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[Draft] LSME ESRS V2.3

Cover Note

Objective

1. The purpose of this public session is to discuss with the SR TEG:
 - a. Whether the simplifications applied in the draft LSME reflect properly the concept of the common building block. [As a reminder the building block approach was conceptually integrated in the design of the draft LSME ESRS and the VSME working paper¹, as part of the methodology established in January and February 2023.]
 - b. Additional simplifications in Section 2 draft LSME ESRS proposed considering the updated building block, including new EC delegated act on Set 1 published on 9 June 2023. The changes due to EC DA in the other sections of draft LSME ESRS will be discussed on 21 June.
 - c. The update on the general approach to draft LSME ESRS for SR TEG validation as input for the forthcoming basis for conclusions.

Update since last SR TEG (drafting session) on 12 May

2. Following SR TEG on 12 May 2023 (closed session) the secretariat has processed the following changes in the draft LSME agreed by SR TEG members (
 - a. LSME Section 1 and 2:
 - i. On centralised disclosures, new text of the mixed approach on policies, actions, and targets to improve readability and clearly identify EU datapoints.
 - ii. IFRS alignment: apply simplification over further alignment with IFRS.
 - iii. Entity-specific disclosures: the Secretariat will draft a list of possible pros and cons to assess if the DR is to be turned into a “may”.
 - iv. GOV-1: SR TEG approved simplifications.
 - v. The changes in Section 2 are reflected in Issue Paper 03.03 “Building Blocks”
 - b. LSME Section 3 (Discussion of SR TEG feedback):
 - i. Transition plan for climate change mitigation: to delete and insert requirements in the centralized disclosures Section 2.
 - ii. Energy consumption and mix: simplified breakdown of renewable energy sources.
 - iii. GHG emissions scope 3: simplification of scope 1 and 2 (ETS and breakdowns) as these are not value chain data.
3. In the light of the publication of the EC Delegated Act ESRS set1, the secretariat is currently integrating the alignment changes in draft LSME ESRS working paper. Those changes and the detailed changes in Section 3 listed above will be presented at next SR TEG meeting on 21 June.

¹ Based on ex EFRAG PTF cluster 8 proposal presented on 17 November 2022, see Issue Paper 03-01, Appendix 1 [Download \(efrag.org\)](https://www.efrag.org)

Key discussion points for the session

4. Validation of the Building Block approach as reflected in draft LSME ESRS. Please refer to Issue Paper 03-03 for a detailed explanation of the building blocks, particularly on the disclosures of Section 2 (General Disclosures) of the [draft] LSME ESRS and its articulation with the draft VSME. Please refer to the questions at the end of the Issue Paper to guide the discussions.
5. Input paper for the forthcoming basis for conclusions of the [draft] LSME ESRS: please refer to agenda paper 03-02. The document contains the main preparatory material, outcome of meetings, and the methodological approach of the LSME ESRS. Please refer to the questions at the end of the Input Paper to guide the discussion.

Agenda Papers

6. In addition to this cover note, agenda papers for this session are:
 - a. Agenda paper 03-02 – Input paper basis for conclusions;
 - b. Agenda paper 03-03 – Building blocks approach.

