Survey related to Sector Classification

1. DISCLAIMER

This survey is made available to Sector Community and is not intended for further circulation, in line with the confidentiality agreement undersigned by the members applying for the EFRAG Sector Community. It has been prepared by the EFRAG Secretariat and do not represent the official views of EFRAG or any individual member of the EFRAG Sustainability Reporting Board, EFRAG Sustainability Reporting TEG, EFRAG PTF-ESRS or the EFRAG Administrative Board.

This objective of this questionnaire is to gather the Sector community feedback on EFRAG's [draft] Sector Classification (SEC1). The documents concerned are:

SEC1 Sector Classification

SEC 2 – General approach to sector-specific ESRS

SEC1 Sector Classification - Basis for Conclusions

2. About the Sector Classification

The development of sector-specific ESRS is a multi-year effort related to the implementation of the Corporate Sustainability Reporting Directive. As a part of its mandate granted by the European Commission, EFRAG is tasked with developing sector-specific draft ESRS. The details of this process are presented in our dedicated webpage.

Preparing the sector-specific draft ESRS requires distinguishing between economic activities that fall into specific ESRS sectors. For this reason, EFRAG is developing its Sector Classification in a dedicated draft ESRS (ESRS SEC 1) which will be put in consultation in 2024. This ESRS identifies the perimeter of activities that are to be aggregated into industry sectors. It also delivers guidance for undertakings to (i) apply the Disclosure Requirement SBM – 1 (strategy, business model and value chain), in the ESRS issued as Delegated Act in July 2023; and (ii) identify the future sector-specific draft ESRS will be relevant for them.

Draft ESRS SEC 1 builds on the existing NACE Rev. 2.1 classification system (Nomenclature générale des Activités Economiques dans les Communautés Européennes), categorising the NACE business activities by ESRS sectors based on common characteristics of sustainability impacts, risks and opportunities.

Feedback from stakeholders on the draft classification is an integral part EFRAG due process in developing ESRS. For this reason, EFRAG Secretariat prepared this survey and is organizing a series of Workshop in the month of February, before the Exposure Draft of ESRS SEC 1 is submitted to EFRAG SR TEG and EFRAG SRB for approval in preparation of the consultation.

The purpose of this survey and upcoming workshops is to allow participants to provide comments on the following:

the overall adequacy of the proposed classification

the existing sector descriptions and definition, and

the proposed divisions into groups and draft-ESRS sectors

3. Introduction

Please confirm whether you agree to have your name (for individual submissions) or your organization's name (for organizational submissions), country, and stakeholder constituency mentioned with your comments during Sector community workshops.

Yes

Please confirm whether you agree to EFRAG contacting you to clarify your responses and/or to follow-up on comments submitted through this survey.

Yes

Submitter's information:

First name

Alix

Last name

Carlier

Organisation name

Tobacco Europe

Country

Belgium

Type of organisation

Association

Email address

alix@tobacco-europe.eu

4. Questions related to the overall Sector Classification

1. Divisions and grouping of NACE codes for specific sectors. Do you agree with the list of economic NACE activities composing the sectors, as described in SEC1? Are any activities redundant or missing? Please explain and when possible, provide the suggestions.

Tobacco Europe could agree to splitting tobacco across different standards only if this approach is consistent with the treatment of other industries (e.g. cocoa, coffee). Such consistency would ensure fairness and accuracy in reporting across the board. Since it is unclear whether this split will indeed similarly affect other industries, Tobacco Europe would appreciate receiving additional information from EFRAG on this point, in order to be able to concretely answer the question.

2. General approach. Do you agree with the general approach adopted to the drafting described in SEC2? Are there any critical reconciliations mission? Please explain and when possible, provide the suggestions

Tobacco Europe takes note of the question raised during the workshop on the inclusion of electronic cigarettes under the Food & Beverages sector classification. As the implications of such an inclusion remain unclear, Tobacco Europe would like to take the time to carry out a better assessment before replying to the question. Additional information on the rationale behind such an inclusion would be appreciated to revert to the EFRAG with a constructive approach in due time. An exchange with the EFRAG to discuss this would also be a great opportunity to follow-up into details on the matter, as suggested in the survey.

3. Definition of the sectors (non-authoritative). Do you agree with the existing description of the sectors that are provided in SEC2 ? Please explain why and suggest any revisions or amendments that could be useful.

No other crop is explicitly singled out in the presentation of the classification. Therefore, the proposed inclusion of tobacco under agricultural activities should be approached with consistency and adherence to established classification principles, rather than requiring a specific mention. We therefore suggest deleting the reference to the growing of unmanufactured plants as well as the drying of tobacco leaves.

4. Presentation of the documents. Do you consider the overall documents structure, architecture and organisation of information is clear and easy to follow? Is the language of standard clear and compatible with the practices in the industry? Please explain why and suggest any revisions and amendments that could be useful.

To foster a comprehensive understanding and effective implementation of the draft ESRS Sector Classification, we would welcome additional information on the context, background, impact, and interlinkages of the sector classifications in SEC 1, and more widely. Such insights will not only contribute to refining the classification system but also facilitate informed decision-making and stakeholder engagement in the European economic landscape.

5. Basis for Conclusions. Do you agree that the [draft] SEC1 - Basis for Conclusions provide sufficient rationale to justify the proposed sectors? Are there any critical contents missing? Please explain and when possible, provide the paragraph number that your comment relates to.

In conclusion, the sector classification of tobacco products (activities of growing tobacco and manufacture of tobacco products) should prioritize consistency, adherence to established principles, and alignment with relevant regulations. This entails ensuring equitable treatment across economic sectors, avoiding singling out specific industries and accurately differentiating between traditional tobacco products and emerging alternatives such as electronic cigarettes. The classification process should result in an outcome that streamlines reporting obligations and avoids disproportionate reporting burden.

5. Thank you for providing us with your feedback!

Yours sincerely,

EFRAG Secretariat

mailto:sector_spec_stds@efrag.org