

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG SRB. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG SRB or EFRAG SR TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG SRB, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

Objective

- 1 The objectives of this session are:
 - (a) to receive an update from EFRAG SR TEG discussion on the LSM Working Papers; and
 - (b) to react to the content of the cover note/issue paper presented to EFRAG SR TEG.

Papers provided for this session

- 2 The EFRAG SRB has been provided for information purposes with the package discussed at the public session of EFRAG SR TEG paper (2 February meeting – session 03 of the EFRAG SR TEG agenda). This includes the first draft working paper of the contents of LSME corresponding to ESRS 1 and ESRS 2.
- 3 The EFRAG SRB discussion is expected to focus on the content of paper 03-03 Cover Note and 03-04 Building blocks prepared for the EFRAG SR TEG meeting.

Key focus points in the discussion

Building blocks

- 4 The EFRAG SRB has decided at the meeting on 27 January 2023 to develop two standards (LSME and VSME), starting from LSME and achieving compatibility with the two standards, so to be able to assess the feasibility of merging the contents whenever possible. Consistently the EFRAG Secretariat has developed a proposal for the building blocks, i.e. the components that could be common to the two standards and the additional components ('LSME plugged-in component and LSME optional component') that would be included only in LSME. This proposal is presented in the paper 03-04 prepared for the EFRAG SR TEG on 2 February 2023. A verbal update from EFRAG SR TEG discussion will be presented in this meeting. EFRAG SRB members will be requested to provide their observations on this proposal at this meeting.

Cross cutting requirements and disclosures

- 5 Paragraphs from 9 to 18 of paper 03-03 prepared for the EFRAG SR TEG on 2 February 2023 present the approach followed in the preparation of the LSME working papers. Please note that the EFRAG SR TEG has recommended to include positive impacts as voluntary content (similar to the opportunities); such change has not yet been processed in the documents. Please also note that:
 - (a) the targets are treated as voluntary content;
 - (b) SFDR/Pillar 3/Benchmark regulation datapoints are included as subject to materiality assessment, on the assumption that this will not create issues with the cap (i.e. as they are included in the requirements, these datapoints may be required by large undertakings to SMEs). The EFRAG Secretariat is currently investigating (including with investors, banks and supervisors) the

feasibility of such approach as opposed to requiring that these datapoints are always reported (irrespective of materiality).

- 6 A verbal update on the outcome of the EFRAG SR TEG discussion will be provided in this meeting.
- 7 In addition to the cross-cutting content, the LSME ESRS will also include three topical documents, respectively covering E/S/G (please note that for the consultation all the package may be combined in a single document). EFRAG SRB members will be requested to provide feedback on the entire LSME working paper package in the coming weeks, with a dedicated survey/questionnaire. However, those members that have already specific comments on the ESRS 1 and ESRS 2 working papers, are invited to share them already in this meeting.
- 8 Final EFRAG SRB approval of the Exposure Drafts of LSME is planned at the latest for mid-April 2023. Nevertheless, if feasible and consistent with the decision of the Due Process Committee to grant an exception and shorten the consultation period to 90 days, if feasible the approval will be anticipated to mid-March so that the LSME ED can be put in consultation in the first batch (with SEC 1, Mining and Oil&gas).

Topical content

- 9 At the same meeting EFRAG SR TEG had a brainstorming in closed session on the topical contents. The resulting working papers are now being enhanced by the EFRAG Secretariat and the plan is to make available a first version to the EFRAG SRB at the beginning of the week of 7 February 2023; a second version will be distributed for comments (supported by a survey/questionnaire).