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Paris, le 21 May 2024

Le président

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à **Patrick de Cambourg**
Chair of the SRB
EFRAG

RO n°

Objet : Response to the public consultation questionnaire LSME & VSME ESRS ED

Dear Patrick,

I am writing on behalf of the Autorité des Normes Comptables ('ANC'), the French standard-setter public authority, to provide our response to EFRAG's public consultations on LSME and VSME ESRS ED issued on 22 January 2024.

We endorse the development of sustainability reporting standards for SMEs to meet the growing demand for sustainability information from users and to assist SMEs in measuring, monitoring, and communicating their sustainability performance. With 25 million SMEs in the European Union, while sustainability reporting will be mandatory for the few listed on regulated markets or financial institutions (about 80 in total in France), for the majority, it will be a response to significant requests from clients or financial institutions, enabling them to integrate sustainability concerns into their business models.

It is crucial to streamline these approaches to prevent different processes and avoid overwhelming SMEs with disjointed requests. The stakes involved in these voluntary standards are therefore immense: beyond helping SMEs in integrating sustainability, the objective is to lighten their future reporting burdens. The social acceptability of the CSRD is paramount considering that SMEs employ 100 million workers. We should ensure that the complexity faced by large companies, evidenced by the challenging European Parliament vote on the delegated act establishing the 12 "sector agnostic" standards, does not translate into undue burdens for SMEs.

The French financial community has been diligently working to ensure that these SME standards effectively meet their needs. The ANC has convened a working group, engaged its Commission specialising in sustainability information, and discussed the matter extensively at its Collège. French Minister Olivia Grégoire and the CPME have conducted an “SME test,” and discussions with the Banque de France on implementing a climate indicator covering SMEs are underway. **Below are the conclusions converging within the French marketplace, reflecting a commitment to realising the ambitions of the CSRD.**

LSME

The unanimous diagnosis among stakeholders in France is that the current LSME draft is likely to jeopardise the CSRD. This standard is not suitable for the undertakings directly covered by the CSRD and disproportionately burdensome, especially for being representative as a potential cap in the value chain.

It is unsuitable because, for the limited number of French undertakings subject to mandatory reporting according to LSME ESRS, as their activities primarily lie in specific sectors for which generalist reporting lacks relevance. In France, the majority of the 80 undertakings subject to LSME operate in sectors such as private banking focused on wealth management, biotechnologies, real estate and services such as software, consulting, and media, each with distinct sustainability impacts and risks. Among French SNCI and captive insurance and reinsurance public-interest undertakings, many will be exempted from CSRD as subsidiaries of larger groups.

It is disproportionate, because it is too complex for them, in terms of language and disclosure requirements. Listed SMEs very often have far fewer than 250 employees, and limited resources to take care of the sustainability reporting. For the non-listed SMEs, the ambiguity surrounding the notion of cap in the value chain exposes them to complex multiples questioning. The LSME ESRS ED requires a granular level of information that may be impractical for the majority of SMEs, given their limited resources and specific challenges. Compared to the VSME ESRS ED, the LSME ESRS ED requires two to three times more datapoints. Moreover, its lengthy (over 200 pages), technically worded format, and complex structure render it difficult to access for the market. *Please refer to the attached Excel file for a detailed comparison of reporting requirements between LSME and VSME ESRS ED (Appendix 1).*

VSME

On the other hand, the VSME project has been well-received. The French financial community and business partners agree on the necessity of a unified approach for all SMEs, listed or not. **With minor adjustments (restructuring in order to reflect a non-modular feature for SMEs with listed securities), retaining it as the LSME standard seems appropriate; for the non-listed SME, the modular and voluntary approach would remain.**

Compared to the current VSME project, it is advisable to make marginal additions, including:

- adding a disclosure requirement for a brief presentation of the undertaking in the basic module,
- ensuring that the business partner module includes as disclosure requirements mandatory PAIs of the SFDR (see Appendix 2),

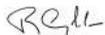
- transferring certain information from one module to another.

Additionally, creating a separate operational reporting template for the revised VSME standard and providing indicative guidance for SMEs in high impact sectors to help them focus on sector-specific sustainability issues would be beneficial.

With these amendments, the VSME standard would evolve into the LSME standard after merging the three modules and restructuring them into cohesive themes (see illustration on water in Appendix 3), while the VSME standard would maintain its modular approach with its three components.

If you would like to discuss our comments further, please do not hesitate to contact Eric Duvaud or myself.

Yours sincerely,



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**Response to public consultation
on the exposure-draft for VSMEs**

Agenda

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|---|---|
| 1. <u>PART 1: General Key Questions</u> | <ul style="list-style-type: none"> a) Objective, simplifications and modules b) Sector guidance |
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| 2. <u>PART 2: Detailed questions on principles and datapoints</u> | <ul style="list-style-type: none"> a) Principles for preparation b) Basic Module c) Approach to materiality of matters and Principles for preparation (common to Narrative-PAT and Business Partners Modules) d) Narrative-Policies, Actions and Targets (PAT) Module e) Business Partners (BP) Module |
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| 3. <u>PART 3: Value chain cap</u> | |
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1. PART 1: General Key Questions

a. Objective, simplifications and modules

Q1. The objective of this ED is to provide a simple reporting tool, that can credibly replace a substantial part of the questionnaires used by business partners (lenders, investors and corporate clients) in requesting ESG data from SMEs and that can support SMEs in monitoring their sustainability performance. While the ED has been built mainly on the basis of questionnaires from business partners, the resulting information is expected to also benefit SMEs by improving their management of sustainability issues and, in this way, contribute to a more sustainable and inclusive economy.

Do you agree with this standard setting objective?

Yes/No/Please explain your answer.

Replacement of questionnaires used by business partners: We support the objective of creating a standardised reporting tool for SMEs to address ESG data requests from business partners. It gives SMEs a reference and backbone for inviting their business partners to



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standardise the E, S, G information they are requesting. It also mitigates the risk for SMEs to receive fragmented, sector-agnostic ESG requests.

However, it is important to clarify that this standard may not replace all questionnaires used by business partners. Demands from business partners vary based on the sector and size of undertakings to consider their specific characteristics and sustainability issues. For example, established questionnaires such as Ecovadis integrate sector-specific information, and bank requests often target SMEs in high-impact sectors with specific demands. Therefore, the objective should be reframed to acknowledge that while this standard is expected to replace the sector-agnostic base of sustainability information, sector-specific and entity-specific requests from business partners may remain.

We would like to remind that the “Cap in the value chain” is based on the broader LSME standard, which weakens the ability of the VSME standard to replace the questionnaires used by business partners. To meet this objective, the “Cap in the value chain” (i.e., the LSME standard) should be nearer from the full 3 modules of the VSME (see ANC’s response to the consultation on LSME).

Monitoring of sustainability performance: We also support the objective of providing a simple tool to support SMEs in monitoring their sustainability performance. It paves the way for SMEs who still hesitate on how to begin their way towards more sustainability by showing what the priority topics are. It also gives SMEs an opportunity to communicate and valorise the sustainable actions, policies and targets they have already implemented.

However, the standard needs to better consider the specificities of SMEs in line with the principle of proportionality. Consequently, several disclosures should be simplified, and recommendations should be introduced to apply some information to sectors with high environmental impact and / or to small and medium-sized undertakings.

Q2. VSME ED has been structured in three separate modules:

The **Basic Module** is the entry level for SMEs and the target for micro-SME; it is required also in case of use of one of the two other modules.

The **Narrative-Policies, Actions and Targets (PAT) Module** is expected to be used by SMEs that have already in place some formalised policies, actions and targets.

The **Business Partners (BP) Module** is expected to be used when an SME faces data requests from its business counterparties.

The following alternatives for reporting uses are possible under the VSME ED:

- 1) The Basic Module alone;
- 2) The Basic Module with the Narrative-PAT Module;



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- 3) The Basic Module with the Business Partners (BP) Module;
- 4) All three Modules together.

Do you agree that these alternatives are appropriate to deal with the diversified undertakings in scope (both number of employees and economic sectors) in the context of the objective as stated in Q1 of this questionnaire?

Yes/No/Please explain your answer.

Presentation: We advocate for designing and presenting VSME ED in two documents, a standard and an operational reporting tool.

This tool should offer a form template with sequenced datapoints, allowing for flexibility and enhanced usability. As an illustration, drop-down boxes that appear according to sustainability reporting may be included. Prioritising a tool-centric design and a sequential approach over a modular one simplifies processes and improves preparers' use.

The standard format may be retained for specific stakeholders, such as accountants, certifiers or consultants, who are engaged in this process on a voluntary basis.

For practical guidelines, we suggest relocating the current guidance as hyperlinks within the text. Additionally, links to educational tutorials, diagrams on certain key concepts and free online tools should be added. This adjustment ensures accessibility and streamlined navigation, avoiding the inclusion of lengthy content in the main body. To better serve the needs of SMEs and business partners, we recommend incorporating as implementation guidance a table that outlines the material sustainability matters for each sector as well as relevant sector-specific carbon intensity ratios based on units of production. This will enable SMEs to prioritise topics for sustainability reporting and management, while assisting customers in identifying the most suitable suppliers (see response to Q7). Additionally, we encourage EFRAG to make available free online tools to assist SMEs in preparing disclosures considered as complex, including (i) materiality assessment and (ii) GHG emissions.

Basic module: We support the basic module, recognising its capacity to standardise fundamental, sector-agnostic ESG information, provided that some adjustments are made. Certain disclosures should be adapted to further suit the specificities of SMEs, and certain requirements should be prioritised for high impact sectors. Additionally, we recommend removing references to micro-undertakings in connection with this module that may address all SMEs sizes.

Narrative and business partners modules: We express our support to the modular approach which allows to meet the circumstances of various SMEs in terms of size and sector of activity.



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Narrative module: While we acknowledge the limitations in the large-scale use of narrative information due to the absence of automatic, quantitative exploitation, we recognise the value of a qualitative approach. This approach proves beneficial in providing contextual insights to business partners, particularly when direct relationships are absent. Moreover, it aids SMEs in structuring sustainability approaches and valorising sustainability management, including for SMEs facing challenges with short-term quantitative data construction.

Additionally, we recommend simplifying and streamlining certain information to improve usability. Lastly, we believe that the explanation of materiality analysis principles should be retained in the standard, but conducting a formal materiality analysis process should not be obligatory. We consider that SMEs, which have not conducted a formal materiality analysis, should be able to provide a concise qualitative description of material sustainability topics, including by referring to the indicative table of material sector-specific topics (to be developed by EFRAG as sectoral implementation guidance for SMEs). SME executives are expected to be familiar with their sustainability issues and their associated specific transition levers.

Business partners module: We find that mandating ESG data from an investor's perspective is complex in the current context of SFDR revision. In this context, we suggest limiting the required datapoints to the 14 current SFDR PAI. Moreover, we consider that sector-agnostic requests are insufficient without supplementation with sector-specific information to fulfil the needs of users.

Therefore, we recommend applying certain information to sectors with high environmental impact (for climate and biodiversity in particular). Additionally, we suggest the inclusion of simple sector-specific guidance without waiting for sector-specific ESRS for large companies being developed.

Thresholds: The thresholds in this standard should take into account the updates made in the Accounting directive.

Q3. The Basic Module is written in simplified language to make it easily understandable for micro and SME undertakings, while ensuring clarity in terms defined by the ESRS with 12 disclosures to be reported. There is no need for a materiality analysis. Certain disclosures are required only if the undertaking considers them "applicable".

Do you agree that the **Basic Module** is proportionate, understandable (in terms of language), and has a reasonably complete set of disclosures to be used as a starting point?

Yes/No/Please explain your answer.

If answer is NO, please indicate the relevant disclosure.



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As explained in our response to Q2, we support the basic module, provided that the below adjustments are made.

- **Basic information should be added.**
 - **Disclosure B 1 – Basis for Preparation:** disclosure of sector(s), size (turnover, employees, and SME category), and location(s) of head office and main locations of operations
 - **Disclosure B 2 – Practices for transitioning towards a more sustainable economy:** disclosure of sustainability labels and certifications obtained if applicable
- **Certain disclosures should be adapted to suit the specificities of SMEs, and certain requirements should be prioritised for high impact sectors.**
 - **B 5 – Biodiversity:** additional guidance on biodiversity sensitive areas (where to find information on the list of sensitive areas, proximity criteria defined by the undertaking); application of land-use metrics only to high biodiversity impact sectors (as identified by TNFD)
 - **B 6 – Water:** recommendation to prioritise the application of water consumption to high water impact sectors
 - **B 9 – Workforce – Health and Safety:** alignment of the calculation formulation with SFDR
 - **B 10 – Workforce – Remuneration, collective bargaining, and training:** replacement of the average number of training hours per employee with the share of training expenditure in relation to the total payroll; move of the disclosure on the coverage by collective bargaining to the PAT module
 - **B 11 – Workers in the value chain, affected communities, consumers and end-user:** move of the disclosure to the PAT module

More details are provided in our response to Q13 (basic module).

Q4. The Narrative-Policies, Actions and Targets (PAT) Module is suggested in addition to disclosures in the Basic Module, to undertakings that have formalised and implemented PAT. Materiality analysis is required to determine and disclose the sustainability matters that are relevant for the undertaking.

Do you agree with the content and approach of the **Narrative-PAT Module**, which is reserved to undertakings that have Policies, Actions and Targets (PAT) in place?

Yes/No/Please explain your answer.

As explained in our response to Q2, we consider that a qualitative approach could add value if (i) some disclosures are simplified and streamlined, and (ii) conducting a formal materiality analysis process is not mandatory, and guidance is developed to help SME



identify material sustainability matters, including a list of material sustainability matters per sector combined with a free online tool.

- **Certain disclosures should be simplified.**
 - **Disclosure N 2 – Material sustainability matters:** brief description of material sustainability matters, and if applicable, of associated impacts, financial effects and key stakeholders; deletion of the details on financial effects
 - **Disclosure N 3 – Management of material sustainability matters:** consolidation of information on stakeholders in the value chain under disclosure N 3 on human rights policies (previously required in different locations of the basic and BP modules)
 - **Disclosure N 4 – Key stakeholders:** moving of information on key stakeholders to disclosure N 2
 - **Disclosure N 5 – Governance:** disclosure of whether the undertaking has governance in relation to sustainability matters

More details are provided in our response to Q25 (narrative module).

Q5. The Business Partners (BP) Module sets datapoints to be reported in addition to disclosures in the Basic Module, which are likely to be included in data requests from lenders, investors and corporate clients of the undertaking. Materiality analysis is required, in order to determine and disclose the sustainability matters that are relevant for the undertaking.

Do you agree with the content and approach to the **Business Partners (BP) Module**, as a replacement and standardisation of information requests by business partners, being a proportionate but complete set of ESG disclosures?

Yes/No/Please explain your answer.

As explained in our response to Q2, we advocate for supplementing sector-agnostic information with sector-specific implementation guidance on material matters as soon as possible, as well as sector-specific requests once sector-specific ESRS for large undertakings become available. This approach will comprehensively meet the needs of business partners. Meanwhile, we recommend the application of certain disclosures for sectors with high environmental impact.

- **Certain disclosures should be adapted to suit the specificities of SMEs, and certain requirements should be prioritised for high impact sectors.**
 - **Scope 3 GHG emissions:** deletion of the entity-specific reference applicable to all sectors; disclosure requirement applicable to high climate impact sectors
 - **Disclosure BP 3 – GHG emissions reduction target:** reframing of BP 3 as “GHG emission reduction action plan and targets”; additional disclosure of main decarbonation levers, decarbonation actions carried or planned, and financial resources allocated to them; application of GHG emission reduction targets to



high climate impact sectors; additional disclosure of generic datapoints including base year and value, target year and value, and the unit

- **Disclosure BP 4 – Transition plan for climate change mitigation:** consolidation of this disclosure with BP 3
- **Disclosure BP 5 – Physical Risks from climate change:** disclosure of the qualitative approach towards physical risks; moving of quantitative datapoints to the guidance as examples
- **Disclosure BP 7 – Alignment with internationally recognized instruments:** consolidation of the disclosures related to human rights policy under disclosure N 3 in the narrative module
- **Disclosure BP 8 – Processes to monitor compliance and mechanisms to address violations:** consolidation of the disclosures related to human rights policy under disclosure N 3 in the narrative module
- **Disclosure BP 10 – Work-life balance:** addition of the number of departures in the reporting period
- **Disclosure BP 11 – Number of apprentices:** addition of the internships

More details are provided in our response to Q30 (business partners module).

Q6. FOR USERS and PREPARERS ONLY: Kindly indicate the proportion of ESG questionnaires or other ESG information requests that are used to collect data from SMEs (both for reporting and managerial purposes) that could be replaced if the SMEs provide the information covered by the three modules of the VSME ED.

- **Below 20%; 20-50%; 50% -80%; above 80%**
- **Please explain what items are missing and your rationale.**

n/a

b. Sector guidance

Q7. Sustainability matters may be highly dependent on the specificities of the relevant sector(s) that the reporting undertaking operates in. Please select your recommended course of action for standard setting and guidance purposes on this matter.

[PLEASE SELECT ONE]

1. Undertakings applying VSME ED should apply on a voluntary basis existing reporting practices, without specific EFRAG guidance.
2. Undertakings applying VSME ED should apply on a voluntary basis the content of the future Sector ESRS for large undertakings.



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3. Undertakings applying VSME ED should apply on a voluntary basis sector specific guidelines and disclosures designed for non-listed SMEs, to be issued by EFRAG as a non-authoritative annex to the future sector-ESRS.
4. Undertakings applying VSME ED could apply on a voluntary basis sector specific guidelines and disclosures applicable to both listed and non-listed SMEs, to be issued asap by EFRAG as a non- authoritative annex to the future sector-ESRS.

Please note that your answer will be complemented by question 13 on the additional dimension of reporting including sectors.

Please provide your comments, if any.

Implementation guidance on sector-specific topics: We strongly advocate for the development of an implementation guidance for SMEs outlining material sustainability issues per sector in a concise <5-page table format. A first step could be to extract from the list of topics, sub-topics and sub-sub-topics in Appendix B those which are material sector by sector, covering the 40 sectors identified by EFRAG; then to complete this exercise as future sector-specific ESRS are published. Such an approach will better cater the needs of SMEs and business partners:

- it will provide SMEs with a comprehensive overview of major relevant issues within their sector(s), enabling them to transition to a more targeted approach, addressing the core IROs specific to their sector(s) rather than generic ones; and
- it will provide benefits for business partners, including major customers, assisting them in focusing on the relevant matters when selecting the most appropriate suppliers for a given category of purchased goods and services.

This initiative is particularly crucial for SMEs as they often lack the resources to conduct sector-specific materiality assessments independently. While some French federations are currently conducting such assessments, it is imperative to align this exercise with counterparts at the European level and other stakeholders (e.g., certifiers, civil society organisations). Notably, questionnaires commonly used by SMEs (e.g., Ecovadis) typically incorporate sector-specific disclosure requirements.

Consequently, we believe that this implementation guidance will assist SMEs in seamlessly integrating sector-specific issues into their sustainability reporting and management, without overburdening standards or enduring prolonged waits for the development of sector-specific ESRS.

Carbon intensity ratios based on sector-specific units of production: We also encourage EFRAG to establish sector-specific carbon intensity ratios based on units of production for sectors with high climate impact in the previously mentioned implementation guidance, alongside the list of material sectoral topics. We believe that information on production volumes is essential for providing an overview of the carbon footprint and for assessing the

maturity of climate mitigation actions. Although we cannot pre-emptively request these volumes in the VSME due to the absence of sector-specific ESRS for large undertakings, we can promote their disclosure by defining standardised carbon intensity ratios based on units of production per sector.

Future sector-specific ESRS: We propose introducing sector-specific recommendations for SMEs when such provisions become available for large undertakings, starting in July 2026. These recommendations should be issued as a simplified, non-authoritative annex to the future sector-ESRS, applicable to both listed and non-listed SMEs, outside of the value chain cap. The format and content of this annex, including vocabulary and length, should be accessible to the vast majority of SMEs. Helping SMEs better grasp the sustainability issues that are at stake in their sector, coupled with technical and financial support, is crucial to enhancing their commitment to ESG actions.

Sector-specific guidelines in VSME ED: We recommend including guidelines in the VSME ED to prioritise certain disclosures for sectors with high environmental impact, in accordance with the sectors outlined in the EU Taxonomy (e.g., high climate impact sectors) or other frameworks such as the TNFD (e.g., priority biodiversity sectors). Additionally, we suggest incorporating sector-specific examples in the guidance. This approach will enhance the provision of relevant sustainability information while assisting SMEs in identifying material sustainability topics, given that these topics largely depend on the sector. Notably, the basic module already mandates information specific to certain sectors (B 7 "if the undertaking operates manufacturing, construction and/or packaging processes"). More details are provided in our responses to Q3, Q5, Q13 and Q30.

2. **PART 2: Detailed questions on principles and datapoints**

a. **Principles for preparation**

Q8. Do you agree with the proposed Principles for the preparation of the sustainability report in VSME ED?

	Agree	Disagree	Comment
a) <i>Complying with this Standard (paragraphs 9 and 10 in VSME ED)</i>	X		Additional details on reporting scope: This section should include a paragraph to clarify the reporting scope of the sustainability information. At least, it could specify that metrics are expected on the financial (consolidation) perimeter and do not extend to cover the value chain (unless a few exceptions such as <i>Scope 3 GHG emissions</i>). In connection



		<p>with narrative and business partners modules, it could be explained that material sustainability matters are expected to be disclosed considering the value chain, and that policies, actions and resources have a flexible scope defined by the undertaking.</p> <p><u>Additional details on the list of sustainability topics:</u> Paragraph 3 recalls that this VSME ED covers the same sustainability issues as the ESRS for large undertakings. These sustainability topics could be explicitly outlined at the beginning of the standard, for instance in a footnote, to improve understandability, while leaving the detailed content in Appendix B (to be streamlined – see response to Q21).</p> <p><u>Proposed modification:</u> <i>“Example of footnote: Matters covered in this standard include:</i></p> <ul style="list-style-type: none"> • <i>Environmental topics: climate change, pollution, water and marine resources, biodiversity and ecosystems, and resource use and circular economy</i> • <i>Social topics: equal treatment and opportunities for employees, working conditions, and respect for the human rights.</i> • <i>Business conduct topics: anti-corruption and bribery.”</i> <p><u>Additional details on the characteristics of information:</u> Concise definitions of the mentioned qualitative characteristics of information could be added in the standard or in the guidance. A comprehensive understanding of these characteristics is crucial to report robust sustainability information, considering that assurance of sustainability reports is not mandated for SMEs.</p> <p><u>Proposed modification:</u> <i>“The sustainability report shall provide information that is relevant (i.e., information is useful from users' perspective), faithful (i.e., information is complete, neutral and accurate), comparable (i.e., information can be compared with that of previous periods and other undertakings, particularly those with similar</i></p>
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			<i>activities), understandable (i.e., information is clear and concise) and verifiable (i.e., information or inputs used can be corroborated)."</i>
b) Preparation on a consolidated basis (paragraph 12 in VSME ED)	X		No comment
c) Timing and location of the Sustainability Report (paragraphs 13, 14 and 15 in VSME ED)		X	Flexibility: The management report is not always publicly available for SMEs. Moreover, if the VSME is presented as a standardised tool (see answer to Q2), the information could be expected online through this tool. More flexibility should be given.
d) Classified and sensitive information, and information on intellectual property, know-how or results of innovation (paragraph 16 in VSME ED)	X		No comment

Q9. Additional question on Complying with this Standard. Undertakings should indicate which modules or which combination of modules they expect to use. This question aims at better understanding the market acceptance as a fundamental aspect of the standard on the two different sides of users and preparers (please refer to BC5 in Annex 2 *Basis for conclusions for VSME ED*). In this context, how do you anticipate to make use of the modular approach:

[MULTIPLE SELECTION POSSIBLE]

IF PREPARER:	Basic Module	Basic Module + Narrative Module	Basic Module + Business Partners Module	All 3 Modules	Rationale for your answer
Specify which approach(es) you would	n/a				



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consider hen applying VSME ED	
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[MULTIPLE SELECTION POSSIBLE]

IF USER:	Basic Module	Basic Module + Narrative Module	Basic Module + Business Partners Module	All 3 Modules	Rationale for your answer
Specify which approach(es) you deem most appropriate to cover	n/a				

Q10. Additional question on Preparation on a consolidated basis. The VSME ED recommends the undertakings that are parent of small and medium sized groups to prepare consolidated reports for their sustainability statement, i.e. to include data of their subsidiary/ies in the report. Do you agree with this approach?

Yes/No/Please explain your answer.

Consolidated sustainability reporting allows alignment with the approach of the ESRS for large undertakings.

Q11. Since non listed SMEs are outside the scope of CSRD, the subsidiary exemption (see CSRD Art. 19a9) does not apply to them. One proposal that EFRAG could consider is to include such exemption in VSME ED, as a further incentive to apply consolidated sustainability reporting. Would you consider the inclusion of a subsidiary exemption to VSME ED as pertinent and feasible?

Yes/No/Please explain your answer.

The inclusion of a subsidiary exemption for SMEs allows alignment with the approach of the ESRS for large undertakings. It also represents an opportunity to reduce the reporting burden for SMEs.

Q12. Additional information component including sectors (VSME ED par. 11, applicable to all the modules)

Depending on the type of activities carried out, the inclusion of additional information about issues that are common to the undertaking's sector supports the provision of relevant, faithful, comparable, understandable and verifiable information. While acknowledging the difficulties that this requirement may raise for SMEs, the inclusion of this additional dimension was considered an important element of VSME ED to fulfil in particular-sector specific disclosures. Do you agree with this approach?

Yes/No/Please explain your answer.

Sector-specific information is crucial, but it should be standardised as much as possible. More details are provided in our response to Q7.

b. Basic Module

Q13. The Basic Module is the entry level for non-listed SMEs and has a highly simplified language. Ideally the undertaking should be able to produce these disclosures with limited help of consultants. It comprises 12 disclosures which have been mapped with existing voluntary initiatives (i.e. Nordic Sustainability reporting standards for SMEs, German Sustainability Code, CDP guide for SMEs etc.). These disclosures have been identified as recurring in the questionnaires analysed by the EFRAG Secretariat (please refer to Annex 2 *Basis for conclusions for VSME ED* for more details).

With reference to the proposed disclosure requirements, please include your answer in the table below:

VSME ED	IF OTHER RESPONDENT: Comments
Disclosure B 1 – Basis for Preparation	Additional disclosure on key features: The basic module should require the disclosure of the undertaking's sector(s), size (turnover, employees and SME category), and location(s). Considering that



	<p>sustainability IROs may vary according to the sector (e.g., resource intensity specific to a sector), size, and location (e.g., social practices and legislations specific to a country), this information provides an overall overview of sustainability topics that are likely to be material for the SME. Furthermore, this information does not increase the reporting burden as it is already available internally.</p> <p><i>Proposed modification: "(d) the undertaking's sector(s) and associated activities including NACE codes*; (e) the undertaking's size based on the turnover (total amount or range), number of employees, and category (micro, small or medium SME) as defined in paragraph 2; and (g) the addresses of the undertaking's head office and main locations of activity." To be added in the guidance: "*The list of sector(s) and activities should rely on [draft] EFRAG SEC1. The contribution of an undertaking to a sector is considered significant when the undertaking generates at least 10% of revenues from this sector or when it has major sustainability issues related to this sector."</i></p>
<p>Disclosure B 2 – Practices for transitioning towards a more sustainable economy</p>	<p><u>Additional disclosure on sustainability labels and certifications:</u> It would be relevant to require the disclosure of sustainability labels and certifications obtained if applicable, and to put an emphasis on the initiatives that relate to sector-specific issues. SMEs are more likely to participate in collective sustainability initiatives (based on their sector or location) rather than individual actions given their limited resources.</p> <p><i>Proposed modification: "The undertaking shall disclose sustainability management systems put in place and / or labels and certifications obtained if applicable. The undertaking may also briefly describe specific practices for transitioning towards a more sustainable economy in case it has them in place. If so, it may specify whether these specific practices have been formalised, whether objectives have been set, and whether responsibilities have been allocated (Yes or No answers)." To be moved to the guidance: "Specific practices in this context shall not include philanthropic activities (e.g., donations) but rather initiatives to manage sustainability issues related</i></p>



	<p><i>to the undertaking's sector(s) of activities. Such initiatives may include, for instance, initiatives to improve working conditions and equal treatment in the workplace, sustainability training for the undertaking's workforce, collaboration with universities related to sustainability projects, efforts to reduce the undertaking's water and electricity consumption or to prevent pollution, and initiatives to improve product safety."</i></p>
<p>B 3 – Energy and greenhouse gas emissions</p>	<p>[General comment] Deletion of introductory paragraphs: The inclusion of introductory paragraphs before specifying the datapoints does not add value. They should be deleted.</p> <p>Flexibility on the methodology: The considered methodology could encompass more explicitly nationally recognised methodologies aligned with the GHG Protocol (e.g., "Bilan carbone de l'ADEME"). This approach would provide more flexibility to utilise national methodologies.</p> <p>Proposed modification: <i>"The undertaking shall disclose its estimated gross greenhouse gas (GHG) emissions in tons of CO2 equivalents (tCO2eq) considering the content of the GHG Protocol Corporate Standard or nationally recognised methodologies (...)."</i></p> <p>Wording: The disclosure of total Scope 1 and 2 GHG emissions broken down by scope could be required more explicitly.</p> <p>Proposed modification: <i>"The undertaking shall disclose its estimated gross total Scope 1 and 2 greenhouse gas (GHG) emissions in tons of CO2 equivalents (tCO2eq) considering the content of the GHG Protocol Corporate Standard, broken down by: (a) Scope 1 GHG emissions in tCO2eq (from owned or controlled sources); and (b) location-based Scope 2 emissions in tCO2eq (i.e., emissions from the generation of purchased energy)."</i></p>
<p>B 4 – Pollution of air, water and soil</p>	<p>No comment</p>



B 5 – Biodiversity

Additional guidance on biodiversity sensitive areas:

Clarification is required in the guidance concerning the assessment of “sites located in or near biodiversity-sensitive areas,” particularly regarding whether this encompasses buildings exclusively or also outdoor areas. Additionally, the guidance should indicate where to find information on sensitive areas, define what constitutes “managed sites” and potential assessment criteria. Moreover, the term “near” in relation to biodiversity-sensitive areas needs more specifications, clarifying that undertakings are responsible to define what proximity means, especially with sector-specific examples. This is crucial as proximity assessments should be adapted to sector-specific characteristics and associated IROs. For example, proximity criteria might differ based on factors such as pollutant emissions from the site, leading to a less restrictive definition of proximity.

Proposed modification: *“Guidance on sensitive areas: Biodiversity sensitive areas are defined as such by special nature protection regulation at European or international level. These comprise areas belonging to the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas (‘KBAs’) as well as other protected areas as referred to in Appendix D of Annex II to Commission Delegated Regulation (EU) 2021/21398.”*

Sector-specific recommendation on land-use metrics:

It should be recommended that optional land-use metrics apply to high biodiversity impact sectors identified by TNFD, given that impacts on land use are specific to sectors (e.g., agriculture vs. tertiary). Furthermore, the metrics should be presented as examples in a list instead of categories a, b, c and d. Finally, definitions of “sealed areas” and “nature-oriented areas” could be provided in Appendix A based on definitions provided in EMAS Guidance.

Proposed modification: *“The undertaking with operations in high biodiversity sectors* may disclose metrics related to land-use change, such as a) total use*



	<p>of land; b) total sealed area; c) total nature-oriented area on site; and d) total nature-oriented area off site.</p> <p><i>Footnote: * High biodiversity impact sectors are identified by the TNFD as follows: [list to be aligned with TNFD updates if any, and to be reconciled with NACE codes] agriculture, livestock, aquaculture and forestry, construction and engineering, oil and gas, and energy production, water and waste management services, food and beverages, paper and wood, building materials, chemicals, mining, metal fabrication, pharmaceuticals, biotechnology, textiles, accessories, footwear and jewellery, tobacco, and transportation."</i></p>
<p>B 6 – Water</p>	<p><u>Sector-specific recommendation on water consumption:</u> It should be recommended that water consumption applies in priority to high water impact sectors.</p>
<p>B 7 – Resource use, circular economy, and waste management</p>	<p><u>Revision of the disclosure on recycled content:</u> The rate should be phrased as "estimated" in §33 a and b. Furthermore, a reference to "reused content" should be included in §33 (a) and (b), as such content should be prioritised over "recycled content" according to the waste hierarchy in the EU Waste Directive.</p> <p><u>Proposed modification:</u> "(a) if the undertaking operates manufacturing, construction and/or packaging processes: the <i>estimated</i> recycled <i>and reused</i> content in the products (goods and materials) and their packaging produced by the undertaking;" "(...) <i>estimated</i> rates of recyclable <i>and reusable</i> content in the products and their packaging produced by the undertaking."</p>
<p>B 8 – Workforce – General characteristics</p>	<p><u>Additional details on methodology:</u> The guidance could clarify that the annual average of the monthly workforce during the year is more pertinent than the sum of the workforce at the end of the year due to its representativeness throughout the reporting period.</p>



<p>B 9 – Workforce – Health and Safety</p>	<p><u>Alignment with SFDR:</u> It should be noted that the calculation formula for the “rate of recordable accident” does not match the corresponding PAI calculation formula in SFDR. In the VSME ED, the denominator is the “number of hours worked in a year by employees”, while in SFDR, it is the “number of employees in the company.” To ensure consistency, the calculation formula should be revised either in the VSME ED or in SFDR.</p>
<p>B 10 – Workforce – Remuneration, collective bargaining, and training</p>	<p><u>Revision of the disclosure on gender pay gap:</u> We support the disclosure of the percentage gap in pay between female and male employees. However, the threshold could be 50 employees (as in France with the gender equality index or “<i>Index Penicaud</i>”) rather than 150 employees.</p> <p><i>Proposed modification: “the percentage gap in pay between its female and male employees. The undertaking may omit this disclosure when its head count is below 150 50 employees.”</i></p> <p><u>Move of the disclosure on collective bargaining to the PAT module:</u> The coverage by collective bargaining should be deleted in the basic module and covered by the PAT module, since this disclosure should be contextualised within a broader social policy framework. Simply disclosing the number of employees covered by collective agreements, without additional qualitative elements on social policy, does not provide insights into the agreement's quality.</p> <p><u>Revision of the disclosure on training:</u> The disclosure of the average number of training hours per employee should be revised, because monitoring the number of training hours may be complex, and may not necessarily indicate the quality of training or skill development. Instead, it should be required to disclose the share of training expenditure in relation to the total payroll. It should be specified that this metric only pertains to formal forms of capacity building, excluding informal ones. Moreover, the breakdown by gender should be removed as overly granular and unnecessary.</p>



	Proposed modification: " (d) the average of annual training hours per employee, broken down by gender, that are related to the development of skills and competences, whether share of training expenditure in relation to the total payroll, covering training acquired through formal or informal forms of capacity-building. "
B 11 – Workers in the value chain, affected communities, consumers and end-user	<u>Move of the disclosure on these categories of stakeholders in the value chain to the PAT module:</u> This disclosure should be deleted, since none of the current frameworks specifically require this information. Such information is covered by the narrative module under the disclosures of material sustainability matters (including key stakeholders) and of the management of material sustainability matters (including human rights policies) (see response to Q18).
B 12 – Convictions and fines for corruption and bribery	No comment

Q14. FOR USERS ONLY: Is there any datapoint(s) missing from this module that you consider as essential to meet your information needs?

Yes/No.

If Yes, please specify the datapoint(s) and provide a rationale for your answer.

n/a

Q15. B3 to B7 require disclosure of environmental performance metrics. There are other schemes used by SMEs requiring reporting of similar metrics, such as the European Eco-Management and Audit Scheme (EMAS – Regulation (EC) No. 1221/2009). Do you see any potential for better alignment with those other reporting schemes?

Yes/No/Please explain your answer.

No comment

Q16. The guidance provided for B9 on the number of fatalities as a result of work-related injuries and work-related ill health refers to incidents arising during travel and, outside of the



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undertaking's responsibility (e.g. regular commuting to and from work). These incidents are subject to the applicable national legislation that regulates their categorisation as to whether these are work-related or not. Is the practice in your country to include such incidents as work-related fatalities?

Yes/No/ Please explain your answer including references to the relevant legislation.

The following elements rely on the French legislation and practice.

Commuting incidents: Commuting incidents, whether between home and work, or between catering and work, are considered as work-related incidents and consequently included in the definition (cf. L.411 and L.411-2 of the Social Security Code concerning the definition of incident).

Teleworking incidents: The same applies to incidents while teleworking, which are considered as incidents in the workplace (cf. L.1222-9 of the French Labor Code, which defines teleworking and incidents).

Incidents during business travel: According to the French social security website (cf. Ameli), if an employee suffers an incident while traveling or performing a task outside their usual place of work, they benefit from the presumption that the incident is work-related. The employer may contest the classification of the incident as work-related, but in this case, it should prove that the employee interrupted his work for a personal reason.

On the whole, if an incident occurs during travel, in addition to normal working hours, it is considered a workplace accident. However, some differences may come into play: for example, if an employee involved in an accident while travelling by car is under the influence of alcohol, this is not considered a commuting accident, nor a workplace accident.

Q17. B10 (a) requires undertakings to disclose the relevant ratio of the entry level wage to the minimum wage, when a significant proportion of employees are compensated based on wages subject to minimum wage rules. This datapoint deviates from the disclosure requirement on adequate wages established in ESRS S1-10 – Adequate wages (from paragraphs 67 to 71) as a simplification (i.e., easier to collect). Do you consider that this requirement will provide relevant and comparable information?

Yes/No/Please explain your answer.

B 10 (a) is connected to ESRS S1-10 for large undertakings, which focuses on adequate wages. S1-10 for large undertakings verifies whether low wages are at least equal to the adequate wage, defined as the minimum wage or benchmarks aligned with a decent standard of living. Yet, B 10 (a) for SMEs does not cover adequate wages but solely refers to



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minimum wages, deviating from S1-10's objective. Instead of verifying adequate wages, the objective is therefore to disclose how low wages compare to the minimum wage.

Some French stakeholders representing civil society stress that SMEs generally offer lower wages than large undertakings, although a few exceptions exist such as biotech or IT start-ups. Others representing SMEs acknowledge that the wage is not the only component of remuneration, as the company may offer other benefits to employees such as value-sharing mechanisms, supplementary social protection schemes, luncheon vouchers, vacation vouchers, etc.

We understand that establishing a benchmark in countries without a minimum wage presents challenges. Additionally, drawing conclusions without data on the number and location of affected individuals is problematic. The double simplification (omitting reference to the adequate wage and lacking information on the number and location of individuals) does not make this information useful.

In any case, investors already verify compliance with local minimum wage regulations. SMEs, which supply large enterprises with a policy on adequate wages in their supply chain, need to validate this information, but this pertains to a limited subset of SMEs.

Q18. B11 was drafted to cover, in a simplified way, a description of the process to identify material impacts and a description of those for workers in the value chain, affected communities and consumers/end-users. This disclosure is an exception to the general approach in the Basic Module where materiality does not apply. **As a compromise, it was included as a voluntary disclosure.** Do you agree with this approach?

Yes/No/Please explain your answer.

This disclosure should be deleted in the basic module, since none of the current frameworks specifically require this information. It should be noted that workers in the value chain, affected communities, and consumers and end-users, will concern a limited number of SMEs due to their limited size and geographical scope.

SMEs are likely to address human rights under the same policy, and not to have separate processes by type of stakeholder or mechanism. We propose to consolidate B 11 with BP 7 and 8 and to move them to the narrative module. Indeed, BP 8 and B 11 follow the same objective and cover the same processes (BP 8 regarding the own workforce of the undertaking and B 11 regarding the value chain), while BP 7 encompasses the objectives of both B 11 and BP 8 within a more comprehensive framework.

The narrative module should require to disclose qualitatively whether and how the undertaking manages human rights in relation to own workforce and the value chain, therefore covering stakeholders mentioned in B 11 (see proposal in the disclosure N 3).



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Q19. In order to help SMEs prepare the sustainability report, specific guidance has been developed for the Basic Module in paragraphs 87 to 167 of VSME ED. Do you think that it is useful for the preparation of the report? Do you think it is sufficient?

Yes/No/Please explain your answer or add suggestions.

This guidance is useful for the preparation of the report. However, we consider that the information presented is very technical and with a high level of detail, rendering it difficult to understand and not easily accessible according to some French SMEs. Consequently, we recommend streamlining it and relocating the summarised text to hyperlinks within the text in order to ensure accessibility and streamlined navigation (see response to Q2). Furthermore, we suggest adding links to existing tools. For instance, in the French translation of VSME, we plan to add references to the tools developed by "BPIfrance", ADEME, "Mission transition des entreprises" and "Plateforme impact RSE".

**c. Approach to materiality of matters and Principles for preparation
(common to Narrative-PAT and Business Partners Modules)**

Q20. Do you think that the language and approach to the Principles of Materiality to be applied to the Narrative-PAT Module and Business Partners (BP) Module are proportionate for the undertakings in scope? Please include your feedback in the table below:

VSME ED	Agree / Disagree	Comment
<p><i>Impact materiality (paragraphs 46-50 in VSME ED)</i></p>	<p>Disagree</p>	<p>Visual illustration: To further simplify the explanation of the materiality approach and principles, it should be presented in the form of a flowchart illustrating the reasoning that leads to determining whether or not a topic is material due to its impact or its financial consequences. This flowchart should represent as Yes/No choices the filtering of different criteria such as severity and likelihood.</p> <p>Free online tool for materiality assessment: The French organisation representing SMEs considers this section not useful to help SMEs prepare their materiality assessment. It stresses that such exercise requires technical assistance (i.e., from industry association, external expert, consultant, etc.) and resources (i.e., HR, financial, dedicated time). Therefore, we suggest focusing on making available to SMEs a free online tool to identify material sustainability matters. This tool</p>



		<p>should be developed by EFRAG in line with guidance covering the list of material sectoral topics and sector-specific units of production for sectors with high climate impact (see response to Q7).</p>
<p>Financial materiality (paragraphs 51-55 in VSME ED)</p>	<p>Disagree</p>	<p><u>Alignment with the criteria used in ESRS for large undertakings:</u> There is a slight distinction in the criteria employed for large undertakings and SMEs concerning financial materiality (i.e., likelihood of occurrence and potential magnitude vs. probability, nature, and potential magnitude). Additionally, there is a terminological difference between impact and financial materiality for SMEs: the term “probability” is utilised for financial materiality, whereas the term “likelihood of occurrence” is used for impact materiality. To avoid confusion, the criteria and terminology could be harmonised.</p> <p><u>Proposed modification:</u> “To determine whether a financial risk is material, the undertaking shall assess the probability likelihood of occurrence, the nature and the potential magnitude of the financial effects on the undertaking.”</p> <p><u>Proposed modification:</u> “Material impacts generated by the undertaking generally constitute a source of financial risk. However, the undertaking shall also consider material risks that are not necessarily related to its impacts such as adaptation to climate change.”</p>
<p>Stakeholders and their relevance to the materiality analysis process (paragraphs 56 and 57 in VSME ED)</p>	<p>Agree</p>	<p><u>Simplification of the explanation on stakeholders:</u> Paragraph 15 could be moved to Appendix A. The first sentence of paragraph 16 could be moved to Appendix A. Only one introductory sentence could be maintained as proposed in column R. Guidance could also be added.</p> <p><u>Proposed modification:</u> “Stakeholders are those who can affect or be affected by the undertaking (see Appendix A). A SME may engage with stakeholders in its sustainability materiality assessment.” Example of guidance: “The concerns of stakeholders, including employees, clients, suppliers, worker representatives, authorities, NGOs, etc., may inform the list of identified sustainability issues. Dialogue with stakeholders is encouraged, as it facilitates the undertaking's understanding of the interests and perspectives of stakeholders related to its business and organisation. SMEs may effectively examine the</p>



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		<i>information available from their existing relationships with stakeholders."</i>
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Q21. The VSME ED requires to perform materiality analysis in order to disclose which of the sustainability matters listed in Annex B of VSME ED (which is the same as AR 16 of ESRS 1 *General requirements*) are material to the undertaking. Therefore, users will understand for which material matters the undertaking does not have Policies Actions and Targets (PAT) in place. This approach (like for ESRS Set 1) is designed to have a reliable depiction of what the undertaking is doing to address sustainability matters, avoiding greenwashing. At the same time, this approach only requires reporting the PAT (Policies, Actions and Targets) that the undertaking has in place. No information is required when they have no PAT in place for a material matter (in addition to the list of material matters itself).

In the VSME ED, the Narrative-PAT and Business Partners Modules require assessing the materiality of the matters, as it considers the disclosure of only material matters as essential information for users. **Do you agree with this approach?**

- a) **For all respondents: Yes/No/Please explain your answer.**
- b) **For users only: Is the list of material matters essential for you? Yes/No/Please explain your answer.**

Materiality analysis process: We believe that the explanation of materiality analysis principles should be retained in the standard, but conducting a formal materiality analysis process should not be obligatory in line with the proportionality principle, as SMEs may directly refer to the indicative table of material topics by sector (to be developed by EFRAG). We consider that SMEs, which have not conducted a formal materiality analysis, will be able to provide a concise qualitative description of material sustainability topics, including by referring to the indicative table of material sector-specific topics (to be developed by EFRAG as sectoral implementation guidance for SMEs). SME executives are expected to be familiar with their specific transition levers.

List of sustainability matters: The content and structure of the list of sustainability matters in Appendix B should be streamlined and simplified. For instance, examples on biodiversity in the third column should be removed, and social topics should be presented by topic only and not broken down by stakeholder.

Q22. As a way to simplify the materiality approach, whenever possible the notion of “report only if applicable” has been introduced. This filters information to be reported by undertakings on the basis of relevance. No disclosure is expected for a specific datapoint, when the undertaking’s circumstances are different from those that would trigger disclosure of that specific datapoint, as described by the relevant provision in VSME ED. This is particularly important for the Basic Module, where no materiality analysis is foreseen and all the disclosures are to be reported, if applicable. Disclosures in the Business Partners module



are to be reported are to be reported if they are applicable and for BP 5,7, 8, 9, 10 (for which the "if applicable" approach would not work) if they are relevant to the undertaking's business and organisation.

Do you agree with this approach?

Yes/No/Please explain your answer.

The VSME ED appears to introduce five categories of disclosure requirements, although the fourth following category is not explicitly presented: 1. shall disclose (e.g., §24 *"the undertaking shall disclose its total energy consumption in MWh"*), 2. shall disclose if applicable (e.g., §27 *"the undertaking shall disclose, if applicable, metrics related to its impacts on biodiversity, ecosystems and land-use"*), 3. shall disclose where material (e.g., §64 *"where material, the undertaking shall disclose whether it has the following in place to support the prevention of incidents of corruption or bribery"*), 4. shall disclose under a specific condition (e.g., §33a *"if the undertaking operates manufacturing, construction and/or packaging processes"*), and 5. may disclose (e.g., §29 *"the undertaking may disclose metrics related to land-use"*).

The multiplication of categories may introduce complexity if not thoroughly explained and framed. We recommend exercising careful attention to the terminology employed to ensure harmonisation and consistency, and explaining the five categories, as follows:

	VSME ED references	ANC comments
Shall disclose	<p>Basic module:</p> <p>All the datapoints ("shall disclose") in the basic module, which are not framed "if applicable" or "under a specific condition"</p>	<p>The following explanation should be added: <i>"application to all datapoints in the basic module, if they are not under specific applicability or conditions (even if reporting zero values)."</i> An illustrative example could be added.</p>
Shall disclose if applicable	<p>All modules:</p> <p>§26 (pollutants emitted to air, water and soil in own operations, as required by law)</p> <p>§27 (metrics related to impacts on biodiversity, ecosystems and land-use)</p> <p>§31 (water consumption)</p>	<p>The term "if applicable" should be used in the basic module only to avoid confusion with "where material" in the PAT and BP modules. The following explanation should be added: <i>"application to datapoints in the basic module, which are subject to specific applicability ("if applicable"), in order to consider the undertaking's specific</i></p>



	<p>§34c (breakdown of employees by country)</p> <p>§58d (description of key elements of strategy related to sustainability matters)</p> <p>§60a-b (reference to due diligence or risk management processes, description of affected stakeholder groups addressed by the policy, reference to third-party standards or initiatives related to the policy)</p> <p>§61 (opportunities related to energy efficiency and reduction of GHG emissions)</p> <p>§66 (description of roles and responsibilities in the governance body in charge of sustainability)</p> <p>§85 (number of apprentices)</p>	<p><i>circumstances.</i>" An illustrative example could be added.</p>
<p>Shall disclose where material</p>	<p>PAT module + BP module:</p> <p>All the datapoints ("shall disclose") in the PAT and BP modules, which are not framed "if applicable" or "under a specific condition"</p>	<p>The following explanation should be added: "<i>application to all datapoints in the PAT and BP modules, which are subject to materiality, in order to consider the relevance to the undertaking's organisation and business based on its material negative impacts and risks.</i>" An illustrative example could be added.</p>
<p>Shall disclose under specific condition^a</p>	<p>All modules:</p> <p>§33a-b (if the undertaking operates manufacturing, construction and/or packaging processes, recycled content in</p>	<p>Additional guidance should be provided to tailor specific datapoints based on the undertaking's size and sector, as outlined in the ANC proposals. These conditions should be presented more clearly. The following explanation should be</p>



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	<p>the products and packaging and associated rates)</p> <p>§36b (percentage gap in pay between female and male employees from 150 employees)</p> <p>§80 (if the undertaking generates hazardous and/or radioactive waste, total amount of hazardous and radioactive waste)</p>	<p>added: <i>"application to datapoints in all modules, which are subject to specific conditions, in order to consider the undertaking's sector and / or size."</i> An illustrative example could be added.</p>
May disclose	<p>All modules:</p> <p>§29 (metrics related to land-use)</p> <p>§37 (description of processes for identifying value chain workers, affected communities, or consumers and end-users associated with negative impacts in the undertaking's operations, and of the types of impacts)</p> <p>§60 (reference to the due diligence or risk management processes implemented)</p> <p>§62 (policies, actions and targets to manage negative impacts and risks related to workers in the value chain, consumers and end-users, and affected communities)</p> <p>§65 (categories of key stakeholders, and description of engagement activities)</p>	<p>The voluntary datapoints should be limited to simplify the standard. When they have a lower priority, they should be moved to guidance through hyperlinks. The following explanation should be added: <i>"application to datapoints, which are voluntary, in order to recommend good reporting practices."</i> An illustrative example could be added.</p>

A table should be introduced in the guidance to map the datapoints according to the categories of disclosure.

Q23. Financial opportunities have been included only on an optional basis in VSME ED since the CSRD focused on negative impact when addressing SMEs. Do you agree?



- a) **Yes, reporting for financial opportunities should be optional**
- b) **No, reporting for financial opportunities is not needed for non-listed SMEs (focus on negative impacts only).**

Please explain your answer.

Businesswise, it is important that an undertaking identifies the opportunities and not only negative impacts. However, reporting them may be optional, especially since they can translate into competitive advantages and increase the undertaking's burden.

SMEs need to find advantages in the reporting exercise and not only burden. They have expressed their willingness to explain their sustainable investments and responsible products and services provided to customers.

Q24. Do you agree with the proposed principles for the preparation of the sustainability report for the Narrative-PAT and Business Partners Module in VSME ED? Please include your feedback in the table below:

	Agree	Disagree	Comment
a) <i>Time horizons (paragraph 40 in VSME ED)</i>	Yes		<p>Flexibility on time horizons: The definition of time horizons should allow for some flexibility according to the undertaking's activities and in the case of specific circumstances. Guidance should be added to outline for which information time horizons need to be distinguished.</p> <p><u>Proposed modification:</u> "When preparing its sustainability report, the undertaking shall adopt the following time horizons <i>when they are relevant given the undertaking's activities and specific circumstances:</i> (a) for the short-term time horizon, one year; (b) for the medium-term time horizon, from two to five years; and (c) for the long-term time horizon, more than five years."</p>
b) <i>Coherence and linkages with disclosures in financial</i>	Yes		No comment



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statements (paragraph 41 in VSME ED)			
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d. Narrative-Policies, Actions and Targets (PAT) Module

Q25. Do you agree with the content of the disclosures required by the Narrative-PAT Module of VSME ED? Please refer to Annex 2 *Basis for conclusions for VSME ED* for further detail. Please include your feedback in the table below:

VSME ED	OTHER RESPONDENTS: Comments
Disclosure N 1 – Strategy: business model and sustainability related initiatives	<p><u>Simplification of the disclosure on business relationships:</u> The description of main business relationships should stay at a category level. For instance, for automotive suppliers, key customers could be equipment manufacturers, and not specific names of brands.</p> <p><u>Proposed modification:</u> "(c) a description of main business relationships at category level (such as key suppliers, customers distribution channels and consumers)."</p>
Disclosure N2–Material sustainability matters	<p><u>Simplification of the disclosure on material sustainability matters:</u> The qualitative description of the SME's material sustainability matters provides value for users. However, a formal materiality analysis process should not be required for SMEs in line with proportionality principle. It is expected that SMEs refer to the indicative table of material sector-specific topics (to be developed by EFRAG as sectoral implementation guidance for SMEs), and that executives already know their specific transition levers.</p> <p>Detailed description of financial effects on the financial position and performance, and activities and strategy should be removed as overly granular and unnecessary for SMEs. The description of impacts and financial effects should be phrased as "if applicable". Some impacts may not have direct financial effects at the strategic level for SMEs, and some</p>



	<p>financial effects may not be directly triggered by negative impact of SMEs.</p> <p>A hyperlink should be added to connect the description of key stakeholders with the explanation of stakeholders and their relevance to the materiality analysis process (§56 and 57).</p> <p><u>Proposed modification:</u> <i>"The undertaking shall disclose the material sustainability matters identified resulting from its materiality analysis (see paragraphs 42 through 57), including a brief description of each sustainability matter (considering the listed provided in accordance with paragraph 43), and if applicable, of the impact on people or the environment, the financial effects on the undertaking, and the key stakeholders (e.g., employees, clients, suppliers, worker representatives, authorities, NGOs). :- (a) how each matter has an impact on people or the environment; (b) its actual and potential effects on the undertaking's present or future financial position and performance; and (c) its actual and potential effects on the undertaking's activities and strategy."</i></p>
<p>Disclosure N 3 – Management of material sustainability matters</p>	<p><u>Consolidation of qualitative information on human rights:</u></p> <p>Policies on human rights should be required in the narrative module by consolidating B 11 and BP 7 and 8 in one disclosure. SMEs are likely to cover human rights under the same policy, and not to have separate processes by type of stakeholder or mechanism. BP 8 and B 11 follow the same objective and cover the same processes (BP 8 regarding the own workforce of the undertaking and B 11 regarding the value chain). BP 7 encompasses the objectives of both B 11 and BP 8 within a more comprehensive framework.</p> <p>This disclosure should be mandated separately from other sustainability topics due to the potential severity of the topic, similar to the approach for narrative information on energy efficiency and GHG emissions in §61.</p> <p>The provision of this information should be contingent on the size or geographical scope of SMEs. It should be noted that internationally recognised instruments, including the UN Guiding Principles and OECD Guidelines, target large undertakings in priority. Incidents of forced or compulsory</p>



	<p>labour are less frequent for SMEs as for large undertakings due to the limited geographical implantation.</p> <p>Proposed modification: "When the undertaking considers that negative impacts are material in relation to (i) workers in the value chain, (ii) consumers and end users and/or (iii) affected communities, it may disclose: (a) the policies that it has adopted to manage those material impacts as well as the associated material risks; (b) the actions it has taken on material impacts, its approach to managing material risks, and the effectiveness of those actions; and (c) the targets related to managing material negative impacts and managing material risks.</p> <p>Where material, the undertaking shall disclose the policy it has adopted for human rights in relation to employees, and if applicable, stakeholders in the value chain (i.e., value chain workers, affected communities, or consumers and end-users). This may include (i) a description of the process for identifying stakeholders who are affected or likely to be affected by human rights violations in relation to the undertaking's operations, (ii) the types of impacts on these stakeholders, and (iii) the actions implemented for alignment with internationally recognised instruments, such as the UN Global Compact Principles."</p>
<p>Disclosure N 4 – Key stakeholders</p>	<p><u>Consolidation of the disclosure on key stakeholders with the one on material matters:</u> This disclosure should be merged with the disclosure N 2 on material sustainability matters in line with the proportionality principle (see proposal in the disclosure N 2). Categories of key stakeholders should be moved to the guidance as examples.</p> <p>If the undertaking identifies key stakeholders – those affected by the SME or users of the sustainability report – they should be directly included in the reporting of material sustainability matters. This is because the SMEs are likely to address both stakeholders and the associated sustainability issues without a distinct process to separate them.</p>
<p>Disclosure N 5 – Governance:</p>	<p><u>Revision of the disclosure on governance:</u> This disclosure should take into account that SMEs are likely not to have formal governance bodies.</p>



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<p>responsibilities in relation to sustainability matters</p>	<p><u>Proposed modification:</u> <i>"The undertaking shall describe whether it has established a its governance structure or appoints responsible individual(s) (e.g., CEO, CFO, ESG officer, board) and responsibilities in relation to for overseeing sustainability matters, and if so, provide a brief description. If applicable, this disclosure description shall cover roles and responsibilities of the highest governance body or of the responsible individual(s) in charge of managing sustainability matters within the undertaking, and may include remuneration policies related to the achievement of sustainability objectives."</i></p>
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Q26. FOR PREPARERS ONLY: If you anticipate that you will apply the Narrative-PAT module, have you implemented policies, actions and targets (PAT) and/or climate transition plans due to requests of counterparties in the value chain?

Yes /No/Please explain.

n/a

Q27. FOR USERS ONLY: Are there any datapoint(s) missing from this module that you consider as essential to meet your information needs?

Yes/No/Please specify the datapoint(s) and provide a rationale for your answer.

n/a

Q28. N3 requires the disclosure of policies, actions and targets to manage material sustainability matters. There are other schemes used by SMEs requiring reporting of similar information, such as the European Eco-Management and Audit Scheme (EMAS – Regulation (EC) No. 1221/2009) regarding environmental policies, actions and targets. Do you see any potential for better alignment with those other reporting schemes?

Yes/No/Please explain your answer.

No comment

e. Business Partners (BP) Module



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Q29. While acknowledging the complexities of this calculation specifically for SMEs, the inclusion of greenhouse gas (GHG) Scope 3 emissions as the entity-specific dimension was considered an important element of disclosure in some sectors. The Business Partners Module includes an entity specific consideration for GHG Scope 3 emissions to guide undertakings in certain sectors and for which Scope 3 GHG emissions are material in addition to the disclosures envisaged in B3 Energy and GHG emissions (Basic Module). Do you agree with the inclusion of GHG Scope 3 emissions **in the Business Partner Module in the paragraph "Entity specific consideration when reporting on GHG emissions under B3 (Basic Module)"**?

Yes/No/Please explain your answer.

FOR PREPARERS ONLY: Is this disclosure feasible? **Yes/No/Please explain your answer.**

n/a

Q30. Do you agree with the content of disclosures required by the Business Partners (BP) Module of VSME ED? Please note that you can find the background for each Disclosure in the Annex 2 *Basis for conclusions for VSME ED* (BC130. to BC149). Please include your feedback in the table below:

VSME ED	IF OTHER RESPONDENT: Comments
<p>Disclosure BP 1 – Revenues from certain sectors</p>	<p><u>Alignment with SFDR:</u> The wording of (a) should be aligned with SFDR.</p> <p><u>Proposed modification:</u> "<i>(a) manufacture or selling of controversial weapons such as anti-personnel mines, cluster munitions, chemical weapons and biological weapons.</i>"</p> <p>It should be noted that high-impact sectors are typically addressed by business partners through applying external behavioural regulations or defining internal sector-specific policies (e.g., sector exclusions). Additionally, the selection of sectors may be questioned as not exhaustive, considering other impactful sectors like those contributing to deforestation.</p>
<p>Disclosure BP 2 – Gender diversity ratio in governance body</p>	<p><u>Addition of the share of independent members:</u> French users have highlighted the importance of adding a disclosure of the share of independent members.</p>



	<p><u>Proposed modification:</u> If the undertaking has a governance body in place, the undertaking shall disclose the related gender diversity ratio and the share of independent members.</p>
<p>Disclosure BP 3 – GHG emissions reduction target</p>	<p><u>Additional disclosure of decarbonation levers and financial resources, and sector-specific recommendation on GHG emission reduction target:</u> While setting GHG emissions reduction targets is relevant for high impact sectors and indicates a sustainability commitment, the identification of decarbonisation levers is important for every undertaking.</p> <p>GHG reduction targets are an important element to assess the transition pathway of an undertaking. Nevertheless, in a standalone position, reduction targets can be of little relevance. Information should be given about the levers of GHG emission mitigation, decarbonation actions and the financial resources allocated to it.</p> <p>Therefore, we suggest that BP3 should be reframed as “GHG emission reduction action plan and targets”. Action plan should concern all undertakings and targets be limited to high impact sectors.</p> <p>Therefore, BP3 and BP4 should be merged.</p> <p><u>Proposed modification:</u> “The undertaking shall disclose: a) its main levers of decarbonation; b) the decarbonation actions it had carried on or intend to carry on, c) the financial resources allocated to them.</p> <p><i>If the undertaking operates in high climate impact sector(s)*, if it shall disclose whether it has set GHG emission reduction targets, and if so, it shall provide its GHG emission reduction targets for: (a) scope 1 emissions; and (b) scope 2 emissions. 77. This disclosure includes Scope 3 emissions, only when they are disclosed under paragraph 71 above and the undertaking has set GHG emission reduction targets for; and (c) if applicable, sScope 3 emissions.</i></p> <p><i>* High climate impact sectors are defined by the Commission Delegated Regulation (EU) 2022/1288 as those listed in NACE Sections A to H and Section L as follows): A – Agriculture, forestry and fishing, B – Mining and quarrying, C – Manufacturing, D – Electricity, gas, steam and air conditioning supply, E – Water supply; sewerage; waste management and remediation activities, F –</i></p>



	<p><i>Construction, G – Wholesale and retail trade; repair of motor vehicles and motorcycles, H – Transporting and storage, and L – Real estate activities.”</i></p> <p><u>Additional disclosure of generic datapoints on GHG emission reduction targets:</u> The disclosure of target year and value, base year and value, unit, and what has been achieved so far should be required. The guidance already provides definitions of GHG emission reduction targets as well as of base year and target year.</p> <p>Proposed modification: <i>“The undertaking shall disclose: (a) the target year and value, (b) the base year and value, and (c) the unit.”</i></p> <p><u>Sector-specific recommendation on Scope 3 GHG emissions:</u> The disclosure of Scope 3 GHG emissions should be required for high climate impact sectors, and where material for other sectors, while deleting the entity-specific consideration for all sectors, because it may bring confusion. §69 should be deleted, and §70 should be moved to the guidance and include a reference to nationally recognised methodologies aligned with the GHG Protocol (e.g., “Bilan carbone de l’ADEME”).</p> <p>Proposed modification: <i>“When reporting its Scope 1 and Scope 2 emissions, if If the undertaking operates in high climate impact sector(s)* and where material, the undertaking shall disclose entity-specific information on its Scope 3 GHG emissions, and it shall present it together with the information required under “B 3 – Energy and greenhouse gas emissions.</i></p> <p><i>* High climate impact sectors are those listed in NACE Sections A to H and Section L (as defined in Commission Delegated Regulation (EU) 2022/1288).”</i></p> <p><u>Free online tool on Scope 3 GHG emissions:</u> Many French SMEs have identified Scope 3 GHG emissions as a very complex datapoint. Consequently, we recommend EFRAG to make available to SMEs in high climate impact sectors a free online tool to estimate their Scope 3 GHG emissions.</p>
<p>Disclosure BP 4 – Transition plan for climate change mitigation</p>	<p><u>Consolidation of the disclosure on transition plan with BP 3:</u> This disclosure should be applicable to high climate impact sectors only, and merged with the disclosure BP 3 (see proposal in the disclosure BP 3).</p> <p>In replacement, we support the addition of a disclosure of pertinent sectoral GHG emission intensity ratio that should be</p>



	<p>defined by the guidance. ANC also proposes to specify the carbon intensity ratios based on units of production for some high climate impact sectors in the EFRAG's implementation guidance listing the major sustainability issues per sector. This would help SMEs select a relevant unit for their target setting.</p> <p>Proposed modification: <i>"The undertaking may disclose GHG emission physical intensity ratio relevant for its activities."</i></p>
<p>Disclosure BP 5 – Physical Risks from climate change</p>	<p>Simplification of the disclosure on climate risks: This disclosure should be lightened given the immaturity of the methodology. The information needed from a user perspective is to understand if the undertaking's assets are subjected to material physical risks and the adaptation actions undertaken. A quantified analysis should be optional, following an initial qualitative assessment based on the availability of information, reflecting the undertaking's maturity. Consequently, only qualitative datapoints should be required for now, and detailed quantitative requirements should be included as examples of good practice in the guidance.</p> <p>Proposed modification: <i>"The undertaking shall disclose: (a) whether it has identified climate-related hazards and transition events, (b) if so, how it has assessed the vulnerability of its assets, activities and value chain to these hazards and transition events, creating gross climate-related risks, with the time horizons, and (c) whether it has undertaken adaptation actions."</i></p>
<p>Disclosure BP 6 – Hazardous waste and/or radioactive waste ratio</p>	<p>No comment</p>
<p>Disclosure BP 7 – Alignment with internationally recognized instruments</p>	<p>This disclosure should be merged with the disclosures BP 8 and B 11, and moved to the narrative module under the disclosure of the management of material sustainability matters, including human rights policies (see proposal in the disclosure N 3).</p>
<p>Disclosure BP 8 – Processes to monitor compliance and</p>	<p>See comment in the previous line and proposal in the disclosure N 3.</p>



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mechanisms to address violations	
<p>Disclosure BP 9 – Violations of OECD Guidelines for Multinational Enterprises or the UN Guiding Principles (including the principles and rights set out in the 8 fundamental conventions of the ILO Declaration and the International Bill of Human Rights)</p>	<p>No comment</p>
<p>Disclosure BP 10 – Work-life balance</p>	<p><u>Additional disclosure on employee turnover:</u> We propose to add a disclosure on the number of departures in the reporting period, alongside qualitative information on work-life balance in the narrative module (see proposal in the disclosure N 3).</p> <p>Proposal: <i>“The undertaking shall disclose the number of permanent FTE departures (voluntary and involuntary) during the reporting period.”</i> To be added in the guidance: <i>“Causes of departures may include: resignations, redundancies, dismissals for other reasons, contractual severance agreements, departures during probationary periods, transfers to other sites, voluntary retirements and early retirements, and deaths. Employees removed from the scope of consolidation as a result of disposals are not taken into account. Nor should terminations of fixed-term contracts be counted here.”</i></p>
<p>Disclosure BP 11 – Number of apprentices</p>	<p><u>Clarification of the objective:</u> The objective of this disclosure should be clarified. If this information is maintained, the number of interns should be added and consolidated with the number of apprentices.</p> <p>The basis for conclusions explains that SMEs are an important provider of apprentices. However, we consider that this information does not provide useful insight into sustainability management.</p>



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Q31. FOR USERS ONLY: Disclosures in this module are reported if applicable, with the exception of BP 5, 7, 8, 9, 10 that are omitted when considered not material. Do you agree with this approach?

Yes/No/Please explain your answer.

n/a

Q32. With reference to **disclosures BP 7, BP 8 and BP 9**, the objective of these three disclosures is to assess the SME's commitment to respecting human rights. The ED has used the terms in the Sustainable Finance Disclosures Regulation (SFDR), applicable to the financial market participants (for example banks), for consistency purposes. Are there alternative disclosures covering the same objective regarding the human rights of own workforce and that are more suitable than these disclosures?

Yes/No/Please explain your answer including updated/proposed text.

We propose merging BP 7 and BP 8 (and B 11), because SMEs are likely to cover human rights under the same policy, and not to have separate processes by type of stakeholder or mechanism. We also suggest moving this disclosure to the narrative module, as it relates to the management of material sustainability topics (see proposal in the disclosure N 3). BP 9 on violations of human rights should remain in the business partners module.

Q33. Do you think that it would be beneficial to split the Business Partners (BP) Module into sub-modules depending on the nature of the user (for example "banks", "investors", "large corporates")?

Yes/No/Please explain your answer.

Further segmentation is likely to add complexity to the structure. Additionally, the requirements from financial stakeholders and large undertakings are similar, given the content of reporting regulations (CSRD, SFDR, Pillar 3) has been designed consistently.

Q34. Some of the questionnaires of banks and other business partners analysed by EFRAG Secretariat included also datapoints related to the EU-taxonomy regulation, despite non-listed SMEs being out of scope. EFRAG considered that preparing this information would be too complex for non-listed SMEs. We note that the EU Platform for Sustainable Finance may in the future make a proportionate tool for EU- taxonomy available. In particular, to meet the technical criteria for inclusion in the climate mitigation taxonomy, large undertakings have to consider the greenhouse gas (GHG) emissions of their various economic activities. These undertakings will need data from their suppliers. Small and medium-sized enterprises (SMEs)



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playing a crucial role in these undertakings' supply chains may be asked to provide the following information voluntarily to streamline the process for themselves and their clients:

- SMEs whose activities fall under enabling activities of the Climate Delegated Act, e.g., categories

3.6 (Manufacture of renewable energy technologies) or 9.1 (Market research, development and innovation), should disclose the emission savings of their technology compared to the best-performing alternative.

Do you think that VSME ED should include this additional datapoint to cover EU-Taxonomy disclosures?

Yes/No/Please explain your answer.

We propose not to include additional datapoints to cover EU-Taxonomy disclosures in order to keep the standard simple.

Q35. In order to help SMEs prepare their sustainability report, specific guidance has been developed for the Business Partners Module in paragraphs 169 to 193 of VSME ED. Do you think that it is useful in the preparation of the sustainability report? Do you think it is sufficient?

Yes/No/Please explain your answer.

This guidance is useful for the preparation of the report. We recommend relocating it to hyperlinks within the text to ensure accessibility and streamlined navigation. Guidance should not appear as other requirement paragraphs, because they are of a different nature.

Q36. FOR USERS ONLY: Are there any datapoint(s) missing from this module that you consider as essential to meet your information needs?

Yes/No/Please specify the datapoint(s) and provide a rationale for your answer.

n/a

Q37. FOR USERS ONLY: Appendix C of VSME ED reflects the SFDR, Benchmark, Pillar 3 datapoints in VSME ED. This is to support particularly banks and investor to compare the data between SMEs and larger clients and to allow for aggregation. Is Appendix C clear?

Yes/No/Please explain your answer.



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n/a

Q38. FOR USERS ONLY: Do you think that the ability of VSME ED to replace the existing ESG questionnaires or other ESG information requests can be further increased, if some datapoints were added to VSME ED?

Yes/No.

IF YES: please explain your answer.

IF NO: Why do you think that the ability of VSME ED to replace the questionnaires cannot be increased?

[select one or more]

- Sector-specific data is not suitable for a sector-agnostic VSME ED
- Data demands that are specific to your relationship with the SME and cannot be standardized
 - o In this case: please explain your reasoning.
- Other reasons
 - o In this case: please explain.

Q39. Please provide any further comments not addressed in part 1 or 2 of the questionnaire here:

No comment

Q40. If you want to provide additional comments in a document on aspects not covered in the questionnaire, please upload your file here.

3. PART 3: Value chain cap (Separate section on the value chain cap as determined by the ESRs LSME)

Q41. Do you agree with the approach taken by EFRAG on the Value Chain Cap? Yes/**No**.

If Yes: Please explain your answer.

Business partners do not rely on direct collection of SME data for their consolidation needs, as demonstrated in Annex 3. However, the value chain cap not only encompasses the information in the value chain necessary for the business partners' consolidation purposes, but also addresses the data from the value chain used to select and assess responsible suppliers and counterparts. This dimension has not been taken into account by EFRAG when assessing the relevance and the cost effectiveness of the information requested under the value chain cap (LSME).

This is the reason why ANC recommends adopting merged modules 1, 2 and 3 of the VSME ESRS as the LSME ESRS with necessary adaptations related in particular to mandatory PAIs from SFDR. In terms of structure, the modular approach for VSME (3 modules) would be kept but in terms of content, the datapoints would be the same for both VSME and LSME.

A sector-specific implementation guidance composed of the major sustainability issues per sector and of the carbon intensity ratios based on units of production for high climate impact sectors would also be very useful.

IF No: Are you willing to provide detailed feedback based on Annex 3?

- **If No:** please explain your answer in brief.
- **If Yes:** Select the areas of disclosure (from the table below) for which you disagree with EFRAG conclusion (For further details please refer to Annex 3 [link])

Area of disclosure	IF OTHER RESPONDENT: Comments
1. SBM-1, SBM-3, IRO-1: for both LSME and VSME EDs the conclusion is that no undue effect expected from ESRS reporting	n/a
2. Policies, Actions and Targets (PAT): for both LSME and VSME EDs the conclusion is that no undue effect expected from ESRS reporting	n/a



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<p>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</p>	<p>n/a</p>
<p>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</p>	<p>n/a</p>
<p>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.</p>	<p>n/a</p>
<p>6. Substances of concern and substances of very high concern (E2-2 Substances of concern and substances of very high concern): No undue effect on LSMEs</p>	<p>n/a</p>



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<p>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>	n/a
<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>	n/a

Q42. Do you have any other comment on value chain?



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Response to the public consultation questionnaire LSME ESRS ED

Survey structure:

**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

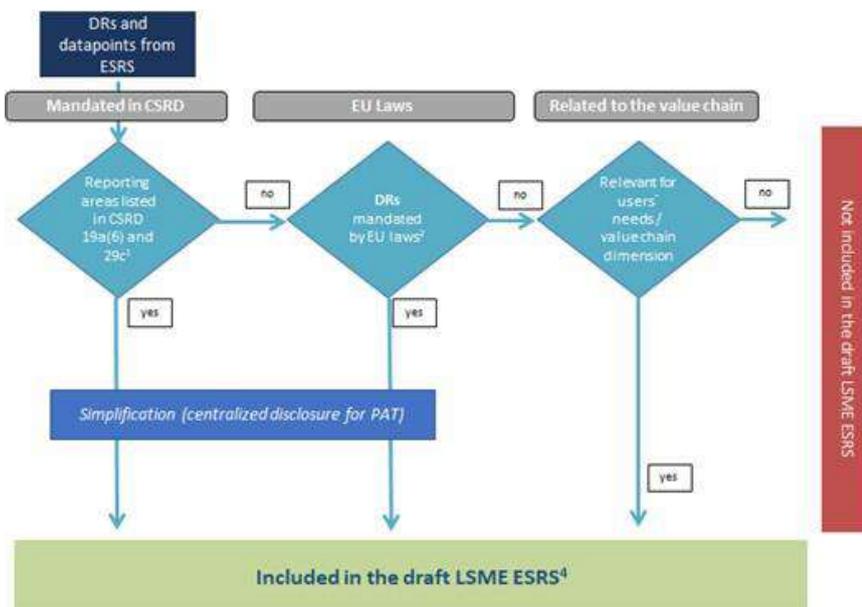
Part A. Key questions about ESRS LSME ED (key questions as prioritised by the respondent):

A.1) Methodological approach and general principles

The “decision tree” to develop the ESRS LSME ED

The CSRD identifies the minimum content 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.



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: LSME 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?



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Yes / No – Please explain your answer

Bottom-to-top instead of top-to-bottom approach: We believe that the methodology used to develop the LSME ED does not sufficiently simplify the content of ESRS Set 1. In contrast to the VSME ED, the LSME ED requires two to three times more data points. Its lengthy format, spanning over 200 pages, technical language, and complex structure makes it challenging for the market to access. Feedback from both French listed and non-listed SMEs indicates that the LSME does not adequately consider the principle of proportionality.

We argue that a more effective approach would be to build upon the three modules of the VSME ED, which stakeholders (preparers as well as users) view as striking a better balance between the relevance of the information provided and the proportionality of the effort required.

Adjustments to be made in the revised LSME ESRS ED: As the merger of the 3 VSME modules, the structure and content of the updated LSME would require to:

- cancel the modular approach and merge all requirements in the relevant order in one standard (see an illustrative example on water and marine resource section in Appendix 3),
- gather all paragraphs from module 1, 2 and 3 relating to Principles into section 1 Conceptual framework,
- add the requirement of a description of the materiality assessment process (identification of material sustainability risks and impacts) and stakeholder engagement (suggestion to regroup stakeholder engagement from N4 module and materiality assessment because the consultation with stakeholders can form part of the materiality assessment),
- present the disclosure requirements followed by their related application requirements and guidance rather than regrouping all application requirements in one bloc at the end of the section.

The current LSME proposal would be totally removed.

Addition of datapoints from EU laws: Furthermore, we recommend incorporating additional EU data points from SFDR table 1 beneficial to listed SMEs in the revised LSME ESRS ED, particularly from a financing accessibility point of view, as detailed in Appendix 2. Regarding EU laws, we highlight that setting the cap within the value chain is proving difficult amid a comprehensive review of SFDR requirements. This review is anticipated to lead to their simplification by around 2026/28. Certain SFDR PAIs have not proven useful for users and investors and are likely to be simplified or removed. Accordingly, we propose to focus on the mandatory PAIs of the SFDR, and not include all the SFDR PAIs.



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Deletion of datapoints related to value chain: Concerning the value chain dimension, we disagree with some of the data points from ESRS that EFRAG has deemed relevant for users' needs and the value chain dimension, such as GHG removals.

Voluntary disclosure of opportunities: ANC supports the disclosure of opportunities on a voluntary basis, as SMEs want to get benefit from their sustainability initiatives. This requirement should be kept in the new LSME standard.

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

No comment

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

No comment

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

Inclusion of sector-specific information in entity-specific dimension: We highlight that the LSME ESRS should incorporate sector-specific considerations, at least through the entity specific dimension. The introductory paragraphs of Section 1 state: *"Pending the definition of such an approach, in this draft there are no references to sector-specific ESRS."* The need for entity-specific information addressing sector-specific impacts and risks for undertakings subject to LSME ESRS should be explicitly acknowledged in relation to existing sector frameworks and upcoming sector-specific ESRS.

Implementation guidance on sector-specific topics: We also recommend that a sector-specific implementation guidance for SMEs be developed by EFRAG immediately. It would consist of a simple list of recognised major sustainability issues per sector and of the carbon intensity ratios based on units of production for high climate impact sectors. This would greatly assist LSME in preparing their sustainability reporting. See our further proposals at Q10.

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

More demanding materiality approach for LSMEs: Double materiality analysis should be maintained in the LSME standard, including a brief presentation of the materiality assessment process (methodological aspects), as well as guidance on how such assessment could be conducted (general guidance and topical guidance) and the results of the materiality assessment (list of material matters, interaction with strategy and business model), based on existing module 2, section N2 of the VSME.

For VSMEs, the explanation of materiality analysis principles should be retained in the standard, but conducting a formal materiality analysis process should not be obligatory in line with the proportionality principle, as SMEs may directly refer to the indicative table of material topics by sector (to be developed by EFRAG as we propose at Q4 and Q10). We consider that SMEs that have not conducted a formal materiality analysis will be able to provide a concise qualitative description of material sustainability topics, because SME executives are expected to be familiar with their specific transition levers.

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 (SNICs 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



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Transitional provisions: ANC notes that the phase-in provisions related to certain datapoints proposed for LSMEs only target those SMEs that will prepare their first report in 2026. It seems appropriate to make dynamic those provisions to allow all SMEs to use the phase-ins for their first reporting periods and ensure an equal treatment between all SMEs entering the scope of the CSRD directive. This dynamic reference is more coherent with the phase-in regime of ESRS Set 1.

In addition, in order to facilitate the understanding of the applicable reliefs, all transitional provisions could be regrouped in a dedicated section of the LSME standard (value chain relief, phase-in related to certain datapoints, etc.). When a relief is applicable to a certain datapoints, such provision could also be mentioned in a footnote next to the related datapoint.

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

Yes / No – Please explain your answer

No comment

“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

No comment

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:



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- 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	Disagree [ALLOW MULTIPLE SELECTION]	If disagree: explain why referring specifically to content of Annex
1. SBM-1, SBM-3, IRO-1: for both LSME and VSME Eds the conclusion is that no undue effect expected from ESRS reporting	n/a	n/a
2. Policies, Actions and Targets (PAT): for both LSME and VSME EDs the conclusion is that no undue effect expected from ESRS reporting	n/a	n/a
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	n/a	n/a
4. GHG emissions (E1-2 GHG emissions – Scope 3): for both LSME	n/a	n/a



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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	X	GHG removal should not be part of this list as they are disclosed on a “if you have developed such removals in partnership with suppliers” basis. No link with value chain information collection.
6. Substances of concern and substances of very high concern (E2-2 Substances of concern and 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.	n/a	n/a
7. Resource inflows (E5-1 Resource inflows): for both LSME and VSME EDs the conclusion is that no undue effect expected from ESRS reporting	n/a	n/a
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)	n/a	n/a



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

LSME ESRS ED to be used as the cap in the value chain: Given the small number of LSMEs in the European Union, this standard will mainly serve as the cap in the value chain. However, the LSME ESRS ED requires a granular level of information that may be impractical for SMEs, given their limited resources and specific challenges. Compared to the VSME ESRS ED, the LSME ESRS ED requires two to three times more datapoints. Moreover, its lengthy (over 200 pages), technically worded format, and complex structure render it difficult to access for the market. Please refer to the attached Excel file for a detailed comparison of reporting requirements between LSME and VSME ESRS ED (see summary table in Appendix 1).

The data required by business partners for their own consolidation needs does not rely on the direct collection of SME information, as demonstrated in Annex 3. However, the value chain cap not only encompasses the information in the value chain necessary for the business partners' consolidation purposes, but also addresses the data from the value chain used to select and assess responsible suppliers and counterparts. This dimension has not been taken into account by EFRAG when assessing the relevance and the cost effectiveness of the information requested under the value chain cap (LSME).

Furthermore, the LSME ESRS ED does not cater to the needs of users either due to the lack of sector-specific information and the overly granular nature of the sector-agnostic information. Operational requirements expressed by French financial institutions and large undertakings' decision-makers responsible for investment and financing in SMEs and for selecting business partners seem more limited than what is typically demanded by existing comprehensive questionnaires, considering the cost-benefit dimension. ESG questionnaires developed by sector organizations, public authorities, or even rating agencies and data providers are designed to be exhaustive, catering to various situations without factoring in cost-benefit analysis.

Replacement of the LSME content with merged VSME modules: Based on the aforementioned points, we recommend modifying the LSME ESRS through adopting merged modules 1, 2 and 3 of the VSME ESRS as the LSME ESRS. In this case, we propose necessary adaptations related to the structure of the standard, as well as to certain missing EU data points beneficial for listed SMEs (see list of SFDR table 1 PAI to be integrated in the revised LSME ESRS ED in Appendix 2). This approach would also close the gap between the cap in the value chain and the VSME standard.

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.



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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 standards 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.

LSMEs covering a limited number of sectors with specific sustainability issues: The LSME ESRS ED does not meet the needs of the limited number of listed SMEs and financial entities, primarily due to the absence of sector-specific reporting requirements. In France, of the 80 undertakings subject to LSME, the majority operate in specific sectors such as banking (SNCI), biotech, real estate and services, each with distinct sustainability impacts and risks. Among French SNCI and captive insurance and reinsurance public-interest undertakings, many will be exempted from CSRD as subsidiaries of larger groups.

We believe that voluntary sectoral implementation guidance should complement the LSME and VSME ESRS for the major sectors represented among European listed SMEs, including an indicative list of material sustainability issues by sector.

Implementation guidance on sector-specific topics: We strongly advocate for the development of an implementation guidance outlining material sustainability issues per sector in a concise <5-page table format. A first step could be to extract from the list of topics, sub-topics and sub-sub-topics in Appendix B those which are material sector by sector, covering the 40 sectors identified by EFRAG; then to complete this exercise with other existing sectoral frameworks and finally with future sector-specific ESRS when they are published. We consider that this guidance will assist listed and non listed SMEs in seamlessly integrating sector-specific issues into their sustainability reporting and management, without overburdening standards or enduring prolonged waits for the development of sector-specific ESRS.



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Future sector-specific ESRS: We propose introducing sector-specific disclosure recommendations for SMEs when such provisions become available for large undertakings, starting in July 2026. These requirements should be issued as a simplified, non-authoritative annex to the future sector-ESRS, applicable to both listed and non-listed SMEs. This approach ensures consistency with reporting requirements for large undertakings and aligns with the proportionality principle, without duplicating demands for listed and non-listed SMEs. The sector level is crucial in enabling SMEs, not committed to a sustainability approach, to commit themselves effectively.

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 or disagree	Please provide rationale for any disagreement and proposed amendments
Impacts; Risks and Opportunities	Disagree	<p>[Disclaimer applicable to all questions of Part B] As previously explained, ANC strongly advocates for the adoption of Modules 1, 2, and 3 of the VSME ESRS as the LSME ESRS, with necessary adaptations. However, if this proposal is not adopted, ANC suggests detailed amendments to the LSME ESRS ED in the remaining parts of the questionnaire. 3.4 Impact materiality</p> <p>[Substance – minor] Par 45: The last sentence of paragraph 45 on business relationships in the value chain is not needed for LSMEs and could be deleted. In contrast with large undertakings, LSMEs sometimes have a limited number of business partners and limited leverage on their value chain. Although impacts should necessarily include those connected to upstream and downstream value chain, the focus of LSME in terms of actions should primarily be on own operations and direct relationships in the value chain (employees, clients and suppliers tier 1).</p> <p>[Substance – major] Par 47: Paragraph 47 should be deleted. CS3D does not apply directly to LSMEs. UN Guiding Principles and OECD Guidelines target large undertakings and are not known by SMEs based on the field test feedbacks. The standard should not include paragraphs based on hypotheses but focus only on requirements. Otherwise, why not adding a paragraph on any initiative the undertaking may have taken? Why only about due diligence and not about climate transition plan?</p>



		<p>3.5 Financial materiality</p> <p>[Substance – minor] Par 51 and 52: Paragraphs 51 and 52 are copy pasted from ESRS for large undertakings. They should be merged and simplified. Terminology should be adapted to LSMEs. For instance, both paragraphs repeat that dependencies may trigger financial effects.</p> <p>3.6 Material impacts or risks arising from actions to address sustainability matters</p> <p>[Substance – major] The part 3.6 material impacts or risks arising from actions to address sustainability matters should be deleted in line with proportionality principle. Mitigation actions of LSMEs will have limited rebound effects compared to those of large undertakings. It could be let at entity-specific level for LSMEs.</p> <p>3.7 Level of disaggregation</p> <p>[Substance – major] The part 3.7 level of disaggregation should be made optional in line with proportionality principle. Disaggregation is less relevant for LSMEs as their geographical scale is generally limited.</p>
6.1 Presenting comparative information	Disagree	<p>[Substance – major] To reduce and simplify further, parts 6.1, 6.2, 6.3, 6.4, 6.5 should be deleted as it is the case for VSMEs. They are covered under BP DR in ESRS 2 (even if some of these DR could also be deleted such as prior year errors). It should be entity-specific for LSMEs. And such situations will be addressed with auditors.</p>
6.2 Sources of estimation and outcome uncertainty		
6.3 Updating disclosures about events after the end of the reporting period		
6.5 Reporting errors prior period		



6.7 Matters in course of negotiation	Agree	No comment
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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).

We would like to provide additional comments on Section 1.

Summary of key comments:

Many paragraphs refer to subjects that do not apply to SMEs: **CS3D/due diligence** which target large undertakings (§47), **impacts and risks from actions to address sustainability matters** whereas mitigation actions of SMEs are likely to have limited rebound effects (chapter 3.6), **level of disaggregation** while the geographical scale of SMEs is generally limited (chapter 3.7), **associates and JV** even if the information outside the financial consolidation will be rare for SMEs (§61), **basis for preparation** duplicated in ERS2 although these situations will be addressed with auditors and such information should be entity-specific for SMEs (Chapter 6), **connectivity details** which should be flexible and optional for SMEs with the principle being mandatory (Chapter 8.2).

Other detailed comments (not covered by the table in Q11):

4.1 Reporting undertaking and value chain

[Substance – minor] Par 58a: The reference to the due diligence process should be deleted as it does not apply to LSMs. Same as §47 above.

4.2 Estimation using sector averages and proxies

[Substance – major] §66 should be deleted since this paragraph is very confusing and do not add any clear indications on how to collect reliable information from the value chain. Moreover, there is no requirement in this paragraph with the usage of the verb “may” and not “shall”. Finally, the reliability of external sources of information depends on the assurance process not on the reporting standard.

5.3 Reporting progress against the base year

[Substance – minor] The paragraph 73 Reporting progress against the base year for target should be deleted for simplification, as disclosures on targets apply only in the case that an undertaking has set targets and base year is already required in section 2 §16d.

8.2 Connected information and connectivity with financial statements

[Substance – major] The requirements should be simplified and reduced in line with the proportionality principle. The principle of connectivity should be mandatory (consistency is the goal), but the details of application should be flexible and optional.

The proposal for VSMEs could replace the current paragraphs.

"The undertaking:



(a) shall report sustainability related information that is consistent with its financial statements, and

(b) may connect its financial and sustainability related information through appropriate references or reconciliations."

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 or disagree	Please provide rationale for any disagreement and proposed amendments
<p>DR-1 (BP 1) – General basis for preparation of the sustainability statement and DR-2 (BP 2) – Disclosures in relation to specific circumstances</p>	<p>Disagree</p>	<p>[Disclaimer applicable to all questions of Part B] As previously explained, ANC strongly advocates for the adoption of Modules 1, 2, and 3 of the VSME ESRS as the LSME ESRS, with necessary adaptations. However, if this proposal is not adopted, ANC suggests detailed amendments to the LSME ESRS ED in the remaining parts of the questionnaire. Disclosure Requirement 1 (BP-1) – General basis for preparation of the sustainability statements</p> <p>[Substance – major] Par 4: Paragraph 4 (a) should be deleted. Impacts and risks are always identified and assessed based on the value chain; policies, actions and targets may extent to the value chain (the undertaking shall provide the scope if it decides to disclose PAT); and only a few metrics listed in ESRS 1 include value chain information. Based on the above, LSMEs should not specify to what extent they cover the VC.</p> <p>The following sub-paragraph 5 could be added: <i>“whether the sustainability statement has been prepared on a consolidated or individual basis, including the related reporting scope.”</i></p> <p>Disclosure Requirement 2 (BP-2) – Disclosures in relation to specific circumstances</p> <p>[Substance – minor] Par 8: BP on time horizons should be deleted for simplification in line with the proportionality principle. Such information should be entity-specific for LSMEs.</p> <p>[Substance – major] Par 9: BP on value chain estimation should be deleted for simplification in line with the</p>



		<p>proportionality principle (or at least paragraph 9 (b)). Such information should be entity-specific. NB. Only scope 3 may be based on value chain information and this is already required under climate requirements. We create general questions when there are no cases.</p> <p>[Substance – major] Par 10: BP on sources of estimation and outcome uncertainty should be deleted due to its limited relevance for LSMEs and in line with proportionality principle. It is well known that certain metrics are subject to uncertainty such as training and waste.</p> <p>[Substance – minor] Par 11: BP on changes in preparation or presentation of sustainability information should be deleted in line with proportionality principle (or at least paragraph 11 (b)). Such situation implies that the reporting is going in the right direction.</p> <p>[Substance – major] Par 12: BP on reporting errors should be deleted (or at least paragraph 12b&c) in line with the proportionality principle. Such information should be entity-specific for LSMEs. Efforts of LSMEs should be focused on improving the defaults of reporting, not on the past.</p> <p>[Wording] Par 13: The term “pronouncement” has not been understood by some French SMEs. It could be reframed as follows for simplification: “<i>sustainability reporting frameworks</i>”.</p> <p>[Wording] Par 15: While these paragraphs are needed to align with the level 1 of the CSRD when using phase-in provisions, the wording should be simplified for LSMEs by specifying that we only require LSMEs to disclose entity-specific information on these material matters.</p>
<p>DR-3 (GOV 1) - The role of the administrative, management and supervisory bodies</p>	<p>Disagree</p>	<p>[Wording] The wording "administrative, management and supervisory bodies" should be replaced with "governance bodies" for simplification for LSMEs. Not all LSMEs will have such granular governance bodies.</p> <p>[Substance – major] Par 19: Paragraph 19 should be summarised as granular disclosures of governance bodies of LSMEs without any relation to sustainability matters are not highly relevant due to their small size. Not all LSMEs have such granular governance bodies (neither representation of employees, independent board members, etc.). The information expected on governance</p>



		<p>should be: description of governance structure (incl. if applicable executive/non-executive, gender, independence). One narrative datapoint is enough.</p> <p>[Substance – major] Par 20c should be deleted; having someone in charge of sustainability matters is enough.</p>
DR-4 (GOV 2) – Due diligence	Disagree	<p>[Substance – major] DR-4 (GOV 2) should be deleted in line with the proportionality principle, as CS3D/due diligence target large undertakings only.</p>
DR-5 (SBM 1) - Strategy, business model and value chain	Disagree	<p>[Substance – major]</p> <p>Paragraph 28 (a) iv. should be deleted as it is somehow covered by §30c or otherwise too granular (bans in certain markets).</p> <p>Paragraph 28 (b) could be reframed as follows for simplification: <i>“list of the significant ESRS sectors where the company or its subsidiaries operate or can potentially have a material impact”</i>. There is no need to specify that the identification of these sectors is to be consistent with the materiality assessment.</p> <p>Paragraph 28 (d) should be deleted as this information is covered by the disclosure requirement SBM-3 on material impacts and risks and their interaction with strategy and business model(s) as well as disclosures on sustainability policies, actions, resources and targets.</p>
DR-6 (SBM 2) – Interests and views of stakeholders	Disagree	<p>[Substance – major] §32a i, ii & iii should be merged in one datapoint.</p>
DR-7 (SBM-3) – Material impacts and risks and their interaction with strategy and business model	Disagree	<p>[Substance – major] Par 35: Paragraph 35 (a) ii., iii. and iii. should be deleted or merged for simplification in line with the proportionality principle. (a) should be only one datapoint.</p> <p>The disclosure of anticipated effects required in paragraph 35 (b) and (d) should be deleted in line with the proportionality principle. Current effects of impacts and risks on strategy are sufficient. Future effects at strategic level should be entity-specific given the reporting complexity (and anticipated financial effects are already required for environmental/climate topics).</p> <p>Paragraph 35 (c) should be merged with paragraph 35 (b) for simplification, as they both require the effects of</p>



		<p>impacts and risks on strategy on one hand and on financial position, performance and cashflows on the other hand. Furthermore, details of paragraph 35 (c) should be deleted for LSMs (e.g., adjustment within the next annual reporting period to carrying amounts of assets and liabilities).</p> <p>NB. The difference between disclosure requirements SBM-3 par 35 (d) and DR in Section 4 on anticipated financial effects is not framed explicitly, which reduces understandability for new reporters: SBM-3 is linked to financial effects of risks material in relation to strategy and business model vs. DR in topical section on anticipated financial effects from material risks is linked to financial effects of sustainability risks material in relation to activities, assets and liabilities? Financial estimation of future net sustainability risks does not rely on mature methodology and should be removed.</p> <p>Paragraph 35 could be modified as follows: <i>“The undertaking shall disclose its material impacts and risks resulting from its materiality assessment (see Disclosure Requirement IR-1 of this [draft] ESRS). The disclosure shall include the following: (a) the undertaking’s material negative impacts and risks, including a brief description of how its material impacts affect (or, in the case of potential impacts, are likely to affect) people or the environment; (b) the effects of material impacts and risks on its strategy and decision-making as well as on its financial position, financial performance and cash flows, including how the undertaking is responding to these effects; (c) specification of those impacts and risks that are covered by Disclosure Requirements included in this [draft] ESRS as opposed to those covered by the undertaking using additional entity-specific disclosure.”</i></p> <p>[Substance – major] AR 23 to AR 27: AR related to workers in the value chain, affected communities and consumer and/or end-users should be significantly summarised for LSMs. The number of datapoints (granularity) should be reduced on the affected stakeholders outside the undertaking when disclosing on the impacts and risks.</p>
<p>DR-8 (SBM-4) – Material opportunities and</p>	<p>Disagree</p>	<p>[Substance – major] ANC supports the disclosure of opportunities on a voluntary basis as SMEs want to get benefits from their sustainability initiatives. This requirement should be kept in the new LSM standard.</p>

positive impacts as voluntary content		[Structure] Par 42: Paragraph 42 should be deleted or moved to AR as quantification of financial effects should be entity specific. §41 is enough.
DR-9 (IR 1) – Processes to identify and assess material impacts and risks	Disagree	<p>[Substance – major] AR 36 to AR38: AR on processes to identify and assess material IROs should be merged for all environmental topics. AR 36. (a) and (b) are applicable to all environmental topics, including biodiversity and circular economy.</p> <p>[Substance – minor] AR 40: The methodological requirements related to biodiversity should be merged with those related to other environmental topics. The disclosure of engagement with affected communities should be deleted in line with proportionality principle (par 40 e.).</p> <p>It should be replaced by: "<i>The undertaking shall disclose risks broken down between transition, physical, and where applicable systemic risks.</i>"</p> <p>[Substance – minor] AR 42: AR 42 should be deleted. The methodological requirements related to circular economy should be merged with those related to other environmental topics. The disclosure of engagement with affected communities should be deleted in line with proportionality principle.</p>

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.

We would like to emphasise a summary of our main comments on Section 2.

Summary of key comments:

- GOV: §20 should be summarised as the disclosure of **governance bodies without any relation to sustainability matters** is not highly relevant for LSMEs due to their small size.
- SBM: The wording and content of the disclosures related to **strategy, business model and value chain** (SBM 1) and of **material impacts and risks** (SBM 3) should be simplified for LSMEs (e.g., delete the disclosure of changes compared to prior period, delete the disclosure of sustainability goals redundant with SBM-3 and PAT, reduce the impacts and risks description).

- IR identification: **AR on materiality processes** should be merged across all environmental topics, and should be summarised for workers in the value chain, affected communities and consumers.

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

Yes/no – please explain your answer

No comment

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

No comment

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 or disagree	Please provide rationale for any disagreement and proposed amendments
MDR-P, MDR-A	Disagree	[Disclaimer applicable to all questions of Part B] As previously explained, ANC strongly advocates for the adoption of Modules 1, 2, and 3 of the VSME ESRS as the LSME ESRS, with necessary adaptations. However, if this proposal is not adopted, ANC suggests detailed amendments to the LSME ESRS ED in the remaining parts of the questionnaire. [Substance – major] Par 8: In relation to actions, paragraph 8 (d) to (e) should be deleted as their relevance is limited for LSMEs.
Policies and Actions across ESRS E1-E5 and S1-S4	Disagree	[Substance – major] There are 155 AR on PAT. They should be significantly reduced, simplified and harmonised across topics. This needs to be reworked.



		<p>[Substance – major] AR 6: AR 6 should be optional. We can't require 20 additional datapoints in the AR. The reference to §3 & 4 is wrong.</p> <p>[Substance – major] The reference to climate transition plan should be deleted for LSMEs.</p> <p>AR 16: AR 16 should be deleted, as the disclosure of transition plan has been deleted for LSMEs.</p> <p>[Substance – minor] AR 117: AR 117. should be optional, as it is a presentation option.</p>
MDR-T	Disagree	[Substance – major] Par 17: In relation to targets, Par 17 (a), (f), (g) should be deleted as their relevance is limited for LSMEs or too granular (g).
AR on Processes for engaging with own workforce, workers in the value chain, affected communities, consumers and end-users, and their representatives about impacts	Disagree	Very long and detailed application requirements and guidance that do not fit with the proportionality principle.
AR on Processes to remediate negative impacts and channels for own workforce, workers in the value chain, affected communities, consumers and	Disagree	Very long and detailed application requirements and guidance that do not fit with the proportionality principle.

end-users to raise concerns		
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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).

No comment

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 or disagree	Please provide rationale for any disagreement and proposed amendments
DR E1-1 Energy consumption and mix	Disagree	<p>[Disclaimer applicable to all questions of Part B] As previously explained, ANC strongly advocates for the adoption of Modules 1, 2, and 3 of the VSME ESRS as the LSME ESRS, with necessary adaptations. However, if this proposal is not adopted, ANC suggests detailed amendments to the LSME ESRS ED in the remaining parts of the questionnaire.</p> <p>[Substance – major] There are 83 AR among which 45 relate to climate. AR are too detailed and should be simplified and harmonised across environmental topics. A line-by-line review is needed to limit the number of additional datapoints in the AR.</p>
DR E1-1 Energy intensity based on net revenue	Disagree	<p>[Substance – major] Par 9 to 11: The disclosure on energy intensity based on net revenue does not provide high value for LSMEs given their limited size and proportion in the investment portfolios (for financial stakeholders) and given the technical limits of such KPI from an environmental perspective (for other stakeholders). These data points should be deleted, they will be calculated directly by FMPs as the denominator and nominator will be available.</p> <p>[Substance – major] Par 10: This paragraph should be deleted. LSMEs are usually operating in one business segment only. There is no need to split between high impact and low impact.</p> <p>[Substance – minor] Par 11: All reconciliations with financial statements should be deleted or deferred for LSMEs, as they are burdensome and do not provide a lot of value for LSMEs.</p> <p><u>Application requirements:</u></p>



		<p>AR 3. to AR 5. should be deleted in line with the proposed deletion of the related data points.</p>
<p>DR E1-2 Gross Scopes 1, 2, 3 and Total GHG emissions</p>	<p>Disagree</p>	<p>[Substance – major] Par 12 a): The reference to Scope 1 GHG emissions under EU-ETS should be deleted. To our knowledge, no LSME is concerned by EU ETS (installations >20MW). No need to bother all LSME for a very limited number of cases.</p> <p>[Substance – minor] Par 15: The explanation of the consolidation scope should be adapted to LSMEs (for instance, the references to associates, joint ventures, unconsolidated subsidiaries are less relevant for LSMEs whereas the concept of operational control is relevant and could be explained).</p> <p>[Substance – minor] Par 16: Paragraph 16 should be deleted for simplification. Changes should be entity-specific and will be addressed by the auditor. See related comments in sections 1 and 2.</p> <p>[Substance – major] Par 17: The data point on the percentage of Scope 1 GHG emissions from regulated emission trading schemes should be deleted as there should not be any LSMEs subject to EU ETS (large installations). It should be reframed as follows: <i>“The disclosure on gross Scope 1 GHG emissions required by paragraph 12 (a) shall include the gross Scope 1 GHG emissions in metric tonnes of CO₂eq.”</i></p> <p>[Substance – major] Par 18: The data point on market-based Scope 2 GHG emissions should be voluntary for LSMEs as only a few of them purchase green electricity. And the volume will remain limited due to their size. This information is not really relevant for SMEs except when SMEs wants to point out these practices of purchasing green electricity.</p> <p>[Substance – major] Par 20: The disaggregation between location and market based is not needed as it is not a usual practice for LSMEs to purchase green electricity. It should be reframed as follows: <i>“The disclosure of total GHG emissions required by paragraph 12(d) shall be the sum of Scope 1, 2 and 3 GHG emissions required by paragraphs 12(a) to 12(c). The total GHG emissions shall be derived from the underlying Scope 2 GHG emissions being measured using the location-based method”.</i></p> <p>Application requirements:</p> <p>The reference to the disclosure of market-based Scope 2 GHG emissions in AR 6. should be deleted as this disclosure is limited where applicable.</p>



		<p>The disaggregation according to geographic, operational, economic criteria in AR 7. should be deleted, as LSMEs have generally a limited scope.</p> <p>AR 9 (e) and AR 10. should be deleted in line with the proposed deletion in related data points.</p> <p>It should be specified that the use of market-based methodology is optional in AR 11 d.</p> <p>The reference to the disclosure of total GHG emissions based on market-based Scope 2 GHG emissions in AR 13 b). should be deleted as this disclosure is limited where applicable.</p> <p>The lines on Scope 1 under EU ETS, Scope 2 market-based and total GHG emissions market-based in AR 14. should be removed in line with proposed changes in related data points.</p>
<p>DR E1-2 GHG intensity based on net revenue</p>	<p>Disagree</p>	<p>[Substance – major] Par 21: The disclosure of GHG intensity based on net revenue does not provide high value for LSMEs given their limited size and proportion in the portfolios (for financial stakeholders) and given the technical limits of such KPI from an environmental perspective (for other stakeholders). These data points should be deleted. They will be calculated directly by FMPs as the denominator and nominator will be available.</p> <p>[Substance – minor] Par 22: All reconciliations with financial statements should be deleted or deferred for LSMEs, as they are burdensome and do not provide a lot of value for LSMEs.</p> <p>Application requirements:</p> <p>AR 17. to AR 18. should be deleted in line with proposed deletion in related data points.</p>
<p>DR E1-3 GHG removals and GHG mitigation projects financed through carbon credits</p>	<p>Disagree</p>	<p>[Substance – major] The disclosure requirement on GHG removals and GHG mitigation should be turned into a “may”, as LSMEs are usually not engaged in offsetting. Given their limited financial resources, we would encourage them to invest in reductions rather than in carbon credits. When LSME are engaged in offsetting programs, they will be keen to disclose the information in any case. No need for mandatory requirement.</p> <p>Application requirements:</p>



		AR 19. to AR 27. should be deleted or at least simplified in line with proposed deletion in related data points becoming voluntary.
DR E1-4 Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	Disagree	<p>[Substance – major] Par 29 to 35: The disclosure requirement includes many data points. It should be lightened given the immaturity of the methodology. The information needed from a user perspective is to understand if the undertaking’s assets are subjected to material physical risks and the adaptation actions undertaken. A quantified analysis should be optional, following an initial qualitative assessment based on the availability of information, reflecting the undertaking’s maturity. Consequently, only qualitative datapoints should be required for now, and detailed quantitative requirements should be included as examples of good practice in the guidance.</p> <p><u>Proposed modification:</u> <i>“The undertaking shall disclose: (a) whether it has identified climate-related hazards and transition events, (b) if so, how it has assessed the vulnerability of its assets, activities and value chain to these hazards and transition events, creating gross climate-related risks, with the time horizons, and (c) whether it has undertaken adaptation actions.”</i></p> <p><u>Application requirements:</u></p> <p>AR 30. and AR 35. should be modified in line with proposed change in related data points, as follows: <i>“When disclosing the information required under paragraph X, the undertaking may consider:</i></p> <ul style="list-style-type: none"> <i>(a) the share of assets and business activities considered to be at material physical risk;</i> <i>(b) the share of net revenue from business activities considered to be at material physical risk;</i> <i>(c) the estimated amount of potentially stranded assets from the reporting year until 2030 and from 2030 to 2050;</i> <i>(d) a breakdown of the carrying value of its real estate assets, including rights-of-use assets, by energy efficiency classes;</i> <i>(e) the share of assets (including finance lease/right-of-use assets) at material transition risk;</i> <i>(f) the monetised gross Scope 1, 2 and total GHG emissions (in monetary units).”</i> <p>Other AR should be deleted for simplification in line with proposed change in related data points.</p>



<p>DR E2-1 Pollution of air, water and soil</p>	<p>Disagree</p>	<p>[Substance – major] Par 38: Paragraph 38 requires the consolidated amount of each pollutant listed in Annex II of the E-PRTR Regulation. However, it is essential to state more explicitly that pollutants should not be aggregated as a whole but by type of pollutants, as the aggregation of pollutants from different nature, such as those pertaining to water, air, or soil, is not meaningful. Furthermore, the disclosure of microplastics is likely to be complex for LSMEs and should be deferred in time, and more guidance could be provided. It should be reframed as follows: <i>“The undertaking shall disclose: (a) the amount of each consolidated pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil, with the exception of emissions of GHGs which are disclosed in accordance with [draft] LSME ESRS E1 Climate Change...”</i></p> <p>[Substance – minor] Par 39: Paragraph 39 should be deleted for simplification as it will always be the case for metrics (at least changes over time which should be entity-specific and addressed by the auditor). Alternatively, it should be moved to AR and consolidated differently to improve alignment with other disclosure requirements. NB. Methodological information is required in the AR and not in the main body standard for the reporting of GHG emissions as a comparison. It should be harmonised between ESRS. If it is not deleted, it should be moved to AR: <i>“When disclosing information required under par. 39., the undertaking shall disclose the measurement methodologies, and the process(es) to collect data for pollution-related accounting and reporting, including the type of data needed and the information sources.”</i></p> <p>Application requirements:</p> <p>AR 46. should be deleted in line with proportionality principle and given the limited scope of LSMEs. It should be entity-specific for LSMEs.</p>
<p>DR E2-2 Substances of concern and substances of very high concern</p>	<p>Disagree</p>	<p>[Substance – minor] Par 43: The data point on substances of very high concern should be clarified. It should be specified if the separate disclosure on substances of very high concern should include the total amounts and / or the split into main hazards classes.</p>
<p>DR E3-1 Water consumption</p>	<p>Disagree</p>	<p>[Substance – major] Par 46: Paragraph 46 (d) should be optional and moved to AR as it relates to an opportunity.</p>



		<p>The disclosure of water discharge should be added in line with the standard for VSMEs.</p> <p>Paragraph 46 (e) should be deleted as it is always the case for metrics. Alternatively, the methodological requirements related to the quantitative environmental KPIs should be harmonised across environmental topics and moved to AR.</p> <p>It should be reframed as follows: <i>"The disclosure required by paragraph 44 relates to own operations and shall include:</i></p> <p>(a) total water consumption in m3;</p> <p>(b) total water consumption in m3 in areas at material water risk, including areas of high-water stress; and</p> <p>(c) water discharge if applicable (e.g., water used and wasted during the process).</p> <p><i>[To be moved to AR]</i></p> <p><i>The undertaking may disclose total water recycled and reused in m3.</i></p> <p><i>[To be deleted. If not, to be moved to AR]</i></p> <p><i>When disclosing information required under par. 44., the undertaking shall disclose any contextual information, the measurement methodologies, and the process(es) to collect data for water-related accounting and reporting, including the type of data needed and the information sources."</i></p> <p>[Substance – major] Par 47: The disclosure of water intensity based on net revenue does not provide high value for LSMs given their limited size and proportion in the portfolios (for financial stakeholders) and given the technical limits of such KPI from an environmental perspective (for other stakeholders). These data points should be deleted. They will be calculated directly by FMPs as the denominator and nominator will be available.</p>
<p>DR E4-1 Impact metrics related to biodiversity and ecosystems change</p>	<p>Agree</p>	<p>[Substance – minor] Par 51: The definition of "sites managed" should be provided to ensure verifiability and comparability. The measurement of the site area needs to be clarified (including buildings and outdoor spaces). This is the most important datapoint on biodiversity. NB. This data point focuses on stocks rather than flows.</p> <p><u>Application requirements:</u></p> <p>AR 58. should be simplified and methodological requirements shall be harmonised across environmental matters.</p>



<p>DR E5-1 Resources inflows</p>	<p>Disagree</p>	<p>[Substance – major] Par 57: As for large undertakings, §57 about the description of inflows linked to material impacts along the value chain should come first and be mandatory. It may be supported by volumes or weights of materials used generating material impacts and this volumes or weights may be estimated through proxies.</p> <p>§58 should become voluntary for LSMs (may disclose rather than shall disclose). No need to get the weights of all products and materials used during the year in own operations. It would raise competitiveness/confidentiality issues. The term “biological” should be defined. And even voluntary, it should be reframed as follows: “(a) the estimated overall total weight of products and technical and biological materials used during the reporting period.”</p> <p>Application requirements:</p> <p>AR 69 to 74 should be deleted for simplification and in line with proposed change in related data points.</p>
<p>DR E5-2 Resources outflows</p>	<p>Agree</p>	<p>[Substance – minor] Par 62, 63: Paragraphs 62 and 63 should be moved to AR on an optional basis to lighten the standard as eco-designed products based on circular economy relates to opportunities and as the other outflows (waste) are mandatory. The disclosure requirements on resource outflows §62 & 63 are closer to opportunities than to negative impacts or risks.</p> <p>Par 67: This is always true for metrics. It should be deleted. Alternatively, it should be moved to AR and harmonised across environmental metrics. There is no need to repeat in all DR.</p>
<p>DR E6 – Anticipated financial effects from material environmental- related matters other than climate</p>	<p>Disagree</p>	<p>[Substance – major] Par 68 to 73: Anticipated financial effects should apply to climate and should not be required for other environmental topics given the maturity of the topic. To be deleted. These generic § are more relevant for climate-related anticipated financial effects.</p>

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).

No comment

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

Please refer to our responses to Q4 and Q10 on sector-specific information.

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

The response to this question should be coordinated with the current work of the financial advisory panels.

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 or disagree	Please provide rationale for any disagreement and proposed amendments
DR S1-1 Characteristics of employees	Disagree	<p>[Disclaimer applicable to all questions of Part B] As previously explained, ANC strongly advocates for the adoption of Modules 1, 2, and 3 of the VSME ESRS as the LSME ESRS, with necessary adaptations. However, if this proposal is not adopted, ANC suggests detailed amendments to the LSME ESRS ED in the remaining parts of the questionnaire. S1-1 is a central disclosure but it could be simplified on different points.</p> <p>Objectives</p> <p>[Substance – minor] Par 1 a & c. The objective of this section should focus primarily on own workforce. Workers in the value chain, affected communities and consumers and end-users should be addressed in a future version of ESRS for LSMEs (after the 3 years transitional period). Hence, sentence referring to value chain should be limited.</p> <p>Paragraph 5: For own workforce</p> <p>[Substance – major] 5 d. This paragraph should be deleted. International guidelines, instruments and conventions related to human rights (e.g., UN Guiding Principles and OECD Guidelines) target large undertakings rather than LSMEs.</p> <p>Paragraph 6, 7, 8: Workers in the value chain, affected communities and consumers and end-users</p> <p>[Substance – major] These paragraphs about workers in the value chain, affected communities and consumers should be deleted as this not the purpose of the section 5 that is only addressing metrics on own workforce. The metrics required about the sustainability matters regarding the workers in the value chain, affected communities and consumers may be difficult (or impossible) to collect for LSMEs. Most of LSMEs do not have access to reliable information regarding workers in their value chain. It could be asked in a future revised version of the LSMEs ESRS.</p> <p>Application requirements:</p> <p>General: [Substance – major] 55 AR on 11 social metrics. Are they all useful? Bear in mind that “may” should also be moved from main body to AR. A careful review of the AR should be undertaken to identify what could be simplified.</p> <p>DR S1-1: Characteristics of the undertaking’s employees</p>



[Substance – major] 11 a. The breakdown by region in paragraph 11 (a) is based on the same threshold as the one for large undertakings. It does not work for LSMEs, as if 50 employees represent at least 10% of the total number of employees, it means that the undertaking has at least 500 employees, whereas LSMEs have less than 250 employees. Therefore, the threshold should be deleted and replaced by "major countries".

[Substance – major] Par 11. b ii & iii. The information required in paragraph 11 (b) ii) and iii) should be merged, as both data points address precariousness. Users need to understand the proportion of precarious employees (breakdown between temporary and non-guaranteed hours does not bring much value).

[Substance – minor] In addition, the breakdowns by gender in paragraph 11 (b) should not be required in line with proportionality principle. We know that precarious employees are often women. This will not be changed in LSME thanks to transparency regulation. We are increasing the reporting burden for SMEs without helping women escape from precariousness. The cost benefit analysis of this gender breakdown requirement for precarious employees is positive for large undertakings, not for SMEs.

[Substance – minor] Par 11 d. The description of the methodologies and assumptions in paragraph 11 (d) should be deleted as it will always be the case for metrics. Alternatively, it should be moved to AR and harmonised across all topics.

[Substance – minor] Par 12. This paragraph should be moved to AR as it is a voluntary disclosure. Breakdowns by gender should be deleted in line with proportionality principle, as they are too granular for LSMEs at this stage when applied to full-time and part-time employees (same as for temporary and non-guaranteed hours).

Application requirements:

[Substance – major] AR 3 should be deleted in line with simplification and relevance principles. These examples bring confusion. Par 15 (S1-2) already provides guidelines on this topic "either people with contracts with the undertaking to supply labor ("self-employed people") or people provided by undertakings primarily engaged in "employment activities" (NACE Code N78)". If more examples should be given, they should be located in the AR corresponding to S1-2 (which is not recommended for simplification).



		<p>NB. Examples of non-employees in own workforce are less relevant for LSMEs.</p> <p>[Substance – major] AR 4, 5, 6, 7 should be deleted in line with the proposed deletion of the related data point. AR4 stipulates that it refers to IR-1 which relates to section 2 and not section 5.</p> <p>AR 8: Is this AR worth being kept? Not much value added?</p> <p>[Substance – major] AR 13. The breakdown by gender should be deleted in line with the proposed change in the related data point. The lines on the numbers of temporary employees and non-guaranteed hours employees should be merged, as both data points address precariousness. The lines on the full-time and part-time employees should be deleted, as these disclosures are optional. The methodology should priorities FTE over head count. The references should be reversed "(FTE, or alternatively head count)".</p> <p>AR 15 should be deleted in line with proportionality principle. Breakdown by gender has also been requested to be deleted.</p>
<p>DR S1-2 Characteristics of non- employees:</p>	<p>Disagree</p>	<p>DR S1-2: Characteristics of non-employees in the undertaking's own workforce</p> <p>[Substance – major] Par 13. The approach should be modified by first asking whether the undertaking has a significant number of non-employee workers. If such numerous workers are identified, additional information should be required. This is a matter of business model rather than a metric. In doing so, the definition should be explicit (self-employed and interim workers for instance), as LSMEs may not be well-versed in the concept of "non-employees in the own workforce." It's important to acknowledge that gathering information about non-employees in own workforce could be legally sensitive in certain jurisdictions. The new wording could be: <i>"When the undertaking has a significant number of non-employees in its own workforce, the undertaking shall describe their estimated number in FTE and their key characteristics."</i></p> <p>[Substance – major] Par 15 b. The description of the methodologies and assumptions in paragraph 15 (b) should not be located in the main body as this requirement is always applicable for metrics. It should be moved to AR and harmonised across all topics. The calculation options of headcount or by full time equivalent (FTE) may raise comparability issue. Moreover, there is no application guidance on these two methodologies in the corresponding</p>



		<p>AR. The FTE methodology should be favored as we intend to assess the volume of non-employee workers, and application guidance on the calculation methodology should be added. But this FTE number could be an approximation as it is possibly the case for large undertakings. See rewording proposal above.</p> <p>[Substance – minor] Par 16. This paragraph should be moved to AR, as it is an optional disclosure.</p> <p><u>Application requirements:</u></p> <p>AR 18 should be modified in line with the proposed change in the related datapoint</p> <p>AR 19: Examples of non-employees in own workforce are less relevant for LSMES, as they are less likely to have this type of workers, and if they have this type of workers, the type of contracts is less likely to be diversified.</p> <p>AR 21: as for AR19, we consider that AR should not become a guidance with many examples. The number of examples should be reduced.</p>
<p>DR S1-3 Collective bargaining coverage and social dialogue</p>	<p>Agree</p>	<p>[Substance – minor] Par 19. Collective bargaining agreements should be more clearly defined. These agreements may be defined at a national or sectorial scale. As SMEs’ activities are less diversified than large undertakings, they may be covered by these national or sectorial agreements.</p> <p>[Substance – minor] Par 20 & 21. These paragraphs should be moved to AR, as they are voluntary disclosure.</p>
<p>DR S1-4 Adequate wages</p>	<p>Disagree</p>	<p>[Substance – major] Par 22 & 24. Low wages are often linked to non-permanent employees whose number is already required in this ESRS, or to outsourcing/value chain. Given that LSMES generally have a limited geographical scope of operation, we need to introduce proportionality in this requirement (it is currently copy pasted from S1). Materiality of the information should apply here. Rewording could be: “if this is not the case and if material, the undertaking shall provide information on the countries, significance and reasons for not paying adequate wages.”</p> <p>[Substance – minor] Par 26. Paragraph 26. should be deleted in line with proportionality principle. Information about non-employees may be difficult to collect and legally sensitive. Alternatively, it should be moved to AR as it is an optional disclosure.</p>

DR S1-5 Social protection	Disagree	<p>[Substance – major] Par 27 and 29. The disclosure of countries where there is no social protection should be "major countries" given that LSMEs generally have a limited geographical scope of operation. The disclosure should only apply to material situations (the disclosure of situations concerning a small number of individuals is not relevant).</p> <p>[Substance – minor] Par 30: This paragraph should be moved to AR as it is an optional disclosure. The reference to "countries" where workers do not have social protection should be limited to the "major countries". The information required is too granular for undertakings with limited geographical activities.</p> <p>[Substance – minor] Par 31: This paragraph should be deleted as information about non-employee workers may be difficult to collect and legally sensitive. Alternatively, it should be moved to AR as it is an optional disclosure.</p>
DR S1-6 Training metrics	Disagree	<p>[Substance – major] Par 34: The disclosure of the average number of training hours per employee should be revised, because monitoring the number of training hours may be complex, and may not necessarily indicate the quality of training or skill development. Instead, it should be required to disclose the share of training expenditure in relation to the total payroll. It should be specified that this metric only pertains to formal forms of capacity building, excluding informal ones.</p>
DR S1-7 Health and safety metrics	Disagree	<p>[Substance – major] Par 37. The breakdown by non-employees in the own workforce should be deleted for proportionality reasons. All the metrics related to non-employees should be removed except for the key characteristics of non-employees.</p> <p>[Substance – minor] Par 38. This paragraph should be deleted (see previous comment) or if kept should be moved to AR, as it is an optional disclosure.</p>
DR S1-8 Remuneration metrics	Agree	<p>[Substance – minor] Par 41. This paragraph should be moved to AR as it is an optional disclosure.</p> <p>[Substance – minor] Par 42. This paragraph should be deleted in line with proportionality principle. Geographical scope of LSMEs is limited.</p>



DR S1-9 Incidents and severe human rights impacts and incidents	Agree	<p>[Substance – minor] Par 44. The wording should specify “incidents and cases that are reported in the reporting period”.</p> <p>[Substance – minor] Par 47.b) The reconciliations of the monetary amounts of the fines with the most relevant amount presented in the financial statements should be deleted at this stage.</p>
DR S1-10 Diversity	Agree	<p><u>Application requirements:</u></p> <p>AR 51: The definition of top management should be adapted for LSMEs.</p> <p>AR 52. should be deleted, as contextual information is entity-specific and we should not repeat the need for contextual information for each and every metric. Methodological information is already mandatory when reporting metrics.</p>
S1-11 Work-life balance metrics	Disagree	<p>[Substance – major] Par 51 to 54. This disclosure should be deleted as considered not necessary for users. Furthermore, it covers only one aspect of the work-life balance; all that is related to the day-to-day balance is not covered (certainly because it is not easy to find simple metrics). We propose to add a disclosure on the number of departures in the reporting period, alongside qualitative information on work-life balance.</p>

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).

No comment

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 or disagree	Please provide rationale for any disagreement and proposed amendments
DR G1-1 – Management of relationships	Agree	No comment



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with suppliers		
DR G1-2 – Anti-corruption and anti-bribery	Agree	No comment
DR G1-3 – Political influence and lobbying activities	Agree	No comment

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).

No comment

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

(please specify)

Consolidated reporting: Several LSMEs are parent companies of a SME group with subsidiaries conducting a significant share of the group's activities (for instance, SMEs in the Energy sector). ANC understands that the LSME standards is only covering reporting at individual level, pursuant to the Accounting Directive, and that subsidiaries are to be treated as actors in the value chain. The ANC notes however that such parent LSMEs find it more difficult to report at individual level than consolidated level. ANC believes that it is not proportionate for these SMEs that find it more convenient to report at consolidated level to use ESRS Set 1 for large companies. It could be helpful for parent LSMEs that report voluntary on a consolidated basis to develop specific guidance.

Q28) Do you have any other comments?

No comment



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APPENDIXES:

Appendix 1: Comparative analysis of datapoints from LSME and VSME ESRS ED

Appendix 2: EU datapoints from Section 2 Appendix B to be integrated in the revised LSME ESRS ED

Appendix 3: Illustrative example – Format of the Water and Marine Resource section in the revised LSME standard

Appendix 1

Comparative analysis of datapoints from LSME and VSME ESRS ED

Structure: Please find below the summary table, outlining the number of mandatory datapoints for each disclosure requirement of the LSME ESRS ED and the corresponding number of datapoints in the VSME ED. Please find attached an Excel file including two tabs in addition to the summary:

(i) The "LSME ESRS ED" tab maps LSME ESRS ED paragraphs with corresponding ones in the VSME ED, including datapoints numbering.

(ii) The "VSME ED" tab maps VSME ED paragraphs with other frameworks (i.e., SFDR, France Invest, Fédération Française Bancaire), including datapoints numbering.

Disclaimer: This comparison primarily focuses on the main body of the LSME ESRS ED. Consequently, we have not yet addressed the LSME application requirements, even though some of them include datapoints.

LSME ESRS ED		VSME ED
Title	Number of datapoints ("shall")	Number of datapoints ("shall")
SECTION 2 - GENERAL DISCLOSURES		
1. Basis for preparation		
Disclosure Requirement 1 (BP-1) – General basis for preparation of the sustainability statements	3	3
Disclosure Requirement 2 (BP-2) – Disclosures in relation to specific circumstances	18	0
2. Governance		
Disclosure Requirement 3 (GOV-1) – The role of the administrative, management and supervisory bodies	11	2
Disclosure Requirement 4 (GOV-2) – Due diligence	2	0
3. Strategy		
Disclosure Requirement 5 (SBM-1) – Strategy, business model and value chain	13	9



Disclosure Requirement 6 (SBM-2) – Interests and views of stakeholders	2	0
Disclosure Requirement 7 (SMB-3) – Material impacts and risks and their interaction with strategy and business model	10	3
Voluntary Disclosure 8 (SBM-4) – Positive impacts and material opportunities	0	0
4. Impact and risk management		
Disclosure Requirement 9 (IR-1) – Processes to identify and assess material impacts and risks	5	0
Disclosure Requirement 10 (IR-2) – Disclosure Requirements in ESRS LSME covered by the undertaking’s sustainability statement	4	0
SECTION 3 - Policies, Actions and Targets		
Disclosure Requirement 11 (IR-3) – Policies and actions in relation to sustainability matters	19	10
Disclosure Requirement 12 (IR-4) – Targets in relation to sustainability matters	9	0
SECTION 4 - Environment		
Climate Change (E1) Disclosure Requirements – Climate Change (E1)		
Disclosure Requirement E1-1– Energy consumption and mix	9	5
Disclosure Requirement E1-2– Gross Scopes 1, 2, 3 and Total GHG emissions	10	3
Disclosure Requirement E1-3 – GHG removals and GHG mitigation projects financed through carbon credits	3	0



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Disclosure Requirement E1-4– Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	16	9
Pollution (E2) Disclosure Requirements – Pollution (E2)		
Disclosure Requirement E2-2 – Substances of concern and substances of very high concern	2	0
Water and Marine Resources (E3) Disclosure Requirements-Water and Marine Resources (E3)		
Disclosure Requirement E3-1 – Water consumption	6	3
Biodiversity and ecosystems (E4) Disclosure Requirements- Biodiversity and ecosystems (E4)		
Disclosure Requirement E4-1 – Impact metrics related to biodiversity and ecosystems change	3	2
Resource use and Circular economy (E5) Disclosure Requirements- Resource use and Circular Economy (E5)		
Disclosure Requirement E5-1 – Resource inflows	7	0
Disclosure Requirement E5-2 – Resource outflows	12	8
Anticipated financial effects from material environmental-related matters other than climate (E6)		
Disclosure Requirement E6 – Anticipated financial effects from material environmental-related matters other than climate	3	0
SECTION 5 - Social		
Own workforce (S1)		



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Metrics		
Disclosure Requirement S1-1 – Characteristics of the undertaking's employees	18	6
Disclosure Requirement S1-2 – Characteristics of non-employees in the undertaking's own workforce	4	0
Disclosure Requirement S1-3 – Collective bargaining coverage	1	1
Disclosure Requirement S1-4 – Adequate wages	2	1
Disclosure Requirement S1-5 – Social protection	1	0
Disclosure Requirement S1-6 Training metrics	3	3
Disclosure Requirement S1-7 – Health and safety metrics	8	3
Disclosure Requirement S1-8 – Remuneration metrics (pay gap and total remuneration)	2	1
Disclosure Requirement S1-9 – Incidents and severe human rights impacts	5	1
Disclosure Requirement S1-10 – Diversity metrics	3	0
Voluntary Disclosure S1-11 – Work-life balance metrics	0	4
SECTION 6 - Business conduct		
Business Conduct (G1)		
Disclosure Requirement G1-1 – Management of relationships with suppliers	2	0
Disclosure Requirement G1-2 – Anti-corruption and anti-bribery	4	2
Metrics		
Disclosure Requirement G1-3 – Political influence and lobbying activities	5	0

Total number of datapoints:	225	79
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Appendix 2

EU datapoints from Section 2 Appendix B to be integrated in the revised LSME ESRS ED

Table 1 – Indicators applicable to investments in investee companies		
Adverse sustainability impact	Metrics	[draft] ESRS VSME reference
Climate and other environment-related indicators		
1. GHG emissions	Scope 1 GHG emissions Scope 2 GHG emissions Scope 3 GHG emissions Total GHG emissions	B3 and BP3
2. Carbon footprint	Carbon footprint (Total GHG emissions expressed as a ratio of all investments)	To be calculated by investors
3. GHG intensity of investee companies	GHG intensity of investee companies	To be calculated by investors
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	BP1
5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption-and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	B3
6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million of EUR of revenue of investee companies, per high impact climate sector	To be calculated by FMP, both nominator and denominator being available
7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites /operations located in or near biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	B5
8. Emissions to water		B4

	Tonnes of emissions to water generated by investee companies in million EUR invested, expressed as a weighted average	
9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR	BP6
Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters		
10. Violations of OECD Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the OECD Guidelines for Multinational Enterprises	new N3 consolidating BP7 & BP8
11. Lack of processes and compliance mechanisms to monitor compliance with OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with grievance/ complaints handling mechanisms to address violations of the OECD Guidelines for Multinational Enterprises	new N3 consolidating B11
12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	B10
13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	BP2
14. Exposure to controversial weapons (anti-personal mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	BP1
15. Exposure to companies involved in the cultivation and production of tobacco	Share of investments in investee companies involved in the cultivation and production of tobacco	BP1
16. Share of employees of investee companies earning less than the adequate wage	Average percentage of employees in investee companies earning less than the adequate wage	Not formally required under the current VSME ED; B10 requires "the relevant ratio of the entry level wage to the minimum wage when a significant proportion of employees are compensated based on wages subject to minimum wage rules"



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Appendix 3: Illustrative example – Format of the Water and Marine Resource section in the revised LSME standard

Metrics related to water and marine resources

Disclosure Requirements

E3-1 The undertaking shall disclose its total water withdrawal, i.e., the amount of water drawn into the boundaries of the organisation (or facility); in addition, the undertaking shall separately present the amount of water withdrawn at sites located in areas of high water - stress.

If applicable, the undertaking shall disclose its water consumption, calculated as the difference between its water withdrawal and water discharge from its production processes.

Guidance and voluntary reporting (AR)

Guidance on how to calculate and report on water withdrawals and water consumption (...) see VSME guidance

Guidance for determining if the undertaking operates in an area of high-water stress (...) see VSME guidance

