

## **Guidance Note to support the United Nations Framework Classification for Resources Specification for Evaluator Qualifications**

**Prepared by the Bureau of the Expert Group on Resource Classification**

### *Summary*

The Expert Group on Resource Classification work plan for 2016–2017 calls for the Bureau of the Expert Group to review and prepare a guidance note on the need for, and responsibilities of, a Competent Person or Persons with regard to the United Nations Framework Classification for Resources (UNFC). A draft of this document was submitted for discussion at the eighth session of the Expert Group and provides additional information regarding the specification for Evaluator Qualifications (Specification M) as documented in the United Nations Framework Classification for Fossil Energy and Mineral Reserves and Resources 2009 (UNFC-2009) *incorporating* Specifications for its Application, ECE Energy Series No. 42, Part II, Annex I. Further, it provides a link to a companion document (Guidance Note on Competent Person Requirements and Options for Resources Reporting) that is not an integral part of UNFC, but which has been prepared on behalf of the Expert Group and contains detailed guidance on appropriate quality assurance mechanisms, qualification criteria and/or disclosure obligations that can be adopted in circumstances where explicit mandatory competency requirements are considered desirable. The Expert Group accepted the text of this Guidance note and recommended that this be posted on the UNECE website.

## I. Introduction

1. This document provides a guidance note that was prepared for discussion by the Expert Group on Resource Classification at its eighth session. This guidance note provides additional information regarding the specification for Evaluator Qualifications (Specification M) as documented in the United Nations Framework Classification for Fossil Energy and Mineral Reserves and Resources 2009 (UNFC-2009) *incorporating* Specifications for its Application, ECE Energy Series No. 42, Part II, Annex I. The Expert Group accepted the text of this Guidance note and recommended that this be posted on the UNECE website.

## II. Purpose of guidance note

2. The specification for Evaluator Qualifications, as set out in UNFC (and reproduced verbatim in Section III), is intentionally limited to a generic requirement for an Evaluator to have appropriate competency. The primary purpose of this note is to explain why Specification M is not more specific or detailed, and to provide a link to a companion document (Guidance Note on Competent Person Requirements and Options for Resources Reporting) which is not an integral part of UNFC-2009, but which has been prepared on behalf of the Expert Group and contains detailed guidance on appropriate quality assurance mechanisms, qualification criteria and/or disclosure obligations that can be adopted in circumstances where explicit mandatory competency requirements are considered desirable.

## III. UNFC-2009 specification for Evaluator Qualifications

3. Evaluators must possess an appropriate level of expertise and relevant experience in the estimation of quantities associated with the type of deposit under evaluation. More detailed specifications can be found in relevant commodity-specific systems that have been aligned with UNFC-2009<sup>1</sup>.

## IV. Discussion

4. In the context of this note, an Evaluator is a person, or persons, performing resource estimation and/or classification<sup>2</sup>. Where relevant, this definition should be understood to encompass the reporting of such data as well as its estimation and/or classification, since there may be specific regulations covering which classes of reserves/resources that may or may not be reported publically, for example.

5. The term Competent Person is widely used in association with regulations addressing public corporate resource reporting in the extractive industries<sup>3</sup>. These regulations are established or adopted by individual stock exchanges or by all exchanges within a single jurisdiction such as the European Union. Consequently, the requirement for, and definition

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<sup>1</sup> This text is taken verbatim from Specification M in UNFC-2009 *incorporating* Specifications for its Application, ECE Energy Series No. 42, Part II. A footnote to the specification states: In addition, regulatory bodies may explicitly mandate the use of a “competent person”, as defined by regulation, with respect to corporate reporting.

<sup>2</sup> As defined in UNFC-2009 *incorporating* Specifications for its Application, ECE Energy Series No. 42, Part II, Annex I.

<sup>3</sup> Equivalent comparable terms include Qualified Person, Qualified Reserve Estimator and Qualified Reserve Auditor.

of, a Competent Person varies between industries<sup>4</sup> and jurisdictions. In other contexts, such as companies reporting directly to a government body and then that body making those estimates public (often, but not always, in an aggregated form), there is generally no explicit requirement for a Competent Person. Similarly, there is generally no requirement for a Competent Person within government bodies when publishing their own technical reports. Company internal resource management functions also do not generally require a Competent Person, though the company is in any event likely to have internal controls to ensure that those involved have the necessary training and experience.

6. A Competent Person requirement (or equivalent) has long been a common facet of stock exchange rules pertaining to prospectuses issued for a range of company transactions. In recent years, a number of stock exchanges have extended this requirement (or some other form of quality assurance) to cover at least annual reporting, but it can extend to all public reporting by a corporate entity, including (but not limited to) annual and quarterly company reports, press releases, information memoranda, technical papers, website postings and public presentations.

7. In the solid minerals sector, the Committee for Mineral Reserves International Reporting Standards (CRIRSCO) aligned Codes and Standards provide a standardized set of corporate reporting procedures, including Competent Person requirements, which is then reflected in the regulations of most of the major stock exchanges as a consistent and appropriate basis for public reporting.

8. In the oil and gas sector, the majority of companies use well-established classification systems such as the Petroleum Resources Management System (PRMS) as a portfolio management tool and, where mandated or deemed acceptable, for government and stock exchange reporting as well. Like UNFC-2009, these classification systems are designed to have a wide range of potential applications. Since different applications may require different quality assurance mechanisms, it is inappropriate to incorporate these into the classification system itself. The responsibility for establishing the appropriate mechanism lies with the user of the estimates and hence, where these systems are accepted for stock exchange reporting purposes, for example, the individual stock exchanges have developed their own definition of, and requirements for, a Competent Person or equivalent.

9. As noted above, Specification M in UNFC indicates that more detailed specifications may, in some cases, be found in relevant commodity-specific systems that have been aligned with UNFC. However, some systems that are aligned with UNFC, as well as UNFC applications that are specified independently of any commodity-specific classification system, lack additional specifications regarding appropriate levels of expertise. This issue is especially relevant to the classification and reporting of renewable energy resources, where experience is generally more limited and no comparable standards exist.

10. Although estimates made under a commodity-specific system may incorporate a Competent Person (or equivalent) requirement, such a Competent Person will only be required to satisfy the regulations that govern the application of that commodity-specific system and these may not address the need for appropriate experience in the use of the relevant Bridging Document which is required to establish and report estimates in accordance with UNFC specifications.

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<sup>4</sup> The application of the concept of a Competent Person is significantly more common in the solid minerals sector than elsewhere, and also has a much greater level of consistency in terms of definition and competency requirements.

11. UNFC is a voluntary classification system with broad applicability and it does not impose limitations on who may apply it<sup>5</sup>. Consequently, it would be inappropriate for the United Nations to impose mandatory competency requirements for all Evaluators using UNFC. Nevertheless, it is recognized that government agencies, stock exchanges or other organizations may wish to adopt UNFC as a mandatory reporting system, or explicit option, within their own jurisdiction. If so, it may be considered appropriate by that body or organization to impose some more detailed specifications regarding the type of quality assurance process and/or level of experience of the Evaluator(s) that will provide users with greater confidence in the published estimates and their classification.

12. In recognition of requests by potential users of UNFC for assistance in the development of Competent Person (or equivalent) standards, the Expert Group has prepared a companion document (Guidance Note on Competent Person Requirements and Options for Resources Reporting) that contains detailed guidance on appropriate quality assurance mechanisms, qualification criteria and/or disclosure obligations that can be adopted in circumstances where explicit mandatory competency requirements are considered desirable.

13. The guidelines contained in the companion document referenced above reflect options that could be selected, refined and imposed by an organization where, for example, UNFC has been adopted as one of the accepted reporting systems. The guidelines have been prepared in the light of current practices and are intended to facilitate consistency, but not to constrain alternative approaches that may be considered more appropriate by the relevant organisation especially where the industry or commodity concerned has special/unusual characteristics.

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<sup>5</sup> See Section V, Disclosure, in UNFC *incorporating* Specifications for its Application, ECE Energy Series No. 42, Part II.