use of this practice – more than 140 public officials were using more than 214,000 offshore entities to hide the ownership of assets.
  - (d) Transparency in ownership structures build trust in business transactions as it allows stakeholders to identify the true owners and decision-makers behind corporations. Fostering trust among investors, business partners, and consumers in turn creates a stable and ethical business environment.
  - (e) Beneficial ownership data aids in identifying and mitigating corruption risks related to partners, suppliers, and third parties, thereby facilitating anti-corruption assessments and compliance. Business partner, supplier and vendor due diligence requires beneficial ownership data. This information helps firms analyse and minimise supply chain risks, supporting responsible business.
  - (f) Partner, supplier, and third-party ownership structures are essential for thorough human rights assessments. Beneficial ownership data enables organisations to identify potential human rights risks and implement suitable mitigation measures.

### *The link between corruption and beneficial ownership*

11. United Nations Convention against Corruption (UNCAC) in its [briefing note](#) on the topic notes that “The vast majority of grand corruption cases involve the use of shell companies and other opaque and complex corporate vehicles” while referring to a [publication](#) of the Stolen Asset Recover Initiative (StAR) of the World Bank. The World Bank’s publication “[Enhancing Government Effectiveness and Transparency – the fight against corruption](#)” devotes a chapter to the need for transparency on beneficial ownership.

### *Summit for Democracy Commitment on Beneficial Ownership and Misuse of Legal persons*

12. In the 2023<sup>2</sup> release on the above summit, several governments stated their concerns “that corruption undermines democratic institutions, the rule of law, effective governance, public trust, stability, economic prosperity for all, and business growth and innovation, reaffirm our determination to safeguard our communities from corruption in all of its forms.

“We recognize the increasingly transnational nature of corruption, and that the misuse of opaque corporate structures and legal persons, ... enables corrupt officials ... to move, hide, and transfer assets to conceal unlawful activity. We therefore commit to enhancing beneficial ownership transparency, to make it more difficult for corrupt actors to conceal their identities, assets, and criminal activities through the misuse of opaque corporate structures and legal persons. We commit to effectively implement the revised Financial Action Task

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<sup>1</sup> <https://www.transparency.org/en/our-priorities/dirty-money>

<sup>2</sup> <https://www.state.gov/summit-for-democracy-commitment-on-beneficial-ownership-and-misuse-of-legal-persons/>

Force (FATF) standard on transparency and beneficial ownership of legal persons set forth in FATF Recommendation 24.”

13. Signatories from the EU include Austria, Belgium, Bulgaria, Croatia, Denmark, Germany, Greece, Latvia, Luxembourg, Malta, Netherlands, Slovakia, Slovenia, Spain and Sweden.

#### *Other frameworks*

14. EITI encourages implementing countries to maintain a publicly available register but requires such countries to request (and companies are required to publicly disclose) beneficial ownership information. This applies for those corporates that “apply for or hold a participating interest in an exploration or production oil, gas or mining license or contract and must include the identity(ies) of their beneficial owner(s); the level of ownership; and details about how ownership or control is exerted.” The information should include the name, nationality, country of residence and identify any politically exposed persons.
15. GRI notes in the 2021 OG sector standard that “Lack of transparency about ownership structures can make it difficult to determine who benefits from financial transactions in the oil and gas sector. Beneficial ownership transparency has been identified as a significant opportunity to deter conflicts of interest, corruption, and tax avoidance and evasion.”<sup>3</sup>
16. GRI requires that the organisation’s beneficial owners are listed and an explanation about how it identifies the beneficial owners of business partners, including joint ventures and suppliers.

#### *European Court of Justice November 2022 decision*

17. In November 2022, the ECJ<sup>4</sup> found that the provision in the Anti-money-laundering directive whereby the information on the beneficial ownership of companies incorporated within the territory of the Member States is accessible in all cases to any member of the general public is invalid.
18. Some consider that the ruling was specific to money laundering. The judges analysed the stated objectives of the Directive and reached the conclusion that to achieve these, public disclosure was not justified in all cases. However, the ruling acknowledged that public access to beneficial ownership information would be acceptable when companies’ link with public institutions / public funds was established, for example. The judges were also clear that the protection of privacy is not a given and needs to be balanced with public interest. Therefore, analysing the specific objectives of having information available would be very important.
19. Balancing the legal position and the above findings, the SRB may want to consider consulting on the inclusion of the metric datapoint under OG 13. However, the EFRAG Secretariat notes that there is no doubts on the PAT paragraph in the context of this decision.

## **Other related G-topics in OG standard**

### **Purchases from the state**

#### *OECD*

20. Empirical evidence shows that high politicisation, discretionary power in decision-making processes and inadequate governance arrangements increase the risks in the extractive sector for favouritism, political capture and interference, conflict of interest, bribery, and corrupt practices. The OECD considers revenue collection from public officials as a major risk factor that undermine the prevention of corruption. It also notes that financial

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<sup>3</sup> Extractives Industries Transparency Initiative (EITI), *Disclosing beneficial ownership: The key to fighting corruption*, 2017. Financial Action Task Force, *FATF guidance: Politically exposed persons (recommendations 12 and 22)*, 2013.

<sup>4</sup> <https://curia.europa.eu/jcms/upload/docs/application/pdf/2022-11/cp220188en.pdf>



institutions expect clients to share more information demonstrating commitment to anti-corruption, which includes, reporting on purchases from the state.

21. The OECD highlights the difficulty to reconcile useful, comparable data for requirements under EITI 4.2. Information is uneven in detail and quality. The difficulty to collect data on purchases from governments highlights the lack of transparency in the area and the limited enforcement powers undermine efforts towards transparency and accountability.

*World bank*

22. The World Bank wants to promote transparency in revenue collection to build action against corruption and suggests that efforts should be made in line with EITI initiative. In 2020, the World Bank's Extractives Global Programmatic Support (EGPS) published an article committing to accelerate the implementation of the EITI standard. The EGPS supports that all aspects of each EITI requirement should be implemented, and the broader objectives should be fulfilled. Through this commitment, and in the absence of exceptions, the World Bank encourages the implementation of the requirements under section 4.2 of the 2019 EITI standards.
23. The requirement affects many aspects covered by Article 43 of the Accounting Directive, but also goes beyond these legal requirements in Europe and promotes disclosures regarding purchases from governments.

*Natural Resource Governance Institute*

24. The Natural Resource Governance Institute (NRGI) in its Resource Governance Index, assess how oil-producing countries perform with respect to corruption risks that arise from the conduct of state-owned companies. Given the challenges identified in relation to oil and gas, and the physical quantity that these companies have available to sell, the NRGI encourages companies that purchase these physical commodities to improve transparency. It highlighted in a 2016 publication<sup>5</sup> that the collection and transfer of revenues from oil and gas sales by state-owned companies may carry corruption risks.
25. It notes that the revenues collected may take a "circuitous route" and some portions of the revenue can be misdirected along the way. It also highlighted that previously government associated entities have spent sales proceeds "off-budget", avoiding the checks and balances of the budgetary system.
26. Similarly, studies by civil society organisations and research institutes show many risks in the process by which governments and related entities sell their oil and gas. This include the selection of buyers and allocation of sales contracts, where the officials may be bribed and thus that the buying company selection is arbitrary, with the purpose of facilitating corruption and/or bribery. In sales transactions and collection of revenues, there is risks of revenue leakages and no public knowledge about such payments to the government.
27. The NRGI highlights the positive impact of EITI's as members of the public are more informed about the financial contribution of these transactions. However, consistency of the data needs to be improved to ensure that it can be properly analysed.
28. The NRGI explicitly mentions that there should be more transparency in terms of selection of buyers, determining the price and volume sold, the transfer of revenues from the state-owned company to other parts of the government. Even though this information is required at country-level, more transparency is needed by companies to promote overall commitment to anti-corruption.

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<sup>5</sup> "[Initial Evidence](#) of Corruption Risks in Governance Oil and Gas Sales"

*UK Anti-corruption Summit 2016*

29. At the May 2016 anti-corruption summit hosted by the UK government, eleven countries and the European Commission committed to “enhance company disclosure” of payments to governments for the purchase of oil, gas, and minerals. The statement of the European Commission welcomed voluntary disclosures through EITI reporting.
30. The commitment of several countries to promote transparency on revenue collection in the extractive sector reflects the ongoing efforts to ameliorate data reporting in the field and tackling challenges beyond the ones already covered in current regulation and legislation (e.g., Accounting Directive 2013).

*Academic Research*

31. The growth of SOE’s and the strengthened link between politics and the oil industry, may play a role in preventing corruption and bribery.
32. One of the main concerns on publicly disclosing contractual information in the extractive industry surrounds the confidentiality of technical information and trade secrets. To this end, the following information is relevant:
  - (a) Given the nature of the extractive industry, and the challenges to face corruption, it is globally accepted that transparency is a necessary factor in this industry. The trends in petroleum industry are inclined towards transparency as the principle and confidentiality as the exception to the principle.
  - (b) Countries, in its own national jurisdiction, can establish limits to freedom of information and transparency with national laws. In the European Union, the *Directive (EU) 2016/943 of the European Parliament and of the Council of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure* aims to protect trade secrets and technical information for competition purposes.
  - (c) The European Directive, and other relevant EU regulation, does not explicitly include purchases from the State (name of buyer, name of seller, volume of purchases, revenues received) as information subject to strict confidentiality. Only the information which has been stipulated in the regulations is entitled to be confidential and the remainder is subject to transparency regardless of being inherently private or not.
  - (d) The difficulty recognising what kind of information is bound to strict confidentiality allows confidentiality in contracts with governments to be construed narrowly.
33. To this end, in most cases, legislation or mutual consent can supersede confidentiality clauses. In general terms, confidentiality clauses in the extractive industry do not expressly forbid contract disclosure.

**Transparency on contracts with governments**

34. Disclosure of contract transparency with governments is explicitly required by GRI and the EITI standards. Moreover, it is promoted by many organisations. The EFRAG Secretariat notes that the proposed requirement focuses on the level of transparency around these and not the detailed contracts or contractual terms.

*World Bank*

35. The World Bank promotes and carries out educational activities and informative sessions to enhance the transparency requirements by EITI standards.
36. The World Bank noted that in both wealthy and developing countries, public contracting had been identified as the government activity most vulnerable to corruption. Examples of

corruption due to inefficiency and mismanagement of public contracting include the following:

- (a) 2006 U.S. congressional publication reported significant overcharges, wasteful spending, and mismanagement in federal contracts in the amount of US\$745 billion;
- (b) in 2011, India's State Auditor found significant contracting irregularities in the country's telecommunications sector and in the preparation of the 2010 Commonwealth Games amounting to billions of dollars;
- (c) and in the 2010s, the Democratic Republic of Congo, lost an estimated \$1.3 billion across five mining deals alone due to failings related to the contracting process—an amount twice the annual budget on education and health).

#### *Natural Resource Governance Institute*

- 37. The NRGi notes that the publication of contracts benefits all stakeholders. This reduces the risk that negligence or corruption will have adverse environmental and social impacts and yields benefits for both the private sector and the government.
- 38. One of the main arguments against contract transparency stems from confidentiality implications. Confidentiality regarding contracts in the extractive industry come from a long-lasting industry practice. The contracts were initially purely commercial contracts with confidentiality clauses. This practice of secrecy has persevered in most oil- and mineral-rich countries.
- 39. However, NRGi notes that oil contracts are unlikely to contain commercially sensitive information. This is because it is common that oil contracts are often signed by consortiums of companies. Given that these companies may change over time, it is unlikely that trade secrets are included in the contracts.
- 40. Advocating for government contract transparency may minimise inappropriate contract terms, as stated by the Expert Group on Preventing Corruption in Transition Minerals in 2022. This is because contracts subject to public scrutiny incentivise careful drafting.
- 41. For example, NRGi along with several researchers in 2021, pointed out that due to contract transparency, “stabilization, force majeure, and arbitration” will be reconsidered to enable states to address climate change risks and the need for climate policy action in contracts.

#### *Other frameworks*

- 42. As mentioned above, these requirements are found in EITI, GRI and IPIECA.

#### **Lobbying**

- 43. The Secretariat also notes the following comments on lobbying and political information in the same IPIECA chapter: “Business can have an influence through their participation in public policy debates and legislative developments. Engagement of this sort, either directly or through trade associations, is both legitimate and necessary. Transparency regarding a company's political engagement and financial contributions (when permitted) is an important part of maintaining trust with many stakeholders. It is good practice to discuss your position on advocacy and lobbying in your report, including your position on particular issues.”

## Appendix 2: Cybersecurity as sustainability matter

### Objective

1. The objective of this Appendix is to provide the SRB with the **summary of the research** on the topic of “cybersecurity” as sustainability matter related to its decisions on the OG ED.

### Introduction

2. **Cybersecurity is inherent to technological progress** and increases in importance as communities increasingly embrace technology as an enabler for social and economic development. The digital transformation<sup>6</sup> has been accelerated by the COVID 19 pandemic and new technologies. This has also **increased the related risks**.
3. Cybersecurity addresses security concerns in “cyber space” but **a common understanding is absent** due to a lack of definitions, the varying domains covered and fragmented regulation.

### Key cybersecurity issues

4. The World Economic Forum’s [Global Risks Report 2024](#) ranks cyber insecurity as the fourth highest risk to business over a 2-year period. The **threats and risks** include ransomware, data breaches, supply chain attacks and foreign information manipulation and interference. The WEF also considers this industry as a critical infrastructure sector.
5. The **impacts** of cybercrime include: (i) financial costs (such as operational interruptions, technical/legal costs, indirect due to reputational damage and IP theft); (ii) environmental (pollution and vulnerability of digital applications for decarbonization, CO2 reduction and circular economy); (iii) social (data leak, product, service and occupational health safety etc.) and (iv) governance (non-compliance, risk management, capacity building).

### Why is cybersecurity relevant to sustainability?

6. Cybersecurity is important for sustainability as it reduces waste and keeps green systems operational despite disruptions. Here are five ways cybersecurity excels in achieving these eco-friendly objectives:
  - (a) Cybersecurity enables sustainability as it ensures the stability of the transition to new green technologies and is essential to data collection and monitoring environmental analytics that inform change;
  - (b) Cybersecurity keeps societies stable, for example, if a cyberattack jeopardizes the output of a micro solar grid, cutting power to communities the effects can be far reaching; and
  - (c) It reduces waste by keeping systems protected, e.g. the NotPetya ransomware attack on Maersk affected its global supply chain resulting in significant delays thus wasting resources including labour and fuel.

### *Environmental considerations*

7. In 2021, [a water treatment plant in Florida](#) was hacked, enabling the change of chemical levels of the water supply remotely<sup>7</sup>. Most plans for decarbonization, CO2 reduction and circular economy rely on digital transformation and the application of smart technologies and automated systems that monitor and manage these.

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<sup>6</sup> Organisations have accelerated the digitalisation of their assets, internal operations, customer and supply chain interaction, and introduced teleworking.

<sup>7</sup> Similar attacks on water and wastewater treatment plants have also occurred in the US, Australia, and Israel. <https://www.sustainability.com/thinking/the-rising-role-of-cybersecurity-in-esg-and-how-companies-are-taking-action/>

### *Social considerations*

8. These include the well-known topics of data protection and data privacy, product and service safety (especially in the context of the rise in smart technologies). Cyberattacks can disrupt, critical healthcare, transportation and emergency services (US pacemakers and others<sup>8</sup>). Occupational health and safety implications include an unexpected shutdown of safety systems, causing serious accidents including injuries and fatalities<sup>9</sup>. It also includes ethical data usage by algorithms and machine learning, protection of freedom of speech and expression as well as raising cyber awareness and literacy across the workforce, the consumer base and supplier ecosystem.

### *Governance considerations*

9. These include compliance with emerging regulations, safeguarding accurate ESG compensation models and ESG reporting. It forms part of the board's responsibility to identify, evaluate and mitigate risks within risk appetite. It also determines the appropriate investments in cyber security.

## **Regulation, standards and frameworks**

### *Accounting Directive, CSRD and Set 1 of ESRS*

10. **Cybersecurity is critical to the EU** as reflected in its 2020 EU Cybersecurity Strategy. Key regulations are the 2019 Cybersecurity Act, the Cyber Resilience Act<sup>10</sup> and the Network and Information Systems Directive. Annex 1 of latter identifies OG as a 'sector of high criticality'.
11. In contrast, the topic of cybersecurity is not explicitly addressed by the CSRD or the Accounting Directive. However, as this is essential for the undertaking's ability to sustain its operations and as it is not covered by financial reporting, the EFRAG Secretariat thinks that the gap should be filled by ESRS.
12. Furthermore, recital 32 of the CSRD refers to intangible resources unrecognised on the balance sheet and says that certain information on "intangible resources is intrinsic to sustainability matters, and should therefore be part of sustainability reporting. For example, information about employees' skills, competences, experience, loyalty to the undertaking and motivation ... Such examples illustrate how in some cases it is not possible to distinguish information on intangible resources from information on sustainability matters." One could argue that a robust risk management system generally or cybersecurity specifically would be an important part of such intangible resources.
13. In ESRS 1 *General requirements* AR 16 'privacy' is listed as a sub-topic in the social standards and covers data privacy and data protection which implicitly references cybersecurity.

### *Other frameworks*

14. The **SASB and GRI** sector-agnostic standards<sup>11</sup> **have limited references** to cybersecurity but the industry standard from [IPIECA](#) includes in the chapter on governance and business ethics.
15. The four SASB subsector industry standards do not refer directly to cyber issues but instead consider Critical Incident Risk Management as a material topic. This is also true of the GRI 11 OG standard which includes Asset Integrity and Critical Incident Management. These do not

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<sup>8</sup> <https://www.enisa.europa.eu/publications/enisa-threat-landscape-for-dos-attacks>

<sup>9</sup> In 2014, a cyberattack targeting a German steel mill forced the shutdown of a blast furnace, causing significant damage to the facility and exposing workers to safety risks.)

<sup>10</sup> These regulations have been adopted alongside the GDPR.

<sup>11</sup> For SASB: Within the general issue category cybersecurity issues are covered by the social (data security and consumer privacy) as well as leadership and governance dimensions (Critical Incident Risk Management); GRI has issued a topic standard (418-1) covering customer privacy and losses of customer data.

specifically refer to cyber. However, voluntary reporting frameworks on cybersecurity have been published by academic centres and the accountancy profession.

16. PRI, an UN-supported network of investors, works to promote sustainable investment through the incorporation of ESG factors in their investment and ownership decisions. Cybersecurity forms part of the G-issues in their framework. PRI provides guidance on how to demonstrate preparedness and address risks relating to cybersecurity.

*Investors and ESG ratings community*

17. Cybersecurity risks (including data protection and privacy) are perceived as an important business threat and included in the ESG metrics. Systainalytics includes “Assessing Privacy and Cybersecurity Risks” as an indicator in its scoring methodology for material ESG-issues. However, current corporate reporting practices create difficulties in this regard.

**Updated benchmarking**

18. The industry works to improve its cyber resilience while a new benchmark analysis by the EFRAG Secretariat found that that for 20 European OG undertakings:
- (a) 19 tackle cybersecurity in their 2023 annual report;
  - (b) 17 cover in their risk assessment which include other sustainability topics such as social dialogue, climate risks, business ethics (see legend below for details); and
  - (c) 7 classified it as a material sustainability matter in its materiality assessment (of the 11 that published one). Of those not publishing a materiality assessment (i.e., 9), 8 covered this in their section on risks. The remaining undertaking did not cover cyber.

Companies	Country	AR	Risks	SM
CORE LABORATORIES N V	NL	X	X	X
ENEL GLOBAL TRADING S.P.A.	IT	X	X	X
ENI S.P.A.	IT	X	X	<sup>1</sup>
EQUINOR	NO	X	X	
ESSO SOCIETE ANONYME FRANCAISE	FR	X	X	<sup>2</sup>
GALP ENERGIA SGPS S.A.	PT	X	X	<sup>3</sup>
NESTE	FI	X	X	
OMV	AT	X	X	<sup>4</sup>
PETRO WELT TECHNOLOGIES AG	AT	X		X
PETROL SLOVENSKA ENERGETSKA	SI	X	X	X
POLSKI KONCERN NAFTOWY ORLEN SA	PL	X	X	
REPSOL SA	ES	X	X	X
SAIPEM SPA	IT	X	X	
SARENS B.V.	BE			
SBM OFFSHORE N.V.	NL	X	X	X
SHELL INTERNATIONAL B.V.	UK	X	X	<sup>5</sup>
SNAM	IT	X	X	X
TOTALENERGIES SE	FR	X	X	<sup>6</sup>
UNIPER	DE	X	X	<sup>5</sup>
WINTERSHALL DEA	DE	X		<sup>7</sup>
	<b>20</b>	<b>19</b>	<b>17</b>	<b>7</b>

**Legend:**

**AR** – Annual report; **Risks** – included in risk report; **SM** – material sustainability matter

**Notes related to those not publishing a materiality assessment:**

- <sup>1</sup> Operational risk along with accidents and HSE proceedings
- <sup>2</sup> Operational risk with Social dialogue and occupational hazards
- <sup>3</sup> Under section covering sustainability

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<sup>4</sup> Operational risk also mentioned that this forms part of their supplier audits (under IT risks)

<sup>5</sup> Under IT section; <sup>6</sup> Under external threats; covering also climate risks and business ethics;

<sup>7</sup> Under Governance and ESG/Compliance and in Risk report including related to supply chain