

Questionnaire ESRS LSME Exposure Draft

EFRAG Public Consultation – January 2024

DISCLAIMER:

This questionnaire supports the feedback on the ESRS LSME Exposure Draft ('ESRS LSME ED' or 'ED') which has been developed as a result of EFRAG SR Board and SR TEG discussions. The purpose of this consultation is to collect feedback and comments from a variety of stakeholders with regards to the content of the ED. The ED incorporates inputs from the EFRAG Expert working group, the EFRAG LSME community and stakeholders outreach events. EFRAG is also consulting on an exposure draft for a draft voluntary standard for non-listed SMEs (VSME ED).

The following background documents are included in the package (Annex 1 and 2 available [here](#)) to help respondents framing their responses:

- 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 addendum to Basis for Conclusions includes the comparison of ESRS LSME ED and the full text of ESRS for large undertakings (Set 1), to illustrate the simplifications implemented in the ED as well as the changes made by the EFRAG SRB to the ED as approved by the EFRAG SR TEG (link [here](#)).
- Annex 3: Approach to Value Chain Cap in LSME ESRS ED and VSME ED (link [here](#))

Deadline for answer is 21 May 2024 (EoD).



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 Standard for SMEs that are public-interest entities, small non-complex credit institutions (in short, SNCI or SNCIs), and captive insurance and re-insurance undertakings (collectively referred to as “LSME” or “LSMEs”).

This survey contains general questions (Part A) and specific questions (Part B) on each of the sections of the ED.

In this questionnaire, if not differently specified, the term “undertaking(s)”, or “LSME” or “SME” refers to companies in scope of the ESRS LSME ED.

Survey instructions

Some questions in the survey will appear depending on your previous answers or choices. You will now be able to save your responses before final submission.

If you have no opinion on a question you can skip the question.

Please note that EFRAG only considers completed surveys - partial submissions are ignored. You will receive an email with your response on submission.



Information on Survey Participant

First Name:

Last Name:

Email Address:

Organisation name (if applicable):

Organisation type:

If your organisation is in the scope of ESRS LSME ED¹ (as such you contribute as 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 that are in scope of ESRS LSME ED as preparer of an ESRS report (LSME)⁵.
- **If user**, please specify whether you (or your organisation) 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")
 - Industry Association
 - Academic or research institution
 - Accountant/Consulting services
 - Auditor/Assurance provider
 - 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)



Key features of LSME ED

The CSRD requires EFRAG to develop a draft LSME standard (once adopted by the European Commission) that may be used by listed SMEs, SNCI and captive insurers and reinsurers in preparing their sustainability information rather than the more complex ESRS for large undertakings.

The purpose of ESRS LSME ED is to treat SMEs differently given their size and complexity while ensuring that financial market participants have the information they need to comply with their own sustainability disclosure requirements (Regulation EU 2019/2088 SFDR and Taxonomy disclosures). **The ED shall be proportionate and relevant to the capacities and the characteristics of SMEs including the scale and complexity of their activities.**

The final reporting standard for LSMEs will determine the ‘value chain cap’, i.e. ESRS shall not specify disclosures that would require large undertakings to obtain information from SMEs that exceeds the information to be disclosed pursuant to LSME ED.

Compared to the ESRS Set 1, LSME ED reflects a simplified structure, where the content of the twelve ESRS in Set 1 (issued as Delegated Act – ESRS Set1) has been rearranged in one standalone Standard with six sections:

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

To simplify the requirements, as required by the CSRD, the ED adopts an individual and not consolidated perspective.

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

[THE LINK WILL INCLUDE THE FOLLOWING INFORMATION (in green) , VISIBLE ONLY WHEN ACCESSING 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 CSRD⁶ specifies:

⁶ Link [here](#).



- a) ESRS LSME ED expected content [art. 19a(6)]⁷;
- 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” [art. 29b (4)⁸ 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.
- 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)].

The following CSRD provisions also apply to ESRS LSME ED in general:

- 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 preparing individual sustainability reporting if they are included in the consolidated management report of a parent company that has prepared 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. 29a(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 preparing 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 Art. 29 and 29a is exempted from carrying out its sustainability statement.

Building block standard-setting approach

⁷ By way of derogation from paragraphs 2 to 4 of this Article, and without prejudice to paragraphs 9 and 10 of this Article, small and medium-sized undertakings referred to in paragraph 1 of this Article, small and non-complex 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 (*10) and captive reinsurance undertakings defined in point (5) of Article 13 of that Directive may limit their sustainability reporting to the following information:

- (a) a brief description of the undertaking’s business model and strategy;
- (b) a description of the undertaking’s policies in relation to sustainability matters;
- (c) the principal actual or potential adverse impacts of the undertaking on sustainability matters, and any actions taken to identify, monitor, prevent, mitigate or remediate such actual or potential adverse impacts;
- (d) the principal risks to the undertaking related to sustainability matters and how the undertaking manages those risks;
- (e) key indicators necessary for the disclosures referred to in points (a) to (d).

⁸ “Sustainability reporting standards shall take account of the difficulties that undertakings may encounter in gathering information from actors throughout their value chain, especially from those which are not subject to the sustainability reporting requirements laid down in Article 19a or 29a and from suppliers in emerging markets and economies. Sustainability reporting standards shall specify disclosures on value chains that are proportionate and relevant to the capacities and the characteristics of undertakings in value chains, and to the scale and complexity of their activities, especially those of undertakings that are not subject to the sustainability reporting requirements in Article 19a or 29a. 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.”



EFRAG has followed “building block” approach for the reporting of the smaller and less complex undertakings. This is a scalable standard-setting approach that ensures consistency in method and terminology. It aims to allow those undertakings to be able to level up in terms of extension and deepening of the disclosure requirements if wanted.

EFRAG has developed a draft voluntary standard for non-listed SMEs (VSME ED), issued for public consultation jointly with ESRS LSME ED. While the VSME ED has been developed as a simplification of the standards for large undertakings, **it has been designed on the basis of the frequently observed data requests from lenders, investors and corporate clients of SMEs.** The VSME ED uses a more simplified language compared to ESRS LSME ED (and ESRS Set 1), however coherence have been preserved, in terms of structure, sustainability matters and key defined terms. As a result, in a broader sense, the building blocks are as follows:

1. VSME (Basic module + Narrative PAT⁹ module + Business partner module);
2. ESRS LSME ED: All VSME modules + other EU datapoints (a complete list is provided in appendix B of Section 2 of the ED) + additional datapoints due to CSRD and users’ needs (and adjustments due to the consolidated view in VSME vs individual view in ESRS LSME ED);
3. ESRS Set 1 (LSME ED being a simplification of ESRS Set 1, see addendum to the Basis for conclusions).

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”.

⁹ PAT refers to as Policies, Actions, and Targets



Survey Structure:

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

Part A. Key questions about ESRS LSME ED (key questions as prioritised by the respondent):

- A.1) Methodological approach and general principles
- A.2) Value chain implications
- A.3) Sector approach

Part B. Specific questions for each section of the ESRS LSME ED (detailed questions to respond per LSME section):

- B.1) Section 1: *General requirements*
- B.2) Section 2: *General disclosures*
- B.3) Section 3: *Policies, Actions and Targets*
- B.4) Section 4: *Environment*
- B.5) Section 5: *Social*
- B.6) Section 6: *Business conduct*

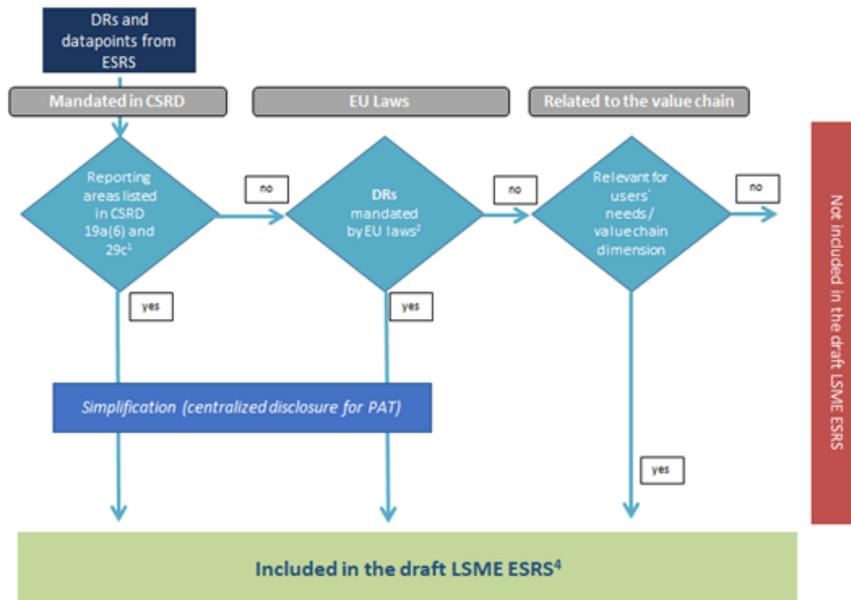
Part A. Key questions about ESRS LSME ED (key questions as prioritised by the respondent):**A.1): Methodological approach and general principles****The “decision tree” to develop the ESRS LSME ED**

The CSRD identifies the minimum content¹⁰ of the ED as a derogation of the content indicated for Set 1 (ESRS as published in the Official Journal in December 2023). The text of ESRS for large undertakings has been simplified to the maximum extent possible while considering the needs of investors. The diagram below illustrates the criteria for developing the simplifications:

- (a) Reporting areas listed in CSRD art. 19a(6) and 29c, as content in the CSRD specific to LSMEs;
- (b) DRs mandated by EU laws, to make information available to financial market participants: SFDR, Benchmark, Pillar 3 ESG and EU Taxonomy datapoints;
- (c) Datapoints covering value chain information that are needed by large undertakings to report under ESRS Set 1 (value chain cap). In this step, the priority has been to include datapoints when are needed by investors of the SMEs in scope of LSME and no datapoints have been added due to the value chain cap.

¹⁰ “By way of derogation from paragraphs 2 to 4 of this Article, and without prejudice to paragraphs 9 and 10 of this Article, small and medium-sized undertakings referred to in paragraph 1 of this Article, small and non-complex 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 (*10) and captive reinsurance undertakings defined in point (5) of Article 13 of that Directive may limit their sustainability reporting to the following information:
(a) a brief description of the undertaking’s business model and strategy;
(b) a description of the undertaking’s policies in relation to sustainability matters;
(c) the principal actual or potential adverse impacts of the undertaking on sustainability matters, and any actions taken to identify, monitor, prevent, mitigate or remediate such actual or potential adverse impacts;
(d) the principal risks to the undertaking related to sustainability matters and how the undertaking manages those risks;
(e) key indicators necessary for the disclosures referred to in points (a) to (d).”





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: VSM ED has considered also EFRAG PTF cluster 8 proposal as a possible minimum content

Q1) Do you agree with the approach adopted to develop LSME ED as a simplification of the content of ESRS Set 1?

Yes / No – Please explain your answer

Datapoints in EU regulation that are needed by financial market participants

The CSRD indicates that the ED is expected to ensure the availability of SFDR principal adverse impacts or PAIs and Taxonomy disclosures. Article 29b (5) of CSRD establishes that ESRS standards (including ESRS LSME ED) shall, to the greatest extent possible, take account of 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). We refer to these “EU datapoints”.

All EU data points from Set 1 have been 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*).

As in ESRS Set 1, these EU datapoints are subject to the materiality regime depending on the category of disclosures (see Materiality Approach in Question 5). When “EU datapoints” metrics are omitted as deemed 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

Interoperability with ISSB standards not applicable

Considering that SMEs are usually less active at international level than large undertakings, in the development of LSME ED, EFRAG has prioritised simplification over interoperability with ISSB. The



alignment with IFRS S1 and S2 is not one of the objectives of the CSRD for LSME (see ESRS LSME ED Basis for Conclusions par. 32 letter b).

EFRAG has considered that pursuing the alignment with ISSB would limit the simplifications, without the full benefit, as opportunities are to be excluded per the CSRD.

Q3) Do you agree with this approach?

Yes / No – Please explain your answer



Entity-specific disclosures

Depending on the type of activities carried out, the inclusion of additional information about issues that are common to the undertaking's sector support the provision of relevant, faithful, comparable, understandable and verifiable information. As ESRS Set 1, 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. EFRAG has considered that eliminating such requirement would be contrary to the objective of LSME indicated in the CSRD, i.e. to meet the investors' needs. Therefore, the ED has maintained the same approach as in ESRS Set 1.

Q4) Do you agree with this approach taken on entity-specific disclosure?

Yes / No – Please explain your answer

Materiality approach

The ED has maintained the same approach for materiality as in ESRS Set 1, in consideration of the users' need of information of the necessary quality. This approach is detailed in chapter 3.2 of Section 1 of the ED and is described below.

Information required by Section 2 *General disclosures* of this ED is to be reported irrespective of the outcome of materiality assessment.

The undertaking omits the disclosures in Sections 3, 4, 5, and 6 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 provide a detailed explanation in the case of climate change.

When a topic is deemed material, information prescribed by requirements in:

- a) Section 3 shall be included referred to the policies, actions and targets that are in place. If the undertaking has not adopted policies and/or actions with reference to the material matter concerned, it shall state this to be the case. For targets, if the undertaking has not set any, it does not need to explain it or disclose it.
- b) Sections 4, 5 and 6 is reported only when deemed material.

Q5) 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 ESRS Set 1 which are applicable only by undertakings that will not choose to or that cannot opt-out (SNCIs and captive insurance and reinsurance undertakings cannot opt-out) for the first 2 years (i.e., for those undertakings that will report from 2026). These phasing-in provisions are detailed in chapter 9.3 of Section 1 of the ED.

To reflect the size of the SMEs in scope, the threshold of 750 employees for some Set 1 phasing-in provisions has been reduced to 50 employees.

To increase flexibility, the ED includes additional phase-in compared to ESRS Set 1:

- DR S1-6 Training metrics: gender breakdown;
- DR S1-9 Incidents and severe human rights impacts: reconciliation of monetary amounts; and
- Reconciliations with financial statement: energy intensity based on net revenue and GHG intensity based on net revenue.

Q6) Do you agree with this approach taken on phase-ins?

Yes / No – Please explain your answer

**Q7) Do you agree that the threshold of 50 employees should be applied to all undertakings in scope?**

Yes / No – Please explain your answer



“Report if you have approach” for important reporting areas not explicitly mentioned in the CSRD in relation to the ESRS LSME standard:

- **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 the above elements are treated under a “report if you have” approach. An undertaking shall disclose the related information only if it has those elements in place. If not, it does not need to include other information, except disclosure of whether or not it has a **due diligence process in place, as this is an SFDR datapoint and needed by financial market participants.**

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. The rationale behind the current approach (instead of having those requirements as a “may”) is to ensure standardisation and comparability of these disclosures.

Q8) Do you agree with this “report if you have” approach?

Yes / No



If you answered ‘yes’ to the above question, do you think that the ED supports the identification of relevant items of reporting areas such as targets, due diligence, etc.? Please explain your answer.

If you answered ‘no’ to the above question, which change would you suggest ? Please explain your answer



A.2) Value chain implications of ESRS LSME ED and VSME ED

It is highly recommended to answer to the “Value chain implications of ESRS LSME ED and VSME ED” questions, due to the fact that CSRD requires that the European Sustainability Reporting Standards should not specify disclosures that would require large undertakings to obtain information from SMEs in their value chain that exceeds the information to be disclosed in accordance with ESRS LSME ED. EFRAG work identifies this requirement as “value chain cap”.

Q9) Please indicate if you would like to provide your feedback on the Value chain implications of ESRS LSME ED:

() YES [QUESTIONS AND CONTENT IN GREEN BELOW WILL APPEAR]

() NO [CONTINUE WITH THE QUESTIONS IN PART A.3].

Value chain implications of ESRS LSME ED and VSME ED

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

EFRAG is consulting at the same time on the content of the ESRS for listed SMEs (LSME ESRS ED) and the Voluntary Standard for non-listed SMEs (VSME ED). SMEs receive data requests from large undertakings for business and reporting reasons, including the CSRD reporting obligations using ESRS. To limit the amount of these requests, according to CSRD, ESRS should not specify disclosures that would require large undertakings to obtain information from SMEs in their value chain that exceeds the information to be disclosed in accordance with LSME ESRS ED. EFRAG work identifies this legal requirement as ‘value chain cap’.

If in responding to this questionnaire you are interested in the role that LSME ED will play, please consider point a) below. If you are interested in the role VSME ED will play, please consider point b) below. If you are interested in both VSME ED and LSME ED, please consider both a) and b) below:

- a) In developing LSME ESRS ED, EFRAG has scrutinised the datapoints in ESRS for large undertakings (Delegated Act Set 1) and has identified ten disclosures that result in large undertakings having to disclose about their value chain aspects, when material. These disclosures are illustrated in Annex 3 available at the following [link] and they are: SBM 1; 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 disclosures. LSME ED has been developed as a simplified version of the content required in ESRS for large undertakings. The priority has been to include in LSME ESRS ED those requirements that correspond to the information needs of users of sustainability statements of undertakings in scope of LSME. After having identified the simplifications in LSME ESRS ED that are compatible with such users’ needs, EFRAG has assessed the extent to which the simplifications would have impaired the feasibility of a complete coverage of the ten value chain disclosures mentioned above. EFRAG notes that there are no datapoints in the ED that have been added in the standard for the purpose of preserving the integrity of the reporting of large undertakings on their value chain, as all the datapoints in LSME ESRS ED are justified by specific needs of the users of LSME reporting. When considering the resulting



content of LSME ESRS ED and its role in setting the value chain cap, EFRAG notes that some requests to SMEs from large undertakings may derive from specific arrangements between the SME and its corporate clients, due to business reasons. Therefore, EFRAG notes that the trickle-down effect due solely to ESRS reporting obligations of large undertakings (i.e. in isolation from business reasons) has been minimized in LSME ED, while allowing to maintain an appropriate coverage of the value chain information in the ESRS reporting obligations for large corporates. EFRAG also considered that the administrative burden required from SMEs in general to prepare such datapoints does not outweigh the informative and management benefits for them and for business partners and is commensurate with their resources.

b) Non-listed SMEs receive data requests from large undertakings, including due to reporting obligations in the CSRD. Jointly to the consultation on this voluntary standard for non-listed SMEs, EFRAG is also consulting on the content of ESRS for listed SMEs (ESRS LSME ED). While ESRS cannot result in large undertakings having to request disclosures that are not included in ESRS LSME ED, the VSME ED is intended to play a key role in supporting SMEs, when they prepare the information needed by large undertakings for ESRS reporting, as well as for other obligations including for business purposes. Therefore, VSME ED includes simplified disclosures that generally correspond to the reasonable expectations of ESRS Set 1 preparers (i.e. large undertakings that prepare their sustainability statement under ESRS). As a consequence, non-listed SMEs that apply VSME ED will in general be able to meet the data requests defined for value chain in LSME ED, except for very specific cases. These cases correspond to disclosures which are included in LSME ED (therefore SMEs may receive data requests from large undertakings relating to these disclosures, either due to their ESRS reporting obligations or for other obligations and business purposes), but are not included in the VSME ED, due to their excessive complexity for non-listed SMEs in general. They are principally of a sectorial nature (GHG Removals, substances of concern/high concern, resource inflows), mainly needed for management or specific arrangement purposes.

Please refer to Annex 3 *Approach to Value Chain Cap in ESRS LSME ED and VSME ED* for further details on a) and b) above.

Please note that the questions on the value chain cap here are the same as in the VSME questionnaire in part 3 and if you respond to both questionnaires, you do not need to repeat your answers.

Q9.1) Do you agree with the approach taken by EFRAG on the value chain cap?

IF YES=>



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

IF NO, Please provide specific input => Select the areas of disclosure for which you disagree with EFRAG conclusion (Refer to Annex 3)

Area of disclosure ¹¹	Disagree [ALLOW MULTIPLE SELECTION]	If disagree: explain why referring specifically to content of Annex 3
1. SBM-1, SBM-3, IRO-1: for both LSME and		

¹¹ Same list of areas is also provided in the [draft EFRAG IG 2 Value chain implementation guidance](#).



Area of disclosure ¹¹	Disagree [ALLOW MULTIPLE SELECTION]	If disagree: explain why referring specifically to content of Annex 3
VSME Eds the conclusion is that no undue effect expected from ESRS reporting		
2. Policies, Actions and Targets (PAT): for both LSME and VSME EDs the conclusion is that no undue effect expected from ESRS reporting		
3. Climate Transition plan (Section 3 Actions – AR 6 and AR11): for both LSME and VSME EDs the conclusion is that no undue effect expected from ESRS reporting		
4. GHG emissions (E1-2 GHG emissions – Scope 3): for both LSME and VSME EDs the conclusion is that no undue effect expected from ESRS reporting		
5. GHG removal (E1-3 GHG removals): No undue effect on LSMEs expected from ESRS reporting. Additional information (not for ESRS reporting but for the implementation of possible specific arrangements) may be needed beyond VSME but is too specific to be covered by VSME ED		
6. Substances of concern and substances of very high concern (E2-2 Substances of concern and		



Area of disclosure ¹¹	Disagree [ALLOW MULTIPLE SELECTION]	If disagree: explain why referring specifically to content of Annex 3
<p>substances of very high concern): No undue effect on LSMEs expected from ESRS reporting. Additional information (not for ESRS reporting but for the implementation of possible specific arrangements) may be needed beyond VSME but is too specific to be covered by VSME ED.</p>		
<p>7. Resource inflows (E5-1 Resource inflows): for both LSME and VSME EDs the conclusion is that no undue effect expected from ESRS reporting</p>		
<p>8. Entity specific disclosures: For both EDs: Perspective 1: Possible trickle-down effect under specific arrangements to allow Set 1 preparers to cover material sector and/or to disclose entity-specific information including value chain. Perspective 2: not applicable, as the datapoint cannot be defined (due to entity-specific nature of the disclosure)</p>		

Q9.2) Please provide other comments on the value chain cap, if any.



A.3) Sector specific guidelines



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

The following question is included to get an orientation from the respondents on the approach to be taken by EFRAG on sector dimension for SMEs and it is also included in the VSME ED questionnaire.

Sustainability matters may be highly dependent on the specificities of sectors. Disclosing sector-specific information would give a more complete picture of how the undertaking is addressing its sustainability impacts, risks, and opportunities (IROs) and increase its transparency towards various stakeholders (i.e., investors, lenders, civil society, users, etc.).

Q10) Which of the options presented below should EFRAG follow to support SMEs in addressing and reporting their sector specific IROs? Note that EFRAG is developing sector-specific standards¹² for large undertakings. [PLEASE SELECT ONE]

1. Undertakings applying ESRS LSME ED should apply on a voluntary basis existing reporting practices, without specific EFRAG guidance.
2. Undertakings applying ESRS LSME ED should apply, on a voluntary basis, the content of the future Sector ESRS for large undertakings.
3. Undertakings applying ESRS LSME ED should apply on a voluntary basis sector specific guidelines and disclosures designed for listed SMEs, to be issued by EFRAG as a non-authoritative annex to the future sector-ESRS.
4. Undertakings applying ESRS LSME ED should apply on a voluntary basis sector specific guidelines and disclosures applicable to both listed and non-listed SMEs, to be issued by EFRAG as a non-authoritative annex to the future sector-ESRS.

Please provide your comments, if any.

¹² [EFRAG Sector Specific ESRS - EFRAG](#)



Part B. Specific questions for each section of the ESRS LSME ED (detailed questions to respond per LSME section):

For each requirement in this section, you are asked to agree or disagree with the objective, content, structure and language of the disclosure requirements in the ED, including whether they achieve an acceptable balance between users’ needs and proportionality for SMEs.

When responding, respondents may take into consideration the relevance of information, if the disclosure requirement is located appropriately in the standards, and if the disclosures are clear enough, taking also into account the application requirements per each requirement.

B.1) Section 1: General requirements

Q11) Please indicate your agreement or not in the following Table with the proposed approach to simplify the general requirements, as included in Section 1 of ESRS LSME ED:

ESRS LSME ED	Agree	Disagree	Please provide rationale for any disagreement and proposed amendments	Main simplifications compared to ESRS Set 1
Impacts; Risks and Opportunities	✓			The disclosures shall cover material negative impacts and risks. Disclosures about opportunities and positive impacts are voluntary (mandatory in ESRS Set 1).
6.1 Presenting comparative information	ok for n but should have for n+1			Comparative information is not required when it requires more than reasonable effort (ESRS Set 1 - ‘when impracticable’). The undertaking shall disclose this to be the case.
6.2 Sources of estimation and outcome uncertainty	ok did not study them			Simplified criteria to judge materiality of a possible future event



ESRS LSME ED	Agree	Disagree	Please provide rationale for any disagreement and proposed amendments	Main simplifications compared to ESRS Set 1
6.3 Updating disclosures about events after the end of the reporting period	✓			Required if possible with reasonable effort. If not, only narrative information to be disclosed. Disclosure of effects of events after the end of the reporting period have been eliminated.
6.5 Reporting errors prior period	✓			Restating the comparative amounts not required if not possible with reasonable effort (ESRS Set 1 - 'when impracticable'). The undertaking shall disclose this to be the case.
6.7 Matters in course of negotiation	✓			Besides intellectual property, the ED allows undertakings to omit (refer to BP-1) exceptionally, information about impending developments or matters subject to negotiation (ability in ESRS Set 1 depends on Member States' actions).

Q12) If you agree with the substance of the requirements of the table above, please provide your suggested improvement, if any (please specify the relevant requirement).



B.2) Section 2: General Disclosures

Q13) Please indicate your agreement or not in the following Table with the proposed approach to simplify ESRS Set 1 ESRS 1 *General disclosures*, as included in Section 2 of ESRS LSME ED:

ESRS LSME ED	Agree	Disagree	Please provide rationale for any disagreement and proposed amendments	Main simplifications compared to ESRS Set 1
DR-1 (BP 1) – General basis for preparation of the sustainability statement and DR-2 (BP 2) – Disclosures in relation to specific circumstances	✓			Reduced granularity of value chain estimation. Option to not provide restated comparative figures when not possible 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	✓			Requirement to disclose whether it has implemented a Due Diligence Process or not (EU datapoint). Paragraphs 58-61 of ESRS 1 Set 1 have been excluded.
DR-5 (SBM 1) - Strategy, business model and value chain	✓			Rather than revenue breakdown, disclosure of list of significant ESRS sectors in which the undertaking operates.
DR-6 (SBM 2) - Interests and views of stakeholders		✓	might be a big task to be representative	Interests and views of stakeholders to be disclosed only if stakeholder engagement occurs. Specific AR.
DR-7 (SBM-3) - Material impacts and risks and their interaction with strategy and business model	✓			Reduced granularity with information about the resilience of its strategy and business model not required.
DR-8 (SBM-4) - Material opportunities and positive impacts as voluntary content	✓			Voluntary
DR-9 (IR 1) - Processes to identify and assess material impacts and risks		✓		IRO-1 specifications in topical standards summarised centrally requiring to identify and



ESRS LSME ED	Agree	Disagree	Please provide rationale for any disagreement and proposed amendments	Main simplifications compared to ESRS Set 1
				assess material impact and risks.

Q14) If you agree with the substance of the requirements of the table above, please provide your suggested improvement, if any (please specify the relevant requirement).

EFRAG SRB and SR TEG extensively discussed the inclusion or not of the requirement about climate resilience analysis and relevant application requirements in SBM-3, which is not explicitly mentioned in the CSRD. Therefore and in order to simplify the ED, this requirement is not included in ESRS LSME SBM-3.

Q15) Would you like to reinsert the “information about the resilience of the undertaking’s strategy”?

Yes/no – please explain your answer



EFRAG SRB and SR TEG discussed the possibility, for simplification reasons, to group in one data point the requirements for the information related to current financial effects and anticipated financial effects in SBM-3 (see par. 35 c) and d)). These were kept as separate datapoints (same as in ESRS Set 1), considering that they respond to two different information needs.

Q16) Do you agree with this approach?

Yes/no – please explain your answer



B.3) Section 3: Policies, actions and targets

Q17) Please indicate your agreement or not in the following Table with the proposed approach to simplify ESRS Set 1 disclosure requirements, as included in Section 3 of ESRS LSME ED:

ESRS LSME ED	Agree ¹³	Disagree	Please provide rationale for any disagreement and proposed amendments	Main simplifications compared to Set 1
MDR ¹⁴ -P, MDR-A				Topic agnostic in this section.
Policies and Actions across ESRS E1-E5 and S1-S4				Topic-specific information: Environmental and Social Policies and Actions disclosures in ESRS Set 1 (E1 to E5 and S1 to S4) centralised, harmonised and simplified in related AR.
MDR-T				Topic agnostic: Reduced number of MDR. "Report if you have" component ¹⁵ .
Targets across ESRS E1-E5 and S1-S4				Treated as topic specific information: Environmental and Social Targets disclosure in ESRS Set 1 (E1 to E5 and S1 to S4) centralised, harmonised and simplified in related AR as "Report if you have" component. Changed to voluntary.
Processes for engaging with own workforce, workers in the value chain, affected communities, consumers and end-users, and their representatives about impacts	✓			Centralised disclosure under policies and actions

¹³ A respondent who agrees in substance but would like to propose improvements to a DR should answer "disagreement". When agreeing, respondents may take into consideration the relevance of information, if the disclosure requirement is located appropriately in the standards, and if the disclosures are clear enough, taking also into account the application requirements per each requirement.

¹⁴ MDR: Minimum Disclosure Requirement.

¹⁵ Please refer to Annex 2 for more details on the approach to Targets in Section 3 of the ED.



ESRS LSME ED	Agree ¹³	Disagree	Please provide rationale for any disagreement and proposed amendments	Main simplifications compared to Set 1
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 under policies and actions

Q18) If you agree with the substance of the requirements of the table above, please provide your suggested improvement, if any (please specify the relevant requirement).

B.4) Section 4: Environment

Q19) Please indicate your agreement or not in the following Table with the proposed approach to simplify ESRS Set 1 metrics, as included in Section 4 of ESRS LSME ED:

ESRS LSME ED	Agree ¹⁶	Disagree	Please provide rationale for any disagreement and proposed amendments	Main simplifications compared ESRS Set 1
DR E1-1 Energy consumption and mix	✓			Reduced granularity for renewables
DR E1-1 Energy intensity based on net revenue	✓			Same as ESRS Set 1 (SFDR T1, #6) but simplified the reconciliations and added 1-year phase-in.
DR E1-2 Gross Scopes 1, 2, 3 and Total GHG emissions	✓			Simplified, reduced breakdowns and added an “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) with sentence about proper reconciliations and an 1-year phase-in. Also a specification for SNCIs ¹⁷

¹⁶ A respondent who agrees in substance but would like to propose improvements to a DR should answer "disagreement". When agreeing, respondents may take into consideration the relevance of information, if the disclosure requirement is located appropriately in the standards, and if the disclosures are clear enough, taking also into account the application requirements per each requirement.

¹⁷ SNCIs: Small and Non-Complex Institutions.



ESRS LSME ED	Agree ¹⁶	Disagree	Please provide rationale for any disagreement and proposed amendments	Main simplifications compared ESRS Set 1
				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”. Deleted contribution to removals in value chain. Deleted requirement about plans to cancel carbon credits 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			not sure of the interpretation	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 reconciliation (only requiring 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 EPRTT 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). Included disclosure for SNCIs on water intensity ratios.
DR E4-1 Impact metrics related to biodiversity and ecosystems change	✓			Reduced granularity but kept the disclosures regarding invasive alien species and Life Cycle Assessment.
DR E5-1 Resources inflows	✓			Simplified and reduced granularity
DR E5-2 Resources outflows	✓			Kept the EU Law datapoints (SFDR T2,



ESRS LSME ED	Agree ¹⁶	Disagree	Please provide rationale for any disagreement and proposed amendments	Main simplifications compared ESRS Set 1
				#13, T1, #9) but simplified and reduced granularity
DR E6 – Anticipated financial effects from material environmental-related matters other than climate	✓			Financial effects on pollution, water, biodiversity and circular economy were simplified and centralised. Financial effects for climate were retained as separate simplified DR due to the number of EU datapoints it contains.

Q20) If you agree with the substance of the requirements of the table above, please provide your suggested improvement, if any (please specify the relevant requirement).

AR 46b) of ESRS Set 1 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, ESRS 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?

Q21) 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

The SRB discussed and approved adding a specification for SNCIs on the disclosure of GHG intensity based on net revenue and of water intensity (both SFDR indicators) 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. At the time, this ED does not indicate an alternative ratio to be used which would support comparability, pending the issuance of sector-specific ESRS.



Q22) Do you agree with the SNCIs having the option to use the proposed approach that allows the use of different metrics (rather than net revenues) to determine GHG emission intensity and water intensity?

Yes / No – Please explain your answer

B.5) Section 5: Social

Q23) Please indicate your agreement or not in the following Table with the proposed approach to simplify ESRS Set 1 metrics, as included in Section 5 of ESRS LSME ED:

ESRS LSME ED	Agree ¹⁸	Disagree	Please provide rationale for any disagreement and proposed amendments	Main simplifications compared to ESRS 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		✓	social dialogue with the community, could be very different in some company	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. Subject to materiality assessment.
DR S1-5 Social protection		✓	should be mandatory for own workforce and voluntary for other	In Set 1 S1-11. Simplified. Datapoint on countries where people do not have social protection and type of employees who do not have social protection now voluntary.
DR S1-6 Training metrics	✓			In Set 1 S1-13. Focus on training. Reduced granularity and phase-in for gender breakdown included 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

¹⁸ A respondent who agrees in substance but would like to propose improvements to a DR should answer "disagreement". When agreeing, respondents may take into consideration the relevance of information, if the disclosure requirement is located appropriately in the standards, and if the disclosures are clear enough, taking also into account the application requirements per each requirement.



ESRS LSME ED	Agree ¹⁸	Disagree	Please provide rationale for any disagreement and proposed amendments	Main simplifications compared to ESRS 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. Granularity reduced.
S1-11 Work-life balance metrics	✓		align with GRI	In Set 1 S1-15. Changed to voluntary disclosure.

Q24) If you agree with the substance of the requirements of the table above, please provide your suggested improvement, if any (please specify the relevant requirement).



B.6) Section 6: Business conduct

Q25) Please indicate your agreement or not in the following Table with the proposed approach to simplify ESRS Set 1 metrics, as included in Section 6 of ESRS LSME ED:

ESRS LSME ED	Agree ¹⁹	Disagree	Please provide rationale for disagreement 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 Set 1 G1 have been simplified and merged
DR G1-2 Anti-corruption and anti-bribery	✓			G1-3 and G1-4 defined in ESRS Set 1 G1 have been simplified and merged
DR G1-3 – Political influence and lobbying activities	✓			Kept and simplified par. 29 of G1-5 defined in ESRS Set 1 G1.

Q26) If you agree with the substance of the requirements of the table above, please provide your suggested improvement, if any (please specify the relevant requirement).

Q27) Is there any information that the ESRS LSME ED should further cover?

(please specify)

Q28) Do you have any other comments?

¹⁹ A respondent who agrees in substance but would like to propose improvements to a DR should answer "disagreement". When agreeing, respondents may take into consideration the relevance of information, if the disclosure requirement is located appropriately in the standards, and if the disclosures are clear enough, taking also into account the application requirements per each requirement.

