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General approach to sector-specific ESRS – Consultation document

Content of this document:

This document is consulting upon the general approach adopted to draft the sector-specific ESRS and intended to be adopted as part of the future sector-specific ESRS. This document supports the collection of comments but will not be adopted as a separate ESRS in a Delegated Act. Its content will however be reflected in the respective sector-specific ESRS.

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Objective

- 1 The objective of this document is to invite the public and specifically those undertakings that operate in sectors not covered by the first batch of ED of [Draft] ESRS sector standards and those interested in those sectors to participate in the consultation and comment on the general requirements used for sector reporting.

Role and content of Sector ESRS

- 2 An undertaking operating in a specific Sector ESRS shall apply the Sector ESRS in conjunction with ESRS topical and cross cutting standards.
- 3 The content of a sector-specific [draft] ESRS complements the content of the existing cross-cutting and topical standards in accordance with the Delegated Act supplementing Directive 2013/34 of the European Parliament and of the Council as regards sustainability reporting standards Delegated Act.
- 4 Sector ESRS set Disclosure Requirements for sustainability matters that are likely to be material in a specific sector and that are not covered, or not sufficiently covered, by topical standards. In addition, they also include guidance for undertakings operating in a specific sector, on how to apply sector agnostic disclosure requirements in the context of that sector. Finally, they include additional datapoints or breakdowns of Disclosure Requirements in sector agnostic standards.

Approach to materiality in sector ESRS

- 5 The content of a sector-specific [draft] ESRS complements the content of the existing cross-cutting and topical standards in accordance with the Delegated Act supplementing Directive 2013/34 of the European Parliament and of the Council as regards sustainability reporting standards Delegated Act.
- 6 The sector ESRS identifies a list of sustainability matters that are commonly applicable to the undertakings operating in the sector. This list shall be taken into account by the undertaking when performing its materiality assessment, in conjunction with the list of AR 16 of ESRS 1.
- 7 The list is developed starting from AR 16 and adding, when necessary, new sub-sub-topics (or sub-topics).
- 8 The requirements in Sector ESRS that are Sector specification of sector agnostic requirements follow the same materiality regime as the sector agnostic content to which they refer. Accordingly, irrespective of the outcome of its materiality assessment, the undertaking shall always disclose the information required by the Sector specifications of ESRS 2 General Disclosures (i.e. all the Disclosure Requirements and data points specified in ESRS 2) and by the Sector specification of the Disclosure Requirements (including their datapoints) in topical ESRS related to the Disclosure Requirement IRO-1 Description of the process to identify and assess material impacts, risks and opportunities, as listed in ESRS 2 Appendix C Disclosure/Application Requirements in topical ESRS that are applicable jointly with ESRS 2 General Disclosures.

- 9 The undertaking shall apply paragraphs 33¹, 34² and 35³ of ESRS 1, when determining the information to be reported on a material sustainability matter, based on the content of the relevant Sector ESRS.
- 10 In addition, for metrics that are non-EU datapoints, if the undertaking omits information prescribed by either a Disclosure Requirement or a datapoint of a Disclosure Requirement, such information is considered to be implicitly reported as “not material for the undertaking”.
- 11 Application Requirements (AR) are included in the sector ESRS to support the assessment of the materiality of specific Disclosure Requirements (DR). These AR illustrate which facts and circumstances could justify the omission of a DR pertaining to a material sustainability matter.

Sector specifications of IRO 2

- 12 The undertaking shall provide the conclusions of its materiality assessment regarding the list of sustainability matters applicable to the specific Sector, with a brief explanation, in relation to the undertaking’s specific facts and circumstances, of which matters in the list of matters applicable to the specific Sector have been assessed to be material and which are not. Specific facts and circumstances include the undertaking’s business model, its locations and/or its products. This disclosure requirement will be identified in each Sector ESRS as a sector specification to ESRS 2 IRO 2.
- 13 Disclosure Requirements of a sector-specific [draft] standard might further be subdivided in subsectors of activity. The navigation table reported at the beginning of each sector-specific [draft] standard explains – if applicable - the subdivision of the sector in subsectors. A brief explanation why information is omitted is not necessary when the undertaking omits a datapoint or Disclosure Requirement in a sector-specific [draft] ESRS standard that is applicable to the subsector of activity in which the undertaking does not operate.

¹ When disclosing information on policies, actions and targets in relation to a sustainability matter that has been assessed to be material, the undertaking shall include the information prescribed by all the Disclosure Requirements and datapoints in the topical and sector-specific ESRS related to that matter and in the corresponding Minimum Disclosure Requirement on policies, actions, and targets required under ESRS 2. If the undertaking cannot disclose the information prescribed by either the Disclosure Requirements and datapoints in the topical or sector-specific ESRS, or the Minimum Disclosure Requirements in ESRS 2 on policies, actions and targets, because it has not adopted the respective policies, implemented the respective actions or set the respective targets, it shall disclose this to be the case and it may report a timeframe in which it aims to have these in place.

² When disclosing information on metrics for a material sustainability matter according to the Metrics and Targets section of the relevant topical ESRS, the undertaking: (a) shall include the information prescribed by a Disclosure Requirement if it assesses such information to be material; and (b) may omit the information prescribed by a datapoint of a Disclosure Requirement if it assesses such information to be not material and concludes that such information is not needed to meet the objective of the Disclosure Requirement.

³ If the undertaking omits the information prescribed by a datapoint that derives from other EU legislation listed in Appendix B of ESRS 2, it shall explicitly state that the information in question is “not material”.

- 14 The undertaking shall include in the ESRS 2 IRO-2 list of Disclosure Requirements complied with following the outcome of the materiality assessment (see paragraph 56 of ESRS 2) also the Disclosure Requirements of the sector-specific ESRS Standard.

Reporting boundary – option 1 (preferred by the EFRAG Secretariat)

- 15 For specific disclosure requirements or datapoints of disclosure requirements, Sector ESRS require the inclusion in the disclosure of information of sites, entities and assets under the operational control of the entity, in addition to information of entities and assets included in the consolidated financial statements.

Reporting boundary – option 2 (discussed in March 2023)

- 16 Without changing the application of the requirements in Chapter 5 of ESRS 1 Value chain, the undertaking shall include in its sustainability statements information about the operational sites and assets that are under operational control (Operational control (over an entity, site, operation or asset) is the situation where the undertaking has the ability to direct the operational activities and relationships of the entity, site, operation or asset.)

General approach to Sector ESRS guidance for the standard setter in defining the level of disaggregation in Sector ESRS

- 17 For some sectors, current practice and other existing frameworks and standards show several disclosures disaggregated by location, at operational site level, (or at country, asset or project level), i.e. the disaggregation level. The following paragraphs present the tentative guidance that the SRB intends to follow in determining the appropriate level of disaggregation for a specific datapoint, when developing a sector-specific [draft] ESRS.
- 18 A requirement to disclose information disaggregated at a disaggregation level such as at individual sites or assets level would be considered as appropriate only when the general criteria in ESRS 1 on level of disaggregation (see paragraphs 54 - 57) would require disaggregated information. The decision whether to require a disaggregation of information at operational site level, whether to limit it to key operational sites or at a higher level of aggregation, shall reflect the relevance of the resulting information and, compatibly with this relevance, the cost/benefit profile of the disclosures.
- 19 Consistent with ESRS 1, appropriate factors must be considered to define the appropriate level of granularity, by keeping a focus on the necessity of the resulting information:
- (a) to be relevant;
 - (b) not to obscure the specificity and context necessary to convey a complete understanding of the information; and
 - (c) not to aggregate material information items that have a different nature.
- 20 When developing requirements for a sector-specific ESRS standard, the following three general principles are applied:
- (a) proportionate scope: The level of disaggregation required in a sector-specific [draft] ESRS standard shall be commensurate to the scope at which the sustainability impacts occur and the processes level to manage impacts. To produce relevant information, when material impacts affect a specific operational site or a specific local area, such as for high-land impact operations, the sector-specific ESRS standard shall require a disaggregation of the information up to that specific level. Example: high-impacting mining sites.

- (b) material aspects affecting a specific site: When specific events or aspects, which are linked to a specific operational site or specific local area trigger material changes in the impact profile of the operations, the sector-specific [draft] ESRS standard shall require disaggregation at the level of this specific site or local area. Examples:
 - (i) for biodiversity, the sector [draft] ESRS standard adopts, in general, the specific operational site as the appropriate level of disaggregation for operations that are located in or near nature sensitive areas and are connected with material impacts, risks and opportunities;
 - (ii) for mining, all the sites that are under closure and rehabilitation have in general to be disclosed; and
 - (c) alternative information based on internal control: In developing the required level of disaggregation, before defining a granularity at operational site level, the sector-specific [draft] ESRS standard should consider whether relevant information can be obtained otherwise e.g. requiring disclosing alternative information based on the internal control evidence of the undertaking. For example, requiring whether an EMAS or ISO 14001 certification exists at site level, would provide useful information on the level of internal control in place and, as such, may replace the requirement to disclose more detailed information on governance, policies and actions on environmental impact, risk or opportunities at site level.
- 21 When appropriate, the [draft] standard will include a requirement for a mapping of the operational sites to a specific impact, risk or opportunity related to the site(s).
- 22 The disaggregation at site level shall be required only, when necessary, supported by the criteria above (see paragraph 19). This would for example mean for the Mining, Quarry and Coal sector that, for specific fact patterns characterised by a particularly high level of severity (acid drainage, mining sites in or near biodiversity areas, methane, tailing facilities, rehabilitation, re-settlements), the undertaking shall disaggregate the information at site level.

Approach taken in preparing sector-specific ESRS

- 23 Consistent with the requirement in the CSRD to align the content of ESRS with the existing frameworks and standards, the sector-specific draft ESRS will leverage to the maximum extent possible on existing material. Among other sources, the following are important sources:
- (a) SASB indicators (investor focused financial materiality framework available for 77 industries and maintained in the US by a global non-profit, which has been integrated in August 2022 in the IFRS Foundation);
 - (b) GRI (impact-based materiality standards available sectors: Oil and Gas, Coal, Agriculture, Aquaculture and Fishing, Mining).
- 24 Other sector guidelines and European legislations are included in the analysis where they exist.
- 25 Starting from June 2022, the EFRAG Secretariat has been collecting research material, benefiting from the preparatory work done by the EFRAG PTF ESRS in 2020 and 2021. The work of the EFRAG PTF ESRS focused in particular on the SASB indicators.
- 26 From July 2022, the EFRAG Secretariat has run a series of workshops and collected a number of additional references, including sector guidelines, and has prepared, for a set of eight high impact sectors, a list of applicable legislations.

- 27 Next to these sources, each sector specific draft ESRS will consider, where relevant, the following DRs of ESRS EDs that have been deleted in the finalisation of the sector-agnostic ESRS, as they were more relevant for specific sectors:
- (a) ESRS E1 Climate change ED: energy and GHG-intensive sectors: E1-1 Transition plan: quantitative locked-in emissions; E1-5 Energy consumption and mix: breakdown of non-renewable energy; E1-14 Avoided GHG emissions;
 - (b) ESRS E3 Water and marine resources ED: DR E3-6 Marine resources related performance: the DR was deleted because the disclosure on performance metrics was not considered mature enough to be required at sector-agnostic level.
 - (c) ESRS E4 Biodiversity and ecosystems ED: DR 4-8 Biodiversity-friendly consumption and production metrics: The DR was removed due to the difficulty of defining what biodiversity-friendly consumption and production really is. The DR may be added to a future Governance standard on responsible production and consumption. In sector-specific standards specific types of certificates may be referred to.
 - (d) ESRS S1 Own workforce ED: DR S1-12 – Working hours
 - (e) ESRS G2 Business conduct ED: G2-4 – Anti-competitive behaviour prevention and detection and G2-7 – Anti-competitive behaviour events have been eliminated from the sector agnostic standards to be included in sector standards where appropriate.
- 28 For ESRS E5 Circular economy ED, the DRs E5-7 –Resource use optimisation and E5-8 – Circularity support have been significantly simplified. It will be verified whether there are sector standards that would benefit from the inclusion of specifications related to them.
- 29 In addition, ESRS S2 Workers in the value chain, ESRS S3 Affected communities and ESRS S4 Consumers and end-users do not include DRs related to metrics, as they are considered relevant at sector level. Accordingly, the sector specific draft ESRS will consider metrics to cover the sustainability matters in those standards.
- 30 Taking inspiration from the decision tree adopted in the finalisation of the sector agnostic ESRS after the public consultation, the development of sector standards will systematically factor into the decision making that will lead to the EDs to be put in consultation the cost/benefit considerations. This means that, per each datapoint available in the sources described above, the relevance of the resulting information would be considered jointly with the costs to produce it. On the basis of these considerations and depending on its nature, the result could be: (a) include as additional datapoint in a DR, (b) include as guidance to be applied in implementing an existing datapoint in a DR (either a sector agnostic DR or a sector specific DR), (c) include as a voluntary recommendation to encourage good practices ('may' disclose).
- 31 In order to allow a transparent illustration of the content of the sector ESRS has been built, and allow for a more efficient consultation process, the sector specific EDs will include one appendix per each source (SASB, GRI, etc.) that illustrates which of the datapoints in the source are included in the ED and which are not included.

Appendix A: sector descriptions

32 The content of this Appendix, which has not the same authority as the main body of [Draft] ESRS SEC2, is provided for illustrative purposes, and may be subject to changes following the issuance of the respective sector standards.

In this appendix n.e.c. means “not elsewhere classified”.

Agriculture sector group

The Agriculture sector group includes the exploitation of vegetal and animal natural resources, comprising the activities of growing of crops, raising and breeding of animals, harvesting of timber and other plants, animals or animal products from a farm or their natural habitats.

Agriculture, Farming and Fishing sector

The Agriculture, Farming & Fishing sector includes the production of crop and production of animal products, covering also the forms of organic agriculture, the growing of crops and the raising of animals. The sector includes growing of crops in open fields as well in greenhouses. It also includes service activities incidental to agriculture, as well as hunting, trapping and related activities. The sector also includes capture fishery and aquaculture, covering the use of fishery resources from marine, brackish or freshwater environments, with the goal of capturing or gathering fish, crustaceans, molluscs and other marine organisms and products (e.g. aquatic plants, pearls, sponges etc.). Also included are activities that are normally integrated in the process of production for own account (e.g. seeding oysters for pearl production). Service activities incidental to marine or freshwater fishery or aquaculture are included in the related fishing or aquaculture activities. The sector includes the growing of tobacco plants.

The sector does not include activities covered in ESRS Food & Beverage Industry.

Forestry and Wood products sector

The Forestry and Wood products sector consists of several subsectors.

A first subsector includes the production of roundwood as well as the extraction and gathering of wild growing non-wood forest products. Besides the production of timber, forestry activities result in products that undergo little processing, such as firewood, charcoal and roundwood used in an unprocessed form (e.g. pit-props, pulpwood etc.). These activities can be carried out in natural or planted forests.

The undertakings in this subsector own and/ or manage natural and planted forestry lands and timber tracts or operate non-retail tree nurseries and rubber plantations. The undertakings conduct their operations on lands that can be company-owned or leased from public or private landowners. Undertakings typically sell timber to wood products manufacturers, pulp and paper producers, energy producers, and a variety of other customers.

A second subsector includes the manufacture of wood products, such as lumber, plywood, veneers, wood containers, wood flooring, wood trusses, and prefabricated wood buildings. The production processes include sawing, planing, shaping, laminating, and assembling of wood products starting from logs that are cut into bolts, or lumber that may then be cut further, or shaped by lathes or other shaping tools. The lumber or other transformed wood shapes may also be subsequently planed or smoothed, and assembled into finished products, such as wood containers. The subsector also includes the manufacture of pulp, paper and converted paper products. The manufacture of these products is grouped together because they constitute a series of vertically connected processes. More than one activity is often carried out in a single unit.

Construction sector group

The Construction sector group includes the construction of residential and non-residential buildings, civil engineering projects, demolition, testing and drilling services and other specialised construction activities.

Construction and Engineering sector

The Construction and Engineering sector includes general construction and specialised construction activities for buildings and civil engineering works. General construction is the construction of entire dwellings, residential and non-residential buildings, office buildings, stores and other public and utility buildings, farm buildings etc., or the construction of civil engineering works such as motorways, streets, bridges, tunnels, railways, airfields, harbours and other water projects, irrigation systems, sewerage systems, industrial facilities, pipelines and electric lines, sports facilities etc. The sector also includes specialised construction activities or preparation for the construction of parts of buildings and civil engineering works. These activities are usually specialised in one aspect common to different structures, requiring specialised skills or equipment, such as pile-driving, foundation work, carcass work, concrete work, brick laying, stone setting, scaffolding, roof covering, etc. The erection of steel structures is included, provided that the parts are not produced by the undertaking. These activities are usually performed at the site of the construction. The rental of equipment with operator is classified with the associated construction activity.

Utilities sector group

The Energy sector group includes the activities of producing and distributing various types of energy and utility services. This includes providing electric power, oil, natural gas, heat, steam, water, waste services and the like through a permanent infrastructure (network) of lines, mains and pipes. Distribution to industrial parks and residential buildings are included.

Power production and Energy Utilities sector

The Power Production and Energy Utilities sector is comprised of undertakings that provide production, transmission, distribution, storage of and trade in electricity and related services. All types of electric power producers are included, for example, utilities that generate from solar, wind, hydro, geothermal, nuclear, biomass and thermal (coal, fuel oil and gas) fuels. It also includes production, distribution, storage and trade of gas, as well as the provision of steam and air-conditioning supply. The sector includes undertakings that operate the transmission and distribution systems that convey electricity from generating plants to end users.

Combined heat and power (CHP) is also included, independently if the power and heat are provided exclusively to a nearby facility or to the grid. Provision of thermal energy through heat and steam for city dwellings and industry is also included.

The sector also includes production of gas, such as biogas, from by-products of agriculture or from waste.

Production of clean hydrogen from electricity and renewable energy sources, as well as hydrogen, electricity and heat storage are also included.

Water and wastewater utilities as well as waste-related services are excluded from this sector. The sector also excludes the (typically long-distance) transport of the gas through pipelines.

Water and Waste Services sector

The Water and Waste Services sector includes activities related to the management (including collection, treatment disposal and recovery) of various forms of waste, such as solid or non-solid industrial or household waste, as well as contaminated sites. The output of the waste or sewage treatment process can either be disposed of or become an input into other production processes. It also includes the remediation and other waste management services. Activities of water supply and wastewater are also included in this sector. The types of water supply services include the sourcing, treatment, and distribution of water to residences, businesses, and other undertakings such as governments. Wastewater systems collect and treat wastewater, including sewage, graywater, industrial waste fluids, and stormwater runoff, before discharging the resulting effluent back into the environment.

Entertainment sector group

The Entertainment sector group includes a wide range of activities to meet varied cultural, entertainment and recreational interests of the general public, including live performances, operation of museum sites, gambling, sports and recreation activities.

Recreation and Leisure sector

The Recreation and Leisure Facilities sector is comprised of undertakings that perform arts and operate entertainment, travel, botanical and zoological gardens, historical sites as well as recreation facilities and services. Undertakings in this sector operate museums, libraries, nature reserve activities, amusement parks, movie theaters, ski resorts, sports stadiums, aquariums and fitness facilities and other venues.

A subsector of the Recreation and Leisure sector relates to undertakings which operate gambling facilities and/or platforms, including brick-and-mortar casinos, riverboat casinos, online gambling websites, and racetracks. For the purposes of this subsector, it is assumed that casinos and gaming undertakings are engaged solely in operating gambling facilities and providing online gaming services. Also some computer games incorporate gaming elements.

Financial Institutions sector group

The Financial Institutions sector group includes financial service activities, including banking, insurance, re-insurance, pension funds and capital markets activities, such as asset management, investment banking and trading of financial instruments. Financial Institutions sector group also includes activities of financial holding companies and financial groups as well as activities, which support financial services.

Capital Markets sector

This sector includes undertakings involved in the following activities:

Eligible holding undertakings owning controlling levels of equity and with the sole purpose of owning subsidiaries active in asset management, banking or insurance. Only holdings that are on the list of financial conglomerates in execution of Directive 2002/87/EC (FICOD) are eligible.

Money-market and non-money market investment funds, i.e. collective investment schemes that raise funds by issuing shares or units to the public, of which the proceeds are invested primarily in financial assets;

Legal entities, not acting as collective investment schemes, organised to pool securities, estates and other financial assets, without managing, on behalf of shareholders or beneficiaries.

The operation and supervision of financial markets other than by central banks and public authorities such as (futures) commodity contracts exchanges, securities exchanges, stock exchanges, stock or commodity options exchanges, crypto asset exchanges, administration of financial markets except insurance and pension funding, financial supervisory authority of financial service activities except insurance and pension funding.

Activities such as relating to dealing in financial markets on behalf of others, securities brokerage, currency trading, debt-based crowdfunding offering loans and securities, ...

Financial transaction processing and settlement activities, including digital or internet based payment and provision and settlement activities for credit card transactions, activities of digital currency wallet providers, validation and mining for crypto assets deemed financial assets;...

Portfolio and fund management activities, on a fee or contract basis, for individuals, businesses, and others.

Credit Institutions sector

This sector includes undertakings involved in the following activities:

Receiving of deposits or close substitutes for deposits and extending of credit or other forms of lending funds. This could be through loans, mortgages, consumer credit cards, money order activities, etc. The activities are pursued by entities pursuing different business models such as universal banks, savings banks, credit cooperatives and unions, postal giro and postal savings banks and by specialised deposit-taking institutions.

Eligible holding undertakings owning controlling levels of equity and with the sole purpose of owning subsidiaries active in asset management, banking or insurance. Only holdings that are on the list of financial conglomerates in execution of Directive 2002/87/EC (FICOD) are eligible.

Financing conduits i.e. units created by a financial or non-financial group to raise or borrow funds and to remit those funds to their parent or another entity within the group.

Financial lease, including the financial lease of durable goods such as vehicles.

Financial service activities related to intermediation by incurring liabilities, in forms other than currency, deposits or close substitutes for deposits such as granting of consumer credit by non-depository institutions; provision of banking-like services without banking license, in co-operation with a licensed bank, money lending outside the banking system, loan securitisation, factoring and supply chain financing activities,

Financial service activities primarily related to distributing funds other than granting loans, writing of swaps, options and other hedging arrangements, viatical settlement activities, own account investment and trading activities (venture capital, investment clubs).

Insurance sector

This sector includes undertakings involved in the following activities:

Eligible holding undertakings owning controlling levels of equity and with the sole purpose of owning subsidiaries active in asset management, banking or insurance. Only holdings that are on the list of financial conglomerates in execution of Directive 2002/87/EC (FICOD) are eligible.

Related to term life insurance, permanent life insurance, underwriting annuities and life insurance policies, disability income insurance policies, accidental death, funeral and dismemberment insurance policies;

Related to provision of insurance services other than life insurance, such as accident insurance, medical and health insurance, fire and natural forces damage to property insurance,

Of assuming all or part of the risk associated with existing insurance policies originally underwritten by other insurance providers;

Provision of retirement income benefits exclusively for the sponsor's employees or members and other insurance products regulated as employer related funds;

Provision of administrative services of insurance such as assessing and settling insurance claims;

Insurance agents and brokers in selling, negotiating or soliciting of annuities and insurance and reinsurance policies;

Closely related to insurance and pension funding such as salvage administration, actuarial services, pension and insurance advisory services.

Health Care sector group

The Health Care sector group includes an array of health services as well as social work related to those health services. It also includes the exploitation of hospitals as well as veterinary activities.

Health Care and Services sector

The Health Care and Services sector includes the provision of health and social work activities. Activities include a wide range of activities, starting from health care provided by trained medical professionals in hospitals and other facilities, over residential care activities that still involve a degree of health care activities to social work activities without any involvement of health care professionals. The sector also includes specialised professional, scientific and technical activities. The Health Care and Services sector includes activities of short- or long-term hospitals, general or specialty medical, surgical, psychiatric and substance abuse hospitals, sanatoria, preventoria, medical nursing homes, asylums, mental hospital institutions, rehabilitation centres, leprosaria and other human health institutions which have accommodation facilities, and which engage in providing diagnostic and medical treatment to inpatients with any of a wide variety of medical conditions. It also includes medical consultation and treatment in the field of general and specialised medicine by general practitioners and medical specialists and surgeons. The sector includes dental practice activities of a general or specialised nature and orthodontic activities. Additionally, this division includes activities for human health not performed by hospitals or by practicing medical doctors but by paramedical practitioners legally recognised to treat patients. The sector also includes the provision of residential care combined with either nursing, supervisory or other types of care as required by the residents. Facilities are a significant part of the production process and the care provided is a mix of health and social services with the health services being largely some level of nursing services. Furthermore, the sector includes the provision of a variety of social assistance services directly to clients. The activities in this sector do not include accommodation services, except on a temporary basis.

In addition, the sector includes the provision of animal health care and control activities for farm animals or pet animals. These activities are carried out by qualified veterinarians in veterinary hospitals as well as when visiting farms, kennels or homes, in own consulting and surgery rooms or elsewhere. It also includes animal ambulance activities.

Hospitality sector group

The Hospitality sector group includes the provision of short-stay accommodation for visitors and other travellers and the provision of complete meals and drinks fit for immediate consumption.

Accommodations sector

The Accommodations sector is composed of undertakings that provide overnight accommodation, including hotels, motels, inns, and camping grounds, recreational parks and trailer parks. The amount and type of supplementary services provided within this sector group can vary widely. This sector excludes the provision of long-term accommodation as primary residences, which is classified in real estate activities.

The Accommodations sector includes the provision of accommodation for visitors and other travellers. Some units may provide only accommodation while others provide a combination of accommodation, meals and/or recreational facilities.

Food and Beverages Services sector

The Food and Beverage Services sector includes food and beverage serving activities providing complete meals or drinks fit for immediate consumption, whether in traditional restaurants, self-service or take-away restaurants, mobile food service activities, event catering and beverage serving activities. Undertakings in the Food and Beverage Services sector prepare meals, snacks, and beverages to customers' orders for immediate on-and off-premises consumption. The food and beverages could also be served in permanent or temporary stands with or without seating.

Decisive is the fact that meals fit for immediate consumption are offered, not the kind of facility providing them. The following is excluded: the production of meals not fit for immediate consumption or not planned to be consumed immediately or of prepared food which is not considered to be a meal.

Durable goods sector group

Household durables n.e.c.

The Household durables sector includes the production of household goods of a different nature including furniture and furnishings, household appliances (refrigerators, ovens, washing machines,..), consumer electronics, sporting goods, luggage material, power driven hand tools and other household goods. It incorporates also undertakings involved in the specialised wholesale and retail sale of these goods as well as leasing and repair activities for those goods.

The sector is titled as "not elsewhere classified" as some durable goods are part of other ESRS Sectors such as automobiles, rubber tyres (Motor vehicles), jewelry (Textiles, Accessories and Jewellery) and batteries (Electronics and electrical equipment, Chemicals and Motor vehicles).

Manufacturing sector group

The Manufacturing sector group includes the physical or chemical transformation of materials, substances, or components into new products, although this cannot be used as the single universal criterion for defining manufacturing. The materials, substances, or components transformed are raw materials that are products of agriculture, forestry, fishing, mining or quarrying as well as products of other manufacturing activities. Substantial alteration, renovation or reconstruction of goods is generally considered to be manufacturing. The output of a manufacturing process may be finished in the sense that it is ready for utilisation or consumption, or it may be semi-finished in the sense that it is to become an input for further manufacturing.

Aerospace, defence and services sector

Undertakings in the Aerospace, defence and services sector include manufacturers of commercial aircraft, aircraft parts, aerospace and defence products, as well as defence prime contractors. Commercial aircraft manufacturers sell mainly to commercial airlines and governments. Aerospace and defence parts manufacturers sell primarily to governments. Both

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aerospace and defence manufacturers operate globally and serve a global customer base. Defence primes manufacture products including military aircraft, space vehicles, missile systems, ammunition, small arms, and other military fighting vehicles. Their customers consist of various government agencies and related businesses with global operations. The defence prime category also includes firearms manufacturers that sell to law enforcement agencies, businesses, distributors, retailers, and consumers.

Bioenergy sector

The Bioenergy sector is composed of the sub-sectors biomass (solid biofuels), liquid biofuels, and biogas, as well as wholesale of bioenergy.

The sub-sector biomass includes the processing of biological raw materials (e.g., briquettes, fire logs and pellets from agglomerated sawdust, wood waste and scrap, straw, charcoal or other vegetable biomass, agricultural residues) resulting from the agriculture and forestry sectors for the purpose of energy supply.

The sub-sector liquid biofuels includes the transformation of biomass into biodiesel, ethanol, the manufacture of mixtures of bio-ethanol and ethers partially derived from biomass, and manufacture of liquid biofuels even if processes use waste as an input.

The sub-sector biogas includes the transformation of sewage sludge, manure, and waste into biogas for the purpose of gas supply from, and the production of gaseous biofuels for energy supply through a gas distribution network. It also includes the cleansing of biogas for energy supply through a permanent network, as well as the operation of generation facilities that produce electricity from gaseous biofuels.

This sector also includes supplementary activities, such as the blending of biofuels, i.e. blending of alcohols with petroleum (e.g. gasohol), as well as the wholesale of low or free carbon fuels, greases, lubricants, oils, such as pellets of wood or biomass, biofuels, liquefied bio forms of petroleum gases, natural gas, butane and propane gas in blending or pure.

Chemicals and polymers sector

The Chemicals sector includes the transformation of organic and inorganic raw materials by a chemical process and the formation of products. It distinguishes the production of basic chemicals that constitute the first industry group from the production of intermediate and end products produced by further processing of basic chemicals that make up the remaining industry activities.

In this sector, undertakings transform organic and inorganic feedstocks into diverse products with a range of industrial, pharmaceutical, agricultural, housing, automotive, and consumer applications. The sector is commonly segmented into basic (commodity) chemicals, agricultural chemicals, and specialty chemicals. Basic chemicals, the largest subsector by volume produced, include bulk polymers, petrochemicals, inorganic chemicals, and other industrial chemicals. Agricultural chemicals include fertilizers, crop chemicals, biofuels and agricultural biotechnology. Specialty chemicals include paints and coatings, agrochemicals, sealants, adhesives, dyes, industrial gases, resins, and catalysts.

Construction Materials sector

The Construction Materials sector includes manufacturing activities related to a single substance of mineral origin.

The sector comprises of undertakings which manufacture, produce and cut materials for construction purposes. The manufacturing subsector include non-metallic, (ready-mixed) concrete, plaster, mortars, (fibre) cement, lime, bricks and tiles, flat glass, hollow glass, glass fibres and refractory products undertakings. The sector includes manufacturing of refractory products as well as industrial ceramics.

Electronics and electrical equipment sector

The sector includes the manufacture of computers, computer peripherals, communications equipment, and similar electronic products, as well as the manufacture of components for such products. Production processes of this sector are characterised by the design and use of integrated circuits and the application of highly specialised miniaturisation technologies. The sector also contains measuring, testing and navigating equipment, irradiation, electromedical and electrotherapeutic equipment, optical instruments and equipment, and the manufacture of magnetic and optical media. In addition, the sector includes the manufacture of products that generate, distribute and use electrical power. Also included is the manufacture of electrical lighting, signalling equipment and electric household appliances as well as repair activities.

Undertakings in the Electronics sector are typically active in electrical and electronic equipment, electronic manufacturing services and original design manufacturing, hardware and semiconductor subsectors.

The electrical and electronic equipment subsector consists of undertakings that develop and manufacture a broad range of electric components, including power generation equipment, energy transformers, electric motors, switchboards, automation equipment, heating and cooling equipment, lighting, and transmission cables.

The electronic manufacturing services (EMS) and original design manufacturing (ODM) subsector consists of two main subsectors. EMS undertakings provide assembly, logistics, and after-market services for original equipment manufacturers. The ODM subsector of the sector provides engineering and design services for original equipment manufacturers and may own significant intellectual property.

The Hardware subsector consists of undertakings that design and sell technology hardware products, including computers, consumer electronics, communications equipment, storage devices, components, and peripherals.

The Semiconductors subsector includes undertakings that design or manufacture semiconductor devices, integrated circuits, their raw materials and components, or capital equipment. Some undertakings in the sector provide outsourced manufacturing, assembly, or other services for designers of semiconductor devices.

Food and Beverages sector

The Food & Beverage sector includes the manufacturing, processing and distribution of products from agriculture and farming. This includes food, beverages, pet food, feed for animals, and the production of various intermediate products that are not directly food products. The sector also includes undertakings that process and package foods for retail consumer consumption. They may partake in syrup manufacturing, marketing, bottling operations, and distribution. In addition, undertakings may also produce alcoholic beverages and brew, distil, manufacture and distribute various alcoholic beverages, including beer, wine, and liquor. A specific subsector is dedicated to the manufacturing of tobacco products, including the manufacturing of electronic cigarettes and non-nicotine products.

The sector is organized by activities dealing with different kinds of products: meat, fish, fruit and vegetables, fats and oils, milk products, grain mill products, animal feeds and other food products. It does not include the preparation of meals for immediate consumption, such as in restaurants, which is covered in the ESRS Food and Beverage Services standard.

Machinery and Equipment sector

The Machinery and Equipment sector includes the manufacture of machinery and equipment that act independently on materials either mechanically or thermally or perform operations on materials (such as handling, spraying, weighing or packing), including their mechanical components that produce and apply force, and any specially manufactured primary parts as well as repair activities. It also includes the manufacture of other special-purpose machinery, not covered elsewhere, whether or not used in a manufacturing process.

Undertakings in the Machinery and Equipment sector manufacture equipment for a variety of other sectors including construction, agriculture, energy, utility, mining, manufacturing, automotive, and transportation. Products to be considered include engines (with the exception of except aircraft, vehicle and cycle engines), earth-moving equipment, industrial pumps, and turbines. Machinery manufacturers utilise large amounts of raw materials for production, including steel, plastics, rubber, paints, and glass. Manufacturers may also perform the machining and casting of parts before final assembly. The sector also includes the manufacture of transportation equipment such as ship building and boat manufacturing, the manufacture of railroad rolling stock and locomotives, the manufacture of parts thereof. The sector also includes undertakings manufacturing of abrasives.

Medical Instruments sector

Undertakings in the Medical Instruments sector are engaged in the manufacture of irradiation, electromedical and electrotherapeutic equipment and the manufacture of medical and dental instruments and supplies. Undertakings are typically active in the drug retailing and medical equipment and supplies subsectors. The Medical Instruments sector researches, develops, and produces medical, surgical, dental, ophthalmic, and veterinary instruments and devices. Products are used in settings, including hospitals, clinics, and laboratories, and range from disposable items to highly specialised equipment.

Metal Processing sector

The Metal Processing sector includes a subsector on manufacturing and one on metal processing.

The subsector relating to manufacturing includes undertakings that are active in iron and steel production. The iron and steel production subsector consists of steel producers with iron and steel mills and undertakings with iron and steel foundries. The steel producers subsector consists of undertakings that produce iron and steel products from their own mills. These products include flat-rolled sheets, tin plates, pipes, tubes, and products made of stainless steel, titanium, and high alloy steels. Iron and steel foundries, which cast various products, typically purchase iron and steel from other firms. It also includes activities of smelting and/or refining ferrous and non-ferrous metals from ore, pig or scrap, using electrometallurgical and other process metallurgic techniques. It also includes the manufacture of metal alloys and super-alloys by introducing other chemical elements to pure metals. The output of smelting and refining, usually in ingot form, is used in rolling, drawing and extruding operations to make products such as plate, sheet, strip, bars, rods, wire or tubes, pipes and hollow profiles, and in molten form to make castings and other basic metal products.

The subsector relating to metal processing includes the casting of iron, steel and other (non-ferrous) metals, the manufacture of metal structures and different metal industrial goods such as heating radiators, steam generators or reservoirs, tools or steel drums.

Motor Vehicles sector

The Motor Vehicles sector is comprised of undertakings active in the manufacture, repair, maintenance of motor vehicles, motorcycles, and related parts / accessories (passengers, freight and agriculture). This sector also includes undertakings active in wholesale and retail of motor vehicles and the related parts and accessories and rental and leasing of motor vehicles.

More in detail, this sector is divided in three sub-sectors: manufacture of motor vehicles, motorcycles, repair and maintenance of motor vehicles and motorcycles, sales, rental and leasing of motor vehicles and motorcycles.

More detail on the activities included in the three subsectors are provided below:

Manufacture of motor vehicles and motorcycles

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The economic activities in this group include manufacture of motor vehicles for transporting passenger, manufacture of agriculture machineries, manufacture of motorcycles. In addition, this group also includes manufacture of various parts and accessories for motor vehicles and motorcycles, including manufacture, retreading and rebuilding of rubber tyres.

In particular this subsector includes:

Manufacture of motor vehicles (C29.10) comprising the manufacture of electric, combustion and hybrid engine vehicles and of autonomous vehicles notably, manufacture of passenger cars, manufacture of commercial vehicles such as vans, lorries, road tractors for semi-trailers, manufacture of buses, trolleybuses and coaches, manufacture of motor vehicles engines, including electric motors, manufacture of other motor vehicles such as snowmobiles, golf cars, amphibious motor vehicles, road sweeper trollies, all-terrain vehicles go-carts and similar, including racing cars.

Manufacture of bodies and coachwork for motor vehicles; manufacture of trailers and semi-trailers (C29.20) comprising manufacture of containers specially designed and equipped for carriage by one or more modes of transport.

Manufacture of agricultural and forestry machinery (C.28.30), comprising manufacture of agricultural and forestry tractors, manufacture of track laying tractors, manufacture of single-axe (pedestrian-controlled) tractors, manufacture of mowers, manufacture of self-loading or self-unloading trailers or semi-trailers for agricultural purposes, manufacture of agricultural machinery for soil preparation or cultivation

Manufacture of motorcycles (C30.91) comprising manufacture of engines for motorcycles - manufacture of sidecars for motorcycles - manufacture of parts and accessories for motorcycles, e.g. brakes, gear boxes, clutches, road wheels, silencers and exhaust pipes, and parts thereof

Manufacture of electrical and electronic equipment for motor vehicles (C29.31) comprising manufacture of motor vehicles electrical equipment (e.g. generators, alternators), manufacture of inverter modules and fuel cells for cars, manufacture of cable sets

Manufacture of other parts and accessories for motor vehicles (C29.32) comprising manufacture of diverse parts and accessories for motor vehicles such as gear boxes, brakes, shock absorbers and manufacture of parts and accessories of bodies for motor vehicles such as bumpers, safety seat belts, car seats, manufacture of air-conditioning machines for motor vehicles

Manufacture, retreading and rebuilding of rubber tyres and manufacture of tubes (C22.11) comprising manufacture of rubber tyres for vehicles, equipment, mobile machinery, aircraft; pneumatic tyres; solid or cushion tyres; manufacture of inner tubes for tyres; manufacture of interchangeable tyre treads, tyre flaps, camelback strips for retreading tyres etc; tyre rebuilding and retreading.

Manufacture of batteries and accumulators (C.27.20), comprising manufacture of non-rechargeable and rechargeable batteries

Manufacture of fibre optic cables (C.27.31), comprising manufacture of fibre optic cable for data transmission or live transmission of images

Manufacture of other electronic and electric wires and cables (C.27.32), comprising manufacture of insulated wire and cable, made of steel, copper, aluminium.

Manufacture of wiring devices (C.27.33), comprising manufacture of current-carrying and non-current-carrying wiring devices for electrical circuits regardless of material

Manufacture of other pumps and compressors (C.28.13), comprising manufacture of air or vacuum pumps, air or other gas compressors, manufacture of pumps for liquids and manufacture of pumps for internal combustion engines

Repair and maintenance of motor vehicles and motorcycles .

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The economic activities in this group include repair and maintenance of motor vehicles and motorcycles. This group of activities also include intermediation service activities for repair and maintenance.

In particular this subsector includes:

Repair and maintenance of motor vehicles (T. 95.31), comprising repair and maintenance of motor vehicles, including trailers and semi-trailers, e.g. mechanical repairs, electrical repairs, repair of motor vehicle parts; repair of screens and windows; repair of motor vehicle seats. This class included repair and maintenance of caravan and motorhome housing cells.

Repair and maintenance of motorcycles (T.95.32), comprising repair and maintenance of motorcycles - motorcycle and motorcycle equipment spraying and painting activities - bodywork repair on motorcycles - washing, polishing, etc. of motorcycles.

Intermediation service activities for repair and maintenance of motor vehicles and motorcycles (T.95.4)

Sales, rental and leasing of motor vehicles and motorcycles

The economic activities in this group include wholesale and retail of motor vehicles and motorcycles and the related parts and accessories and rental and leasing of motor vehicles.

In particular this subsector includes:

Wholesale of motor vehicles (G.46.71), comprising wholesale of new and used motor vehicles.

Wholesale of motor vehicle parts and accessories (G.46.72), comprising wholesale of new and used motor vehicle parts, equipment and related accessories, wholesale of batteries and accumulators for motor vehicles.

Wholesale of motorcycles, motorcycle parts and accessories (G.46.73), comprising wholesale of new and used motorcycles, wholesale of parts and accessories for motorcycles –

Retail sale of motor vehicles (G.47.81), comprising retail sale of new and used motor vehicles

Retail sale of motor vehicle parts and accessories (G.47.82), comprising retail sale of new and used parts, equipment and accessories for motor vehicles

Retail sale of motorcycles, motorcycle parts and accessories (G.47.83), comprising retail sale of new and used motorcycles, retail sale of new and used parts and accessories for motorcycles

Rental and leasing of cars and light motor vehicles (O.77.11), comprising rental and operational leasing of motor vehicles without driver

Rental and leasing of trucks (O.77.12), comprising rental and operational leasing of trucks, motor caravans, utility trailers and heavy motor vehicles

Rental and leasing of other machinery, equipment and tangible goods n.e.c. - rental and operational leasing of land-transport equipment (other than motor vehicles) without drivers: caravan trailers – tyre leasing (O.77.39)

Pharma and Biotechnology sector

The Pharma and biotech sector includes the research, the development, the manufacture and the market of medicinal products. These products include chemical, biological, homeopathic, herbal medicinal products, as well as radiopharmaceuticals; biological medicinal products. These cover a wide range of products including immunological medicinal products, blood products, vaccines, recombinant proteins, monoclonal antibodies and advanced therapy medicinal products (i.e. gene therapy

products, somatic cell therapy medicinal products, tissue engineered products). The sector also covers the research and development of biotechnology.

Undertakings in the Pharma and Biotechnology sector develop, manufacture, and market a range of brand-name and generic medicinal products. A significant portion of the sector is driven by research and development, a high risk of product failure during clinical trials, and the need to obtain regulatory approval (marketing authorisation or registration).

Textiles, Accessories, Footwear and Jewelleries sector

The Textiles, Accessories, Jewellery, and Footwear sector includes several inter-related sub-sectors. For example, this sector includes the preparation and spinning of textile fibres, textile weaving, finishing of textiles and wearing apparel, and the manufacture of made-up textile articles. The sector also includes all tailoring (ready-to-wear or made-to-measure), in all materials (e.g. leather, fabric, knitted and crocheted fabrics), of all items of clothing (e.g. outerwear and, underwear for men, women or children, as well as the fur industry (fur skins and wearing apparel)). In addition, the sector includes dressing and dyeing of fur and the transformation of hides into leather by tanning or curing and fabricating the leather into products for final consumption. It also includes the manufacture of similar products from other materials (imitation leathers or leather substitutes), such as rubber footwear, textile luggage. The products made from leather substitutes are included here, since they are made in ways similar to those in which leather products are made (e.g. luggage) and are often produced in the same unit.

The sector includes undertakings involved in the design and, manufacturing of various non-textile products, including handbags, dialog watches, and footwear. The sector also includes jewellery consisting of ornamental pieces (brooches, rings, necklaces, earrings, pendants, bracelets and cufflinks) that are used for personal or public adornment, usually on the body or on the clothes. These are made of materials such as metals (e.g. gold, silver, titanium), gemstones (e.g. stones or precious stones, organic (e.g. plant or animal origin such as bone or wood etc.) or inorganic (e.g. plastic, clay or digital) substance. Many of the above products are largely manufactured by vendors in emerging markets, thereby allowing undertakings in the sector to primarily focus on design, wholesaling, marketing, supply chain management, and retail activities.

Mining sector group

The Mining sector group includes the extraction of minerals occurring naturally as solids (coal and ores), liquids (petroleum) or gases (natural gas). Extraction can be achieved by different methods such as underground or surface mining, well operation, seabed mining etc. This sector group also includes supplementary activities aimed at preparing the crude materials for marketing, for example, crushing, grinding, cleaning, drying, sorting, concentrating ores, liquefaction of natural gas and agglomeration of solid fuels. These operations are often accomplished by the units that extracted the resource and/or others located nearby.

Mining, Coal and Quarrying sector

The Mining, Quarrying and Coal sector is composed of Mining, Quarrying, Coal and Service sub-sectors.

The Mining sub-sector includes the extraction of metals which can be achieved by different methods, such as underground or surface mining, well operation, seabed mining, salars' exploitation, geothermal mining and others. Extraction of critical minerals such as copper, lithium, nickel, cobalt and rare earth elements is included in this sub-sector. Supplementary activities, such as crushing, grinding, washing, drying or sintering are also included. The activities in this sub-sector are classified under NACE division 07 Mining of metal ores (codes 07.10, 07.21 and 07.29).

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The Quarrying sub-sector includes activities such as quarrying, rough trimming and sawing of large building stones, breaking and crushing of ornamental and building stones, the extraction and dredging of industrial sand, mining of natural phosphates and natural potassium salts, peat digging and preparation of peat to improve quality or facilitate transport or storage. It also includes extraction of salt, as well as mining and quarrying of various minerals and materials, as well as supplementary activities such as dredging of alluvial deposits, rock crushing or the use of salt marshes. The activities in this sub-sector are classified under NACE division 08 Other mining and quarrying (codes 08.11, 08.12, 08.91, 08.92, 08.93, 08.99).

The Coal sub-sector includes the extraction of solid mineral fuels through underground or open-cast mining and includes operations (e.g., grading, cleaning, compressing and other steps necessary for transportation etc.) leading to a marketable product. This sub-sector includes undertakings that mine coal and manufacture coal products, whether it concerns underground or surface mining, thermal or metallurgical coal. This sub-sector also includes manufacturing of coke oven products. The activities in this sub-sector are classified under NACE division 05 Mining of coal and lignite (codes 05.10, 05.20), as well as NACE code 19.10 Manufacture of coke oven products.

The Services sub-sector includes providing support services on a fee or contract basis to the three sub-sectors mentioned above. Such services can consist of exploration services like prospecting, draining and pumping services or test drilling and test hole boring. The activities in this sub-sector are classified under NACE 09.90 Support activities for other mining and quarrying.

Oil and Gas

The Oil and Gas sector is composed of upstream, midstream, downstream and service sub-sectors.

Oil and Gas upstream activities include the development, exploration and production of conventional and unconventional oil and gas reserves. Unconventional development includes the mining and extraction of oil sands, shale oil and gas, deep sea exploration and fracking, among other techniques. Activities of developing and/or operating oil and gas fields occur both for on-shore and off-shore reserves. Activities in this sub-sector are classified under NACE B.06.10 Extraction of crude petroleum and B.06.20 Extraction of natural gas.

Oil and Gas midstream includes the transportation and storage of natural gas, crude oil, and refined petroleum products. Activities involve gathering, transporting and processing of natural gas as well as transport of crude oil and refined products over land (pipelines, truck and rail) or water (tankers and barges), as well as storage terminals stocking oil and gas above and below ground. Activities in this sub-sector are classified under NACE H.49.50 Transport via pipeline.

Oil and Gas downstream activities include refining (classified under NACE C.19.20) and marketing of petroleum products, including operating gas stations and convenience stores (classified under NACE G.46.71 and G.47.30).

Oil and Gas services provide support activities and equipment to the Oil and Gas value-chain. Services include activities such as drilling, completing and equipping oil and gas on-shore and off-shore wells, as well as seismic surveying, well cementing, and well monitoring. The provision of equipment comprises selling or renting equipment used in the extraction, storage, and transportation of oil and natural gas. Services are usually provided on a contractual basis, and equipment is either purchased, leased or rented. Activities in this sub-sector are classified under NACE include B.09.10 Support activities for petroleum and natural gas extraction.

Integrated oil and gas undertakings are involved in activities in more than one of the above sub-sectors, typically across upstream, midstream and downstream activities. Such undertakings may need to report disclosure requirements and data points for each of the activities or apply specific disclosure requirements or data points.

Real Estate sector group

The Real Estate sector group includes acting as lessors, agents and/or brokers in one or more of the following: selling or buying real estate, rental real estate, providing other real estate services such as appraising real estate or acting as real estate escrow agents.

Real Estate sector

The Real Estate sector includes owning or leasing of property and may be done on a fee or contract basis. Undertakings in this sector are commonly structured as real estate investment trusts (REITs) or play important roles in the Real Estate value chain and operate in a wide range of subsectors within the real estate sector, including residential, retail, office, health care, industrial, and hotel properties

Sales and Trade sector group

Sales and Trade sector

The Sales and Trade sector comprises non-specialised sales (wholesale and retail sale).

It includes the activities of agents involved in wholesale of different products such as pharmaceutical goods, perfumery, sports goods, bicycles, cars, motor vehicles and other products. Also activities of agents involved in non-specialised wholesale are included. It also includes the wholesale of other intermediate products such as plastics in primary forms or packaging articles.

The sector also includes non-specialised retail sale of food, beverages or tobacco and other non-specialised retail sales of wearing apparel, furniture, appliances, hardware and other products. Also sales of other new goods and second-hand goods are included. Undertakings in the sector can also be involved in intermediation service activities for retail sales.

Finally, undertakings that are active in the leasing of intellectual property and intermediation activities for rental and leasing form also part of the sector.

Services sector group

The Services sector group includes specialised professional, scientific and technical activities. These activities require a high degree of training and make specialised knowledge and skills available to users.

Education sector

The Education sector includes activities within Education and within Research and Development.

Activities within education include education at any level or for any profession. The instructions may be oral or written and may be provided by radio, television, Internet or via correspondence. It includes education by the different institutions in the regular school system at its different levels as well as adult education, literacy programmes etc. Also included are military schools and academies, prison schools etc. at their respective levels. The sector includes public as well as education institutions that generate revenue from student fees. At the primary and secondary levels this includes mostly alternative educational schools, specialty schools within sports, the arts or similar occupations, as well as some businesses. At the tertiary (or higher) level, services are delivered on a full-time, part-time, distance-learning, and occasional basis across establishments such as junior colleges, business and secretarial schools, colleges, universities, and professional schools including medical, pharmaceutical, and veterinary programs. This sector also includes other educational activities such as tutoring undertakings and specialty schools that fall in between the secondary level and tertiary level.

Professional Services sector

The Professional Services sector includes undertakings that rely on the unique skills and knowledge of their employees to serve a range of clients. Services are often provided on an assignment basis, where an individual or team is responsible for the delivery of services to clients. Offerings include, but are not limited to, management and administration consulting services, such as staffing and executive search services; legal, accounting, and tax preparation services; political, religious, and organisational services; travel, beauty and well-being services; architectural services, engineering services not covered by the ESRS Construction and Engineering standard, drafting services, building inspection services and surveying and mapping services. Information service providers that may specialise in an array of topics such as energy, healthcare, real estate, technology, and science. Service undertakings also include credit and rating agencies and data analytics providers.

The Professional Services sector also includes the activities of membership organisations, it also includes activities of organisations representing interests of special groups or promoting ideas to the general public. It also includes all service activities not mentioned elsewhere in the sector classification. Notably it includes types of services such as washing and (dry-)cleaning of textiles and fur products, hairdressing and other beauty treatment, funeral and related activities.

The Professional Services sector further includes the creation of advertising campaigns and placement of such advertising in periodicals, newspapers, radio and television, or other media as well as the design of display structures and sites. This subsector is comprised of undertakings that create advertising campaigns for use in media, display, or direct mail advertising and related services including market research and public opinion polling. Advertising and marketing undertakings are engaged primarily by businesses selling consumer products, entertainment, financial services, technology products, telecommunication services and sale and re-sale of time and space for various media soliciting advertising. Larger advertising undertakings are structured as holding undertakings, owning multiple agencies across the globe that provide a wide range of services such as custom publishing, brand consultancy, mobile and online marketing, and public relations.

Technology sector group

The Technology sector group includes the production and distribution of information and cultural products, the provision of the means to transmit or distribute these products, as well as data or communications, information technology activities and the processing of data and other information service activities.

Information Technology sector

The Information Technology sector includes the activities of software development and its distribution, including operating systems, tools and applications. Software as a Service, (mobile) apps, games, online platforms, their maintenance, support services and consulting activities related to those. Internet cloud and hosting services and the development and maintenance of data centers is part of this sector. Undertakings can also be active in the development of machine learning models, natural language processing systems and artificial intelligence algorithms.

Also, hardware activities which relate to the design, manufacture and distribution of computers, computer components or parts (including microchips, CPUs, GPUs, ...), servers or network devices are part of this sector. The hardware activities also include the manufacturing and distribution of consumer products including tablets, laptops, smartphones or wearables.

The sector is also involved in the development of devices or sensors connected via the internet. This expands to industrial activities such as the development and maintenance of smart grids, connected vehicles or healthcare monitoring.

Finally, the sector is involved in the development and maintenance of cyber security solutions.

Media and Communication sector

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Undertakings in the Media and Communication sector are active in the media and entertainment, internet media and services and telecommunications subsectors. The main components are publishing activities, including software publishing, motion picture and sound recording activities, radio and TV broadcasting and programming activities, telecommunications activities, information technology activities and other information service activities. Publishing includes the acquisition of copyrights for content (information products) and making this content available to the general public by engaging in (or arranging for) the reproduction and distribution of this content in various forms. All the feasible forms of publishing (in print, electronic or audio form, on the Internet, as multimedia products etc.) are included in this sector as well as activities related to production and distribution of TV programming at different stages in this process.

The sector includes printing of products, such as newspapers, books, periodicals, business forms, greeting cards, and other materials, and associated support activities, such as bookbinding, plate-making services, and data imaging. The support activities included here are an integral part of the printing industry, and a product (a printing plate, a bound book, or a computer disk or file) that is an integral part of the printing industry is almost always provided by these operations. Though printing and publishing can be carried out by the same unit (a newspaper, for example), it is less and less the case that these distinct activities are carried out in the same physical location. It also includes the reproduction of recorded media. This also includes the publishing of books, brochures, leaflets, dictionaries, encyclopaedias, atlases, maps and charts.

Undertakings in the Media and Entertainment subsector create content and/or acquire rights to distribute content over cable or broadcast media, including entertainment programs, news, data programs of entertainment, music, and children's programming. Undertakings in this sector also publish books, newspapers, and periodicals, and broadcast radio and local television programming. Undertakings in the Media and Communication sector are increasingly engaged in distributing content via the Internet. Issues such as data processing, hosting and related activities are covered by ESRS Software and IT Services. This includes production of theatrical and non-theatrical motion pictures whether on film, video tape or disc for direct projection in theatres or for broadcasting on television. It also includes the sound recording activities, i.e. production of original sound master recordings, releasing, promoting and distributing them, publishing of music as well as sound recording service activities in a studio or elsewhere.

The Internet Media and Services subsector consists of two main parts. The internet media subsector includes undertakings providing search engines and internet advertising channels, and online communities such as social networks, as well as content, usually easily searchable, such as educational, medical, health, sports, or news content. The internet-based services subsector includes undertakings selling services mainly through the Internet. As well as activities of web search portals, data processing and hosting activities, as well as other activities that primarily supply information. The subsector generates revenues primarily from online advertising, on usually free content, with other sources of revenue being subscription fees, content sales, or sale of user information to interested third parties.

The Telecommunication Services subsector consists of wireless and wireline telecommunications undertakings, as well as undertakings that provide cable and satellite services. The broadcasting can be performed using different technologies, over-the-air, via satellite, via a cable network or via Internet. The wireless services subsector provides direct communication through radio-based cellular networks and operates and maintains the associated switching and transmission facilities. The wireline subsector provides local and long-distance voice communication via the Public Switched Telephone Network. Wireline carriers also offer voice over internet protocol (VoIP) telephone, television, and broadband internet services over an expanding network of fiber optic cables. Cable providers distribute television programming from cable networks to subscribers. They typically also provide consumers with video services, high-speed internet service, and VoIP. These services are traditionally bundled into packages that provide subscribers with easier payment options than paying for each service separately. Satellite undertakings distribute TV programming through broadcasting satellites orbiting the Earth or through ground stations. The commonality of

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activities classified in this subsector is the transmission of content, without being involved in its creation. The breakdown in this subsector is based on the type of infrastructure operated. In the case of transmission of television signals this may include the bundling of complete programming channels into programme packages for distribution.

The sector also includes the activities of web search portals, data processing and hosting activities, as well as other activities that primarily supply information. Undertakings serve customers primarily in their domestic markets, although some undertakings operate in several countries.

Transportation sector group

The Transportation sector group includes the provision of passenger or freight transport, whether scheduled or not, by rail, pipeline, road, water or air and associated activities such as terminal and parking facilities, cargo handling, storage etc. Included in this sector is the rental of transport equipment with driver or operator. Also included are postal and courier activities.

Other Transportation sector

Undertakings in the Transportation sector are typically active in the air freight and logistics, airlines, cruise lines, marine transportation, rail transportation subsectors.

Air freight and logistics undertakings provide freight services and transportation logistics to both businesses and individuals. There are three main sector subsectors: air freight transportation, post and courier services, and transportation logistics services. Transportation logistics services include contracting with road, rail, marine, and air freight undertakings to select and hire appropriate transportation. Services can also include customs brokerage, distribution management, vendor consolidation, cargo insurance, purchase-order management, and customized logistics information.

The sector includes postal and courier activities, such as pickup, transport and delivery of letters and parcels under various arrangements. Local delivery and messenger services are also included.

The airlines subsector is comprised of undertakings that provide air transportation globally to passengers for both leisure and business purposes. This includes commercial full-service, low-cost, and regional airlines. Full-service carriers typically use a hub-and-spoke model to design their routes within countries and internationally. Low-cost carriers usually offer a smaller number of routes as well as no-frills service to their customers. Regional carriers typically operate under contract to full-service carriers, expanding the network of the larger carriers. Many airline undertakings also have a cargo subsector in their operations from which they generate additional revenue. It is common within the subsector for undertakings undertaking to form partnerships or join alliances in order to increase network size.

The cruise lines subsector comprises undertakings that provide passenger transportation and leisure entertainment, including deep sea cruises and river cruises. The subsector is dominated by a few large undertakings. The marine transportation subsector consists of undertakings that provide deep-sea, coastal, and/or river-way freight shipping services. Key activities include transportation of containerised and bulk freight, including consumer goods and a wide range of commodities, and transportation of chemicals and petroleum products in tankers. This also includes the transport of passengers or freight over water, whether scheduled or not. Also included are the operation of towing or pushing boats, excursion, cruise or sightseeing boats, ferries, water taxis etc

The rail transportation subsector consists of undertakings that provide passenger rail transport, whether urban, suburban or interurban, rail freight shipping and support services. Key activities include shipping containerised and bulk freight, including consumer goods and commodities.

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The Transportation sector includes warehousing and support activities for transportation, such as operating of transport infrastructure (e.g. airports, harbours, tunnels, bridges, etc.), the activities of transport agencies and cargo handling.

Road Transport sector

The Road Transport sector is comprised of undertakings that provide urban, suburban or long-distance road transport passengers services, freight transport operations by road and postal services operating under or outside the scope of universal service obligation. More in detail, this sector is divided in three sub-sectors: passenger land transport, freight transport services by road and postal activities. The passenger land transport sub-sector includes urban, suburban or long-distance road transport of passengers by bus, coach, trolley bus or minibus, taxi, bike taxis, private hire vehicles with driver and motorbike taxi. The freight transport services by road subsector includes all freight transport operations by road, including removal services. The postal activities subsector includes delivery of letters, postcards, printed papers, small packets, goods and home delivery services and delivery of packages or parcels.

More detail on the activities included in the three subsectors are provided below:

Passenger land transport

The economic activities in this group include scheduled urban, suburban or long-distance road transport of passengers. This group also includes operation of school buses and buses for transport of employees. In addition, this group also includes non-scheduled urban, interurban and long-distance road transport of passengers in vehicles of 10 or more people and this may include transport by bus, coach, trolley bus or minibus. The economic activities in this group also include on-demand transportation of passengers in vehicles with driver, for transport of 9 or less people such as taxi services, bike taxis and private hire vehicles with driver and motorbike taxi services.

This group also includes on-demand transport services, such as ride-hailing platforms, car sharing platforms and other digital service platforms which intermediate between passengers and local car/bus operators.

Freight transport services by road

The economic activities in this group include all freight transport operations by road such as logging haulage, livestock haulage, refrigerated haulage, heavy haulage, bulk haulage, including haulage in tanker trucks, haulage of automobiles, transport of waste and waste materials, without collection or disposal, road transportation of freight on behalf of postal or courier units, without carrying out any other post or courier activities, road transportation of objects between different units (e.g. buildings, storage units..). This group of activities also include removal services to businesses and households by road transport.

Postal activities

The economic activities in this group include postal services operating under a universal service obligation by one or more designated universal service providers, for delivery of letters, postcards, printed papers, small packets, goods or documents are also included. This group includes also home delivery services and delivery of packages or parcels by firms operating outside the scope of the universal service obligation.

Appendix B: Defined terms

33 This appendix is integral part of the [draft] ESRS SEC1 Sector classification standard and has the same authority as the other parts of the [draft] Standard.

Economic activity⁴	An economic activity takes place when resources such as capital goods, labour, manufacturing techniques or intermediary products are combined to produce specific goods or services. Thus, an economic activity is characterised by an input of resources, a production process and an output of products (goods or services).
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⁴ It is noted that an alignment with how economic activities are classified in accordance with the EU Regulation 2020/852 of 18 June 2020 on the establishment of a framework to facilitate sustainable investment (EU Taxonomy) is not always possible as both frameworks serve different purposes.

Appendix C: Application Requirements

34 All references to ESRS below refer to the version published by the Delegated Act supplementing Directive 2013/34.

Example 1 – single activity

35 Assume an undertaking that has registered its activities under one single NACE-code which is also their single operational activity. For example, an undertaking A has activities described as NACE B.07.10 *Mining of iron ores* solely. In this case the undertaking shall apply the [draft] ESRS “*Mining, Quarrying and Coal*” to its operations, despite the scope of Mining, Quarrying and Coal being broader than the relevant NACE-code.

Example 2 – multiple activities in one entity

36 Assume an undertaking that has registered its activities under different NACE codes that are covered by different sector-specific ESRS. For example, undertaking A has in addition to its activities registered as NACE B.07.10 *Mining of iron ores* significant activities that are described as NACE C.24.10 *Manufacture of basic iron, steel and of ferro-alloys*. In this case the undertaking shall apply – subject to its assessment of ESRS 2 paragraph 40 (b) and AR 13 (a) and (b) (revenues above 10 per cent of the revenue of all its activities or whether it is connected to material actual or material potential negative impacts) - both the sector-specific [draft] ESRS “*Mining, Quarrying and Coal*” and “*Metal processing*”, the latter as it includes NACE C.24.10 *Manufacture of basic iron, steel and ferro-alloys*.

Example 3 – vertically integrated operations

37 Assume an undertaking that is part of a group has intercompany transactions with its parent undertaking or other subsidiaries of that parent undertaking. For example, undertaking A and B are both subsidiaries of the same consolidated group C. Undertaking A has activities described as NACE B.07.10 *Mining of iron ores* but sells some of the extracted ore to undertaking B which has activities registered as NACE C.24.10 *Manufacture of basis iron, steel and of ferro-alloys* solely. Assume that undertaking A prepares ESRS sustainability statements on a stand-alone basis. At this level, undertaking A shall apply the sector-specific ESRS “*Mining, Quarrying and Coal*” to its operations. Similarly, assume that undertaking B also prepares sustainability statements on a stand-alone basis. At this level, undertaking B shall apply the sector-specific [draft] ESRS “*Metal processing*”. At consolidated level, group C shall apply both [draft] ESRS “*Mining, Quarrying and Coal*” and “*Metal processing*” (absent any other activities) assuming both types of activities fulfil the criteria mentioned in ESRS 2 paragraph 40 (b) and AR 12 (a) and (b) for significant ESRS sectors. Note: if parent undertaking C prepares consolidated sustainability

statements subsidiaries A and B are exempt from sustainability reporting on a stand-alone basis.

Example 4 – insignificant activities

38 Subsidiary D delivers IT-solutions to its parent undertaking C and the other subsidiaries of the group. These IT solutions can be described as activities in accordance with NACE code J.62 *Computer programming, consultancy and related activities*. For the consolidated group C, the IT activities can be considered not significant as IT revenues are below 10 percent of all revenues (including both sales to external customers and intersegment sales or transfers) and no material impacts are identified related to these activities thereby not meeting the criteria for significant ESRS sectors of ESRS 2 paragraph 40 (b) and AR 13 (a) and (b). As a result, group C is not required to apply the [draft] ESRS *Information technology*. However, in case IT activities were to be considered significant, due to the 10 percent or impact test, the group C shall apply the standard [draft] ESRS *Information technology*.

Example 5 – material actual or potential negative impacts

39 Assume an undertaking that operates a banking business [NACE 64.92 *Other credit granting*]. As part of its lending business, the group has financed the construction by a chemical company [NACE 20.30 *Manufacture of paints, varnishes and similar coatings, printing ink and mastic*] of a factory that transforms hazardous substances. Following the credit deterioration of the client, the company is forced to acquire the financial control of the chemical company and to exercise the operational control over the company.

40 Assume that there is no foreseeable perspective for a disposal of the factory. Accordingly, the banking group estimates to be active in the chemical sector until the complete recovery of the initial investment. The factory produces revenues that are below 10 percent of total group revenues; however, the group may be connected with material environmental impacts through the activities of the chemical company (see ESRS 2 paragraph 40 (b) and AR 12 (a) and (b)). If so, the banking group shall report also according to [draft] ESRS *Chemical sector*.

41 This example also illustrates the application of ESRS 1, paragraph 102: when there are significant differences between material impacts, risks or opportunities at group level and at level of one or more of its subsidiaries, the undertaking shall provide an adequate description of all these impacts, risks and opportunities.

Example 6 – transport

42 Assume an undertaking active in retail sales [NACE 47.19 Other non-specialised retail sale]. The undertaking has a fleet of trucks that ensures daily deliveries of goods from the distribution centre to the individual stores. The undertaking shall - in addition to its core activities (retail sales) - evaluate whether [draft] ESRS *Road transportation* applies based on its assessment related to ESRS 2 paragraph 40 (b) and AR 13 (a) and (b) for its road transport activities.

Example 7 – Credit institution having a mortgage loan portfolio

43 Assume a credit institution that grants mortgages to retail clients [NACE 64.19 *Other monetary intermediation*] and is thereby financing the acquisition of real estate by its clients [NACE 68.10 *Buying and selling of own real estate*]. That credit institution applies the [draft] ESRS *Credit institutions*. The credit institution shall not apply the [draft] ESRS *Real estate* as it has no financial or operational control over these activities. The credit institution shall consider if there are material impacts, risks and opportunities connected through its value chain that it should report upon [paragraph 63 of ESRS 1].

Example 8 – Credit institution controlling real estate through investment funds

44 Assume a credit institution that provides financial service activities to retail clients [NACE 64.92 *Other credit granting*] and also has real estate activities through funds which it consolidates. Assume the following scenarios:

- (a) the real estate fund controls through ownership a number of buildings. Subject to the ESRS 2 paragraph 40 (b) and AR 13 (a) and (b) significance of the activities the credit institution shall apply [draft] ESRS *Real estate* to the activities related to these buildings; or
- (b) the real estate fund has bought a number of shares in a real estate company giving the fund significant influence over the real estate company and the buildings in its portfolio. The credit institution shall consider whether the real estate activities of the real estate company i.e. the associate (significant influence) are part of the credit institutions value chain (see ESRS 1 paragraph 67) but should not apply [draft] ESRS *Real estate*.

Example 9 – Consolidated reporting and subsidiary exemption

45 Retailer A has concentrated its real estate activities in one subsidiary B. B manages, owns and leases property (retail stores) from third parties and sub-leases them exclusively to subsidiaries of the group.

- 46 B has decided to use the subsidiary exemption and therefore does not prepare sustainability statements for its activities (ESRS 1 Chapter 7.6 *Consolidated reporting and subsidiary exemption*). Retailer A evaluates based on [ESRS 2 paragraph 40 (b) and AR 13 (a) and (b) whether it must report according to [draft] ESRS *Real estate* for the retail stores it owns and manages. B's finance lease activities to other group subsidiaries fall under NACE code K.64.91 *Financial leasing*. However, Retailer A concludes that it does not need to report under the related [draft] ESRS *Credit institutions* for the leasing activities as the finance-leases are exclusively intra-group and therefore do not result in additional impacts, risks or opportunities for the group.