

Questionnaire ESRS LSME Exposure Draft

EFRAG Public Consultation – January 2024

Part 1: Disclaimer:

This questionnaire supports the development of the ESRS LSME Exposure Draft (from now on also ESRS LSME ED or ED). The purpose of this consultation is to collect feedback and comments from a variety of stakeholders with regards to the content of ESRS LSME ED, developed as a result of EFRAG SR Board and SR TEG discussions. ESRS LSME ED also takes into account the outcome of the EFRAG EWG (Expert working group) discussions and the input from the EFRAG LSME community as well stakeholders outreach events organised by EFRAG Secretariat between January and November 2023.

The following background documents are included in the package to help respondents framing the questions:

- Annex 1: ESRS LSME ED
- Annex 2: “Exposure Draft - ESRS for listed SMEs Basis for Conclusions”. It provides an overview of the methodologic approach taken, the main content of the ED, the approach to the value chain cap and the key aspects discussed by the EFRAG SRB and SR TEG. The Basis for Conclusions also include the full text of Set 1, compared with ESRS LSME ED.
- Annex 3: Approach to Value Chain Cap in LSME ESRS ED and VSME ED (LINK)

Deadline for answer is xx May 2024 (EoD).



Part 2: Introduction to the ESRS LSME ED survey

As part of the second set of draft European sustainability reporting standards, EFRAG has the mandate to develop the European Sustainability Reporting Standards for SMEs which are public-interest entities, small non-complex credit institutions and captive insurances and re-insurances (referred to as “LSME”).

This survey contains general questions and specific questions on each of the sections of the ED.



Part 3: Information on Survey Participant

First Name:

Last Name:

Email Address:

Organisation name (if applicable):

Organisation type:

If the organisation is in the scope of ESRS LSME ED¹ (LSME preparer), please indicate the type of organisation and the number of employees:

- small undertaking with securities listed in EU regulated markets²
 - medium undertaking with securities listed in EU regulated markets
 - small non-complex financial institution³
 - captive insurance or reinsurance undertaking as preparer of an ESRS report (LSME)⁴
 - third country listed SMEs as preparer of an ESRS report (LSME)⁵
- **If user**, please specify whether you are:
 - User of sustainability reporting statements (e.g. bank or investor)
 - Large Company as SME's value chain partner
 - Rating Agency (as proxy for user)
 - **Other:**
 - National or European authority/Standard Setter
 - Non-Government Organization ("NGO")
 - Academic or research institution
 - Accountant/Consulting services
 - Other (please specify)

Main country of operations (choose from menu)

Main sector of operations (choose from menu)

Number of employees:

¹ As defined in CSRD art. 19 a) 6

² Small and medium-sized undertaking within the meaning of Article 3(2) and (3) of Directive 2013/34/EU which are public-interest entities as defined in point (a) of point (1) of Article 2 of that Directive and which are not micro-undertakings as defined in Article 3(1) of that Directive

³ As defined in point (145) of Article 4(1) of Regulation (EU) No 575/2013

⁴ As defined in point (2) and (5) of Article 13 of Directive 2009/138/EC of the European Parliament and of the Council

⁵ According to Art. 4(5) of the Transparency Directive (as amended by the CSRD)



For further information on Context and legal background, please go to this link

[THE LINK WILL INCLUDE THE FOLLOWING INFORMATION, VISIBLE ONLY WHEN ACCEEDING THE LINK]

[The ESRS LSME ED may be applied as derogation to ESRS for large undertakings (EC Delegated act July 2023, also known as “Set 1”), when preparing and presenting sustainability-related information under the Accounting Directive as amended by the Corporate Sustainability Reporting Directive (CSRD) art. 19a (6) and 29c, by the following undertakings:

- small and medium-sized undertaking within the meaning of Article 3(2) and (3) of Directive 2013/34/EU which are public-interest entities as defined in point (a) of point (1) of Article 2 of that Directive and which are not micro-undertakings as defined in Article 3(1) of that Directive; According to Art. 4(5) of the Transparency Directive (as amended by the CSRD), this also includes third country listed SMEs;
- small non-complex financial institutions defined in point (145) of Article 4(1) of Regulation (EU) No 575/2013;
- captive insurance undertakings defined in point (2) of Article 13 of Directive 2009/138/EC of the European Parliament and of the Council ; and
- captive reinsurance undertakings defined in point (5) of Article 13 of that same Directive.

The text of the CSRD specifies:

- a) ESRS LSME ED expected content [art. 19a(6)];
- b) ESRS LSME ED shall be proportionate and relevant to the capacities and the characteristics of small and medium-sized undertakings and to the scale and complexity of their activities (art 29c);
- c) the so called “value chain cap” (article 29b (4) of CSRD). Sustainability reporting standards shall not specify disclosures that would require undertakings to obtain information from small and medium-sized undertakings in their value chain that exceeds the information to be disclosed pursuant to the sustainability reporting standards for small and medium-sized undertakings referred to in Article 29c. As a result, in developing ESRS LSME ED, EFRAG counterbalanced the need for proportionality with the need to preserve the feasibility for large companies to provide a relevant and complete information when reporting on their value chain.
- d) ESRS LSME ED shall take into account the criteria set out in Article 29b(2) to (5) that are also applicable to large undertakings. The ED shall also, to the extent possible, specify the structure to be used to present that information [art 29c(2)].

To note as well that the following CSRD provisions apply generally to ESRS LSME ED:

- a) Sustainability reporting at individual level under Art. 19a(1) LSMEs have to report in accordance with the ESRS for large undertakings (Art. 19a(4)), unless they opt to report in accordance with the ESRS LSME (Art. 19a(6)). Under Art. 19a(7), LSMEs may also opt out from sustainability reporting for financial years starting before 1 January 2028. Under Art. 19a(9), LSMEs are exempted from carrying out individual sustainability reporting if they are included in the consolidated management report of a parent company that has carried out consolidated sustainability reporting in accordance with Art. 29a (and if certain other specific conditions are met); and



- b) Sustainability reporting at consolidated level under Art. 29a(1), if an LSME is parent undertaking of a large group they have to report in accordance with the ESRS for large undertakings (Art. 29a 5). Under Art. 29 a (7), if a LSME, parent undertaking of a large group, is providing such a consolidated sustainability reporting, it is exempted from providing individual sustainability reporting.
Under Art. 29a(8), an LSME, which is parent undertaking of a large group, is exempted from carrying out its consolidated sustainability reporting if it is included in the consolidated management report of another parent company that has provided consolidated sustainability reporting in accordance with Art. 29a (and if certain other specific conditions are met).
- c) LSME subsidiary included in a consolidated sustainability statement drawn up in accordance with articles 29 and 29 a is exempted from carrying out its sustainability statement.

The purpose of ESRS LSME ED is specified in Recital 17 and 21 of the CSRD as follows:

- a) to ensure investors protection, i.e. that the investors that buy their listed securities receive information on sustainability matters and in this way avoid discrimination against small and medium-sized undertakings due to a different level of sustainability information produced; and
- b) to ensure that financial market participants have the information they need from investee undertakings to be able to comply with their own sustainability disclosure requirements laid down in Regulation (EU) 2019/2088 (SFDR) and Taxonomy disclosures.

The ESRS LSME ED follows the “building blocks” approach developed by EFRAG for the reporting of the smaller and less complex undertakings. The building block approach is essentially a scalable approach, aimed at allowing an undertaking to be able to level up in terms of extension and deepening of the disclosure requirements, ensuring consistency in the methodological approach and in terminology.

EFRAG has developed a draft voluntary standard for non-listed SMEs (VSME ED), issued for public consultation jointly to ESRS LSME ED. While the ED has been developed as a simplification of the standards for large undertaking, VSME ED has been designed on the basis of the frequently observed data requests from lenders, investors and corporate clients of SMEs. VSME uses a more simplified language than ESRS LSME ED (and Set 1), however despite the priority being proportionality coherence has been preserved between VSME ED and ESRS LSME ED (and Set 1), in terms of structure, sustainability matters and key defined terms. As a result, in a broader sense, the building block includes the following 4 steps:

1. VSME (Basic metrics module), "metrics data-set";
2. VSME (Narrative PAT module);
3. VSME (Business partner module);
4. ESRS LSME ED: All VSME modules + other EU datapoints (a complete list is provided in appendix G) + additional datapoints due to CSRD and user` needs (and adjustments due to the consolidated view in VSME vs individual view in ESRS LSME ED);



The ESRS LSME ED reflects a simplified structure. The content of the twelve ESRS in Set 1 has been rearranged in one standalone Standard with six sections:

- (a) three cross-cutting sections, Section 1 General requirements, Section 2 General disclosures and Section 3 Policies, actions and targets.
- (b) three topical sections dedicated to metrics, Section 4 Environment, Section 5 Social and Section 6 Business conduct.

For further background information on the developments of EFRAG work on the LSME ESRS, please refer to Annex 2 “Exposure Draft - ESRS for listed SMEs Basis for Conclusions”.]



Part 5: Questions related to ESRS LSME ED

Survey Structure:

The objective of this survey is to gather feedback for ESRS LSME ED around the following topics:

- A. Key questions about ESRS LSME ED (**mandatory to respond**):
 - A.1 Methodological approach and general principles
 - A.2 Value chain implications
 - A.3 Sector approach
- B. Specific questions for each section of the ESRS LSME ED (**optional to respond**):
 - a) Section 1 *General requirements*
 - b) Section 2 *General disclosures*
 - c) Section 3 *Policies, Actions and Targets*
 - d) Section 4 *Environment*
 - e) Section 5 *Social*
 - f) Section 6 *Business conduct*



A) Key questions about ESRS LSME ED (mandatory to respond):

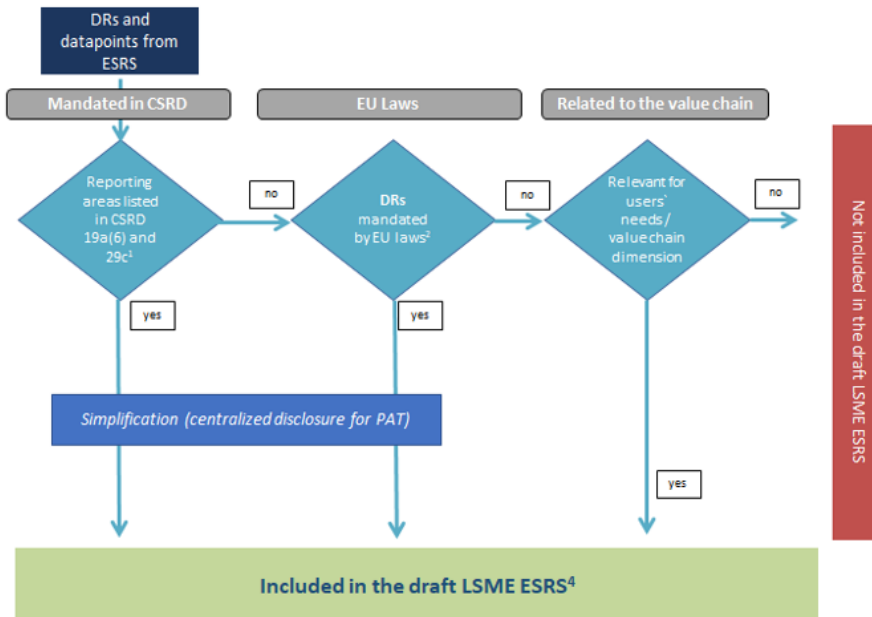
A.1): Methodological approach and general principles

The “Decision Tree” for the development of ESRS LSME ED

As explained in the LSME BfC (Annex 2), the ED has been developed as a standalone document. As the CSRD identifies the minimum content as a subset of the content indicated for Set 1 ESRS, the text of ESRS for large undertaking has been integrally considered and amended where appropriate.

The “Decision Tree” (see Diagram below) defines the criteria in developing the standard and in particular in making decisions on the simplifications:

- (a) Reporting areas listed in CSRD art. 19a(6) and 29c, being these ones the specific CSRD articles addressing LSMEs;
- (b) DRs mandated by EU laws: SFDR, Benchmark, Pillar 3 ESG and EU Taxonomy datapoints because of their regulatory requirements applicable to LSMEs;
- (c) Disclosures corresponding to datapoints in Set 1 that require coverage of value chain dimension, for the implementation of the value chain cap. In this step, the priority has been to assess whether the datapoint is needed in order to meet a specific need of users of ESRS LSME ED.



Note 1: Art. 29c refers to the criteria set out in Art. 29b point 2 to 5
 Note 2: EU laws limited to SFDR, Pillar 3, benchmark regulation, climate law and Taxonomy Regulation art. 8
 Note 3: ESRS Set 1 has been deeply scrutinised during the drafting of LSME, to achieve the maximum level of simplification, while providing a reporting that is able to meet the needs of LSME investors. As a second step, the resulting potential losses of information in the value chain dimension of Set 1 preparers have been considered
 Note 4: VSME [draft] working paper has considered also EFRAG PTF cluster 8 proposal as a possible minimum content



Q1) Do you agree with the approach to simplify LSME compared to main ESRS described on the “Decision Tree”?**Yes / No – Please explain your answer****EU datapoints from Set 1 included in ESRS LSME ED**

Recital 21 of the CSRD indicates that the ED is expected to support the availability of sustainability information by listed SMEs and in this way avoid discrimination against such entities on the part of financial market participants. In addition, the ED is expected to ensure the availability of SFDR PAIs and Taxonomy disclosures.

Article 29b (5) of CSRD establishes that ESRS LSME ED shall to the greatest extent possible, take account the information that financial market participants need to comply with their regulations (i.e. SFDR), EU Taxonomy (Reg. 2020/852) and other EU Regulations included in Set 1.

For these reasons all EU data points from Set 1 are included in ESRS LSME ED (see Section 2 *Appendix B List of datapoints in cross-cutting and topical sections that derive from other EU legislation*).

In addition, the approach to materiality of these datapoint is the same as in Set 1: they are subject to the materiality regime pertaining to the category (policies, actions and targets versus metrics). When metrics are omitted as not material, a specific disclosure is required confirming that they are not material.

Q2) Do you agree with this approach on EU datapoints?**Yes / No – Please explain your answer****Alignment with ISSB**

The full alignment with IFRS S1 and S2 is not one of the objectives of the CSRD for LSME, due to the choice of the CSRD not to cover opportunities. As such, pursuing a full alignment would limit the simplifications, without full benefits, as missing the opportunities in the requirements would anyway impair the alignment. The ED has been developed giving priority to simplification over the alignment with ISSB.

Q3) Do you agree with this approach?**Yes / No – Please explain your answer****Entity specific disclosures**

The ED requires to include additional disclosures when a material impact or risk is not covered or not covered with sufficient granularity by the requirements of the ED. Despite the focus on proportionality, the ED has maintained the same approach as in Set 1, in consideration of the users’ need of information of the necessary quality, in order to avoid unfair treatment of LSMEs’ investors compared to what they get for large undertakings.



Q4) Do you agree with this approach taken on entity-specific disclosure to ensure the same treatment for LSMEs' investors?

Yes / No – Please explain your answer

Materiality approach

Information required by Section 2 of this ED is to be reported irrespective of the outcome of materiality assessment). The undertaking omits the disclosure requirements pertaining to a topic if it assessed that the topic in question is not material. In that case it may disclose a brief explanation of the conclusions of the materiality assessment for that topic but shall disclose a detailed explanation in the case of climate change. Disclosure requirements in relation to policies, actions and targets are contingent on the undertaking having these in place. Disclosures in relation to metrics are reported only when material. Despite the focus on proportionality, the ED has maintained the same approach as in Set 1, in consideration of the users' need of information of the necessary quality, in order to avoid unfair treatment of LSMEs' investors compared to what they get for large undertakings.

Q4) Do you agree with this approach?

Yes / No – Please explain your answer

Transitional provision - Approach to phase-ins

ESRS LSME ED includes the same list of phase-ins as in Set 1, only for undertakings that will not choose to or that cannot opt-out (SNCI and captive insurance and reinsurance) for the first 2 years (i.e. that will not report in 2026/27).

When applicable, the threshold of 750 employees in Set 1 has been reduced to 50 employees considering the size of the undertakings in scope.

In order to give more flexibility, the ESRS LSME ED includes additional phase-in compared with Set 1:

- DR S1-6 Training metrics: Phase-in introduced for the gender breakdown
- DR S1-9 Incidents and severe human rights impacts: Phase-in introduced for the reconciliation of monetary amounts
- two new phase ins on the reconciliations with financial statement of energy intensity based on net revenue and GHG intensity based on net revenue.

Q5) Do you agree with this approach taken on phase-ins?

Yes / No – Please explain your answer



Q6) Do you agree that the threshold of 50 employees should be applied to all undertakings in scope?

Yes / No – Please explain your answer

Q7) “Report if you have approach” for important reporting areas not explicitly mentioned in the CSRD:

- Targets;
- Due diligence;
- stakeholder engagement, interests and views of stakeholders;
- processes to engage with affected stakeholders;
- processes to remediate negative impacts and channels; and
- climate change transition plan.

In the ESRS LSME ED those are “report if you have”, which means that an undertaking shall disclose the related information only if it has those elements in place. Otherwise, the undertaking does not need to include other information, with the exception of disclosing if it has in place or not a due diligence process, as this is an EU datapoint).

In EFRAG’s opinion the complete absence of these elements from the ED would have impaired the relevance of the reported information and failed to meet the users’ needs. The proposed approach was retained instead of having these elements as a voluntary disclosure (‘may report’) as an optional disclosure does not preserve the comparability across undertakings.

Do you agree with this “report if you have” approach?

Yes / No

If not, which change do you suggest (i.e. as a “may”)?

Please explain your answer



A.2): Value chain implications of the ESRS LSME ED [NOTE TO EFRAG SR TEG AND SRB IN THE REVIEW OF THIS QUESTIONNAIRE: THIS QUESTION IS INCLUDED IN BOTH VSME AND LSME QUESTIONNAIRES]

Please refer to the text of LSME ESRS ED and VSME ED Approach to Value Chain Cap in Annex 3.

INTRO: SMEs might face data requests from large corporates in scope of the Corporate Sustainability Reporting Directive (CSRD) that need to comply with the requirements about reporting for the value chain in ESRS. To limit the amount of these requests, the CSRD identifies the ESRS standard for listed SMEs (LSME ESRS) as the point of legal reference in defining the maximum disclosures that large corporates in scope of the CSRD can require to SMEs (listed and non-listed).

EFRAG has scrutinised the datapoints in ESRS Delegated Act Set 1 and has identified nine areas of disclosures (SBM 3, IRO 1, PAT, Climate Transition plan, GHG emissions, GHG removal, Substances of concern and substances of very high concern, resource inflows, entity specific disclosure) that could have a potential trickle-down effect (as they pertain to value chain). EFRAG has concluded that while some requests may derive from specific arrangements between the SME and its corporate clients due to business reasons, there is no trickle-down effect solely due to reporting obligations of large corporates. In addition, EFRAG has concluded that in general the content of VSME covers the value chain datapoints included in LSME, thus there is no additional trickle-down effect, except for a very specific cases. These cases correspond to disclosures which are to be reported by listed SMEs but are not included in the VSME ED, due to their excessive complexity for an average non listed SME. They are principally of a sectorial nature (GHG Removals, substances of concern/high concern, resource inflows), mainly needed for management or specific arrangement purposes. You will find further detail in Annex 3.

EFRAG has concluded that there are no datapoints in LSME ESRS that have been added in that standard for the purpose of preserving the integrity of the reporting of large corporates on their value chain, as all the datapoints in LSME ESRS are justified by specific needs of the users of LSME reporting.

Q7) When considering how EFRAG has implemented the value chain cap, do you agree that the combination of ESRS Delegated Act Set 1, LSME ED and VSME ED has strike the right balance between users' needs and proportionality and that it does not impose undue burden on SMEs?

YES/NO => IF NO: [MANDATORY CAMP] Explain the rationale for your answer. Your answer would be in particular helpful if it identifies concrete proposals of amendments, if any.

IF NO [OPTIONAL CAMP]: PROVIDE SPECIFIC INPUT => Select the areas of disclosure for which you disagree with EFRAG conclusion (Refer to Annex 3)



AREA OF DISCLOSURE	DISAGREE [ALLOW MULTIPLE SELECTION]	IF DISAGREE: EXPLAIN WHY REFERRING SPECIFICALLY TO CONTENT OF ANNEX 2
1. SBM 3 and IRO 1		
2. Policies, Actions and Targets PAT		
3. Climate Transition plan (section 3 Actions – AR 6 and AR11)		
4. GHG emissions (E1-2 GHG emissions – Scope 3)		
5. GHG removal (E1-3 GHG removals)		
6. Substances of concern and substances of very high concern (E2-2 Substances of concern and substances of very high concern)		
7. Resource inflows (E5-1 Resource inflows)		
8. Entity specific disclosure		

Q8) Please provide any other comment on the value chain cap, if any.



A.3) Sector specific reference [NOTE TO EFRAG SR TEG AND SRB IN THE REVIEW OF THIS QUESTIONNAIRE: THIS QUESTION IS INCLUDED IN BOTH VSME AND LSME QUESTIONNAIRES]

There are no provisions for sector-specific standards in ESRS LSME ED according to CSRD. ESRS LSME ED is sector agnostic.

Q9) Do you think that ESRS LSME ED should be supplemented in the future by sector specific disclosures, to be issued by EFRAG as an annex to the future sector-ESRS? The options are listed here in order of resources needed by EFRAG to develop the specific annexes.

[PLEASE SELECT ONE]

1. Listed and non-listed SMEs should have the option to use on a voluntary basis the future sector-specific ESRS for large undertakings
2. EFRAG should issue SME-specific annex to the future sector ESRS, to be used by both listed and non-listed SMEs
3. EFRAG should issue SME-specific annex to the future sector ESRS, to be used by non-listed SMEs and listed SMEs should use the future sector-specific ESRS for large undertakings
4. EFRAG should issue specific annexes to the future sector ESRS, one for listed SME and one for non-listed SMEs.

Please provide your comments, if any.

Q10) If EFRAG had to issue these sector-specific modules for SME, should they be issued as Delegated Act, being the CSRD silent on this aspect?

Yes/no – please explain your answer



B) Specific questions for each section of the ESRS LSME ED (optional to respond):

Per each requirement in this section, the respondent is asked to express agreement or disagreement with the objective, content, structure and language of the provisions in the ED, considering whether they achieve an acceptable balance between users’ needs and proportionality for SMEs.

a) Section 1 General requirements

Q11) Please fill in the right column in the following Table for your agreement with the proposed approach for LSMEs or for your disagreement with the proposed approach taken for the simplification of general requirements in Section 1 of ESRS LSME ED:

ESRS LSME ED	Agree	Disagree	Please provide rationale for disagreement (if applicable) and proposed amendments	Main simplifications compared to Set 1
Impacts; Risks and Opportunities				The disclosures shall cover material negative impacts and risks. Opportunities and positive impacts are voluntary (mandatory in Set 1).
6.1 Presenting comparative information				Presenting comparative information is exempted when it is not possible to adjust comparative information with reasonable effort (in Set 1 is ‘when impracticable’). The undertaking shall disclose this to be the case.



ESRS LSME ED	Agree	Disagree	Please provide rationale for disagreement (if applicable) and proposed amendments	Main simplifications compared to Set 1
6.2 Sources of estimation and outcome uncertainty				simplify the criteria to be considered when judging if a possible future event is material, granting the possibility to consider the range of severity and likelihood of the impacts on people or the environment resulting from the possible events, instead of the full range of possible outcomes and the likelihood
6.3 Updating disclosures about events after the end of the reporting period				Updating disclosures about events after the end of the reporting period
6.5 Reporting errors prior period				Restating the comparative amounts not required when it is not possible with reasonable effort (in Set 1 is 'when impracticable'). The undertaking shall disclose this to be the case.



ESRS LSME ED	Agree	Disagree	Please provide rationale for disagreement (if applicable) and proposed amendments	Main simplifications compared to Set 1
6.7 Matters in course of negotiation				Besides intellectual property, the LSME ESRS ED includes (see BP-1) the possibility for the undertakings to omit, in exceptional cases, information relating to impending developments or matters in the course of negotiation (possible in Set 1 only following actions of Member States).



b) Sections 2: General Disclosures

Q12) Please fill in the right column in the following Table for your agreement with the proposed approach for LSME or for your disagreement with the proposed approach taken for the simplification of general requirements in Section 2 of ESRS LSME ED:

ESRS LSME ED	Agree	Disagree	Please provide rationale for disagreement (if applicable) and proposed amendments	Main simplifications compared to Set 1
DR-1 (BP 1) and DR-2 (BP 2)				Reduced granularity in value chain estimation. Option to not provide restated comparative figures when it is not possible to do so with reasonable effort.
DR-3 (GOV 1) - The role of the administrative, management and supervisory bodies				Reduced granularity, simplified (EU datapoints are kept) and included parts of Set 1 GOV-2 (points c) and d)
DR-4 (GOV 2) – Due diligence				Sustainability due diligence. To disclose whether it has applied DDP or it has not (EU datapoint). Paragraphs 58-61 of draft DA ESRS 1 not included in the ED.
DR-5 (SBM 1) - Strategy, business model and value chain				Simplification instead of revenue breakdown, requirement to disclose the list of significant ESRS sectors in which the undertaking operates.



ESRS LSME ED	Agree	Disagree	Please provide rationale for disagreement (if applicable) and proposed amendments	Main simplifications compared to Set 1
DR-6 (SBM 2) - Interests and views of stakeholders				Interests and views of stakeholders applies only in the case that stakeholder engagement occurs. Specific AR to support LSMEs.
DR-7 (SBM-3) - Material impacts and risks and their interaction with strategy and business model				Reduced granularity, especially with regard to the information about the resilience of the undertaking's strategy and business model, no longer required.
Voluntary disclosure - 8: Material opportunities and positive impacts as voluntary content				New Disclosure requirement
DR-9 (IR 1) - Processes to identify and assess material impacts and risks				Incorporation of the contents related to IRO 1 in the topical standards ESRS SET 1 (main body), in a summarised way with a centralised disclosure on processes (location of disclosure up to undertaking) to identify and assess material impact and risks. (opportunities deleted)



Q13) EFRAG SRB and SR TEG extensively discussed the inclusion of the climate resilience analysis in SBM-3, which is not explicitly mentioned in the CSRD. On this basis and in order to simplify the Standard the climate resilience analysis is not included in ESRS LSME SBM-3.

Would you like to reinsert back in ESRS LSME the “information about the resilience of the undertaking’s strategy”?

Yes/no – please explain your answer

Q14) EFRAG SRB and SR TEG discussed the possibility, for simplification reasons, to group in one data point the information related to current financial effects and anticipated financial effects in SBM-3 (see par. 35 c) and d). The decision taken was to keep them divided as for Set 1, considering that they respond to two different information needs.

Do you agree with this approach?

Yes/no – please explain your answer



c) Sections 3: Policies, actions and targets

Q15) Please fill in the right column in the following Table for your agreement with the proposed approach for LSMEs or for your disagreement with the proposed approach taken for the simplification of general requirements in Section 3 of ESRS LSME ED:

ESRS LSME ED	Agree	Disagree	Please provide rationale for disagreement (if applicable) and proposed amendments	Main simplifications compared to Set 1
MDR -P, MDR-A				Treated as topic agnostic information: The content is kept in the main body of Section 3.
Policies and Actions across E1-E5 and S1-S4				Treated as topic specific information: Topical Set 1 Standard Policies and Actions (E1 to E5 and S1 to S4) are centralised, harmonised and simplified in AR of Section 3.
MDR-T				Treated as topic agnostic information: Reduced the number of minimum disclosure requirements in the main body of Section 3 as “Report if you have” component.
Targets across E1-E5 and S1-S4				Treated as topic specific information: Topical Set 1 Standard Targets (E1 to E5 and S1 to S4) are centralised, harmonised and simplified in AR of Section 3 as “Report if you have” component The requirements were either deleted or kept,



ESRS LSME ED	Agree	Disagree	Please provide rationale for disagreement (if applicable) and proposed amendments	Main simplifications compared to Set 1
				but as voluntary disclosures (from “shall” in Set 1 to “may” in the ED).
Processes for engaging with own workforce, workers in the value chain, affected communities, consumers and end-users, and their representatives about impacts				Centralised disclosure in Section 3 under policies and actions
Processes to remediate negative impacts and channels for own workforce, workers in the value chain, affected communities, consumers and end-users to raise concerns				Centralised disclosure in Section 3 under policies and actions



d) Section 4: Environment

Q16) Please fill in the right column in the following Table for your agreement with the proposed approach for LSMEs or for your disagreement with the proposed approach taken for the simplification of metrics in Section 4 of ESRS LSME ED:

ESRS LSME ED	Agree	Disagree	Please provide rationale for disagreement (if applicable) proposed amendments	Main simplifications compared to Set 1
DR E1-1 Energy consumption and mix				Reduced granularity breakdown for renewables
DR E1-1 Energy intensity based on net revenue				Same as ESRS Set 1 (SFDR T1, #6) but added a sentence regarding proper reconciliations and an additional 1-year phase-in
DR E1-2 Gross Scopes 1, 2, 3 and Total GHG emissions				Simplified, reduced breakdowns and added "if applicable" principle in EU ETS and market-based methods
DR E1-2 GHG intensity based on net revenue				Same as ESRS Set 1 (SFDR T1, #3) / added a sentence regarding proper reconciliations and an additional 1-year phase-in. Also included a specification for SNCIs on GHG intensity per net revenues
DR E1-3 GHG removals and GHG mitigation projects financed through carbon credits				Reduced granularity and simplified in terms of what is being disclosed / added "if applicable" for this requirement. Deleted contribution to removals in upstream and downstream value



ESRS LSME ED	Agree	Disagree	Please provide rationale for disagreement (if applicable) and proposed amendments	Main simplifications compared to Set 1
				chain. Deleted plans to cancel carbon credits in future and methodology on residual emissions near net-zero.
DR E1-4 Anticipated financial effects from material physical and transition risks and potential climate-related opportunities				Simplified (EU datapoints kept). Merged the significant amounts of net revenue and assets at physical and transition risks in one single datapoint ((a) and b)) in Set 1 and simplified the wording on reconciliation (no longer reconciliation but which relevant line items are affected).
DR E2-1 Pollution of air, water and soil				Same as ESRS Set 1 (SFDR T2, #1, #2 and #3, T1, #8) / added some ARs that clarify the disclosure of EPRTTR regulation
DR E2-2 Substances of concern and substances of very high concern				Same as ESRS Set 1
DR E3-1 Water consumption				Same as ESRS Set 1 (SFDR T2, #6.2 and #6.1). Also included a specification for SNCIs on water intensity ratios.
DR E4-1 Impact metrics related to biodiversity and ecosystems change				
DR E5-1 Resources inflows				Simplified and reduced granularity accordingly



ESRS LSME ED	Agree	Disagree	Please provide rationale for disagreement (if applicable) and proposed amendments	Main simplifications compared to Set 1
DR E5-2 Resources outflows				Kept the EU Law datapoints (SFDR T2, #13, T1, #9) but simplified and reduced granularity accordingly
DR E6 – Anticipated financial effects from material environmental-related matters other than climate				

Q17) AR 46 letter b of ESRS E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions (link [here](#)) is kept in ESRS LSME ED. It specifies that financial institutions, when preparing the information on gross Scope 3 GHG emissions, shall consider the GHG Accounting and Reporting Standard for the Financial Industry from the Partnership for Carbon Accounting Financial (PCAF), specifically part A “Financed Emissions” (version December 2022).

While it includes financed emissions in Scope 3 accounting, Set 1 does not include detailed guidance on the disclosure breakdown for those emissions. Do you agree that such more detailed guidance is better placed in the future sector standards?

In your view as SNCI or investor, should this ED anticipate detailed guidance on disclosure breakdown for financed emissions?

Yes / No – Please explain your answer

Q18) The SRB discussed and approved adding a specification for SNCIs on GHG intensity based on net revenue and water intensity (both SFDR) in ESRS LSME ED Section 4 (*E1-2 – GHG intensity based on net revenue and E3-1 – Water consumption*). The following specification is added in the two respective disclosure requirements in the ED:

“Small and non-complex credit institutions (see Section 1 par. 2b)) may replace net revenue with a different financial indicator, until a sectoral standard is established”.

Financial institutions may need to use different, more specific financial indicators from their relevant financial statements line items to disclose GHG and water intensity ratios, hence the addition of this paragraph above. At the same time, this ED does not indicate an alternative ratio to be used which would support comparability, pending the issuance of sector specific ESRS.



Do you agree with the SNCIs having the option to deviate from using net revenues?

Yes / No – Please explain your answer



e) Section 5: Social

Q19) Please fill in the right column in the following Table for your agreement with the proposed approach for LSMEs or for your disagreement with the proposed approach taken for the simplification of metrics in Section 5 of ESRS LSME ED:

ESRS LSME ED	Agree	Disagree	Please provide rationale for disagreement (if applicable) and proposed amendments	Main simplifications compared to Set 1
DR S1-1 Characteristics of employees				In Set 1 S1-6. Simplified, reduced granularity
DR S1-2 Characteristics of non-employees:				In Set 1 S1-7. Simplified, reduced granularity
DR S1-3 Collective bargaining coverage and social dialogue				In Set 1 S1-8. Simplified, reduced granularity. Social dialogue deleted
DR S1-4 Adequate wages				In Set 1 S1-10. Thresholds for disclosing country information included. Deleted “all” to clarify that it is subject to materiality assessment.
DR S1-5 Social protection				In Set 1 S1-11. Simplified. Datapoint on <i>countries where people do not have social protection</i> and <i>type of employees who do not have social protection</i> were made voluntary.
DR S1-6 Training metrics				In Set 1 S1-13. Focus on training. Reduced granularity. A phase-in for gender breakdown was introduced in Section 1 (Appendix C)
DR S1-7 Health and safety metrics				In Set 1 S1-14. Only SFDR indicators were kept.
DR S1-8 Remuneration metrics				In Set 1 S1-16. Simplified by deleting datapoint on



ESRS LSME ED	Agree	Disagree	Please provide rationale for disagreement (if applicable) and proposed amendments	Main simplifications compared to Set 1
				contextual information. SFDR indicators kept.
DR S1-9 Incidents and severe human rights impacts and incidents				In Set 1 S1-17. Reduced granularity and changed reconciliation, focus on incidents and severe human rights impacts. A phase-in was also added in Section 1 (Appendix C)
DR S1-10 Diversity				In Set 1 S1-9 and S1-12. Diversity indicators and Persons with disabilities are merged. Breakdown by gender for percentage of employees with disabilities deleted.
S1-11 Work-life balance metrics				In Set 1 S1-15. Changed to a voluntary disclosure for the ED.



f) Section 6: Business conduct

Q20) Please fill in the right column in the following Table for your agreement with the proposed approach for LSMEs or for your disagreement with the proposed approach taken for the simplification of metrics in Section 6 of ESRS LSME ED:

ESRS LSME ED	Agree	Disagree	Please provide rationale for disagreement (if applicable) and proposed amendments	Main simplifications compared to Set 1
DR G1-1 – Management of relationships with suppliers				G1-2 and G1-6 defined in ESRS G1 has been simplified and merged in G1-1
DR G1-2 Anti-corruption and anti-bribery				G1-3 and G1-4 defined in ESRS G1 has been simplified and merged in G1-2
DR G1-3 – Political influence and lobbying activities				



Q21) Is there any information that the draft standard should cover, and it doesn't in this Exposure Draft?

(please specify)

Q22) Do you have any other comments?

