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EFRAG Consultation on the Exposure Draft ESRS for listed SMEs

Dear Ms Slomp,

As association of German listed and capital markets-oriented companies, Deutsches Aktieninstitut is pleased to provide comments on EFRAG's draft LSME standard.

Companies throughout Europe are facing remarkable challenges at present as they have to cope with both the digital and the sustainable transition ("Twin Transition"). This requires them to invest massive financial resources into the adjustment of their business models, into new technologies and consequently into the build-up of personnel. The voluminous investments needed to rebuild our economy will require a close collaboration by the public and the private sector. To unfold the latter's full potential and to diversify funding sources, companies need to be enabled to use capital markets in order to meet their financing needs. Consequently, barriers for companies to issue shares and bonds should be lowered.

Against this backdrop, it is important, that SME reporting standards fit into the capital markets ecosystem shaped by the Capital Markets Union and the EU Listing Act, are proportionate and do not create disincentives for companies considering a public listing. We fear, however, that these objectives are not met by the present EFRAG draft LSME standard. On the contrary, the current EFRAG draft runs counter to all present intentions to improve and expand capital markets-based funding sources for companies. These are reflected in various statements in favour of a deepening of the Capital Markets Union, among others by the Eurogroup, the European Council or by Enrico Letta in his recent report on the future of the EU's internal market.

As ESRS set 1 forms the basis for the current draft LSME standard, we believe that the present draft standard is too demanding for smaller enterprises taking into account their practical possibilities and limited resources. We are currently witnessing that even large listed undertakings are facing many problems with the ESRS implementation and are struggling with the granularity of the standards, diverse ambiguities and unclear terms and definitions. Consequently, smaller issuers will not be able to meet overly complex, sophisticated and analytical disclosure requirements.

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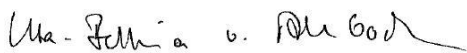
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From our point of view, the voluntary standard for SMEs (VSME) is a both suitable and sound while equally proportionate framework for sustainability reporting of SMEs. It could be complemented by a fourth module for listed SMEs containing information that corresponds to the regulatory disclosure obligations of investors and banks.

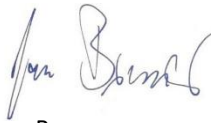
This solution would also match with the spirit of Art. 29 c CSRD, which does not cater to the idea of separate reporting standards for listed and non-listed SMEs. In addition, SMEs need to be equipped with useful and practical guidance for example on how to conduct materiality assessment, how to map the material IROs in their value chain and how to set the thresholds for impact/financial materiality in order to enable them to deliver meaningful disclosures.

We kindly ask you to take these aspects into consideration.

Yours faithfully



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Jan Bremer
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