

FRENCH AUTHORITIES

Public consultation on ESRS for listed small- and medium- sized enterprises (LSME ESRS) **and on voluntary ESRS for non-listed small- and medium- sized enterprises (VSME ESRS)**

The French authorities strongly support the development of a standardized framework on sustainability information for SMEs. Standards should help SMEs to report key sustainability information in a proportionate and efficient manner and should contribute to simplify and harmonize demands from business partners and financial institutions. The development of specific sustainability reporting standards for SMEs is therefore key to achieve both the objectives of the Green Deal and of reducing the administrative burden for businesses.

To prepare its response to the public consultation, the French authorities have conducted several initiatives involving SMEs and all other stakeholders. The Autorité des normes comptables (ANC) has set up a working group involving SMEs and larger businesses associations, financial companies, auditors, trade unions, NGOs and public authorities. Several French undertakings took part in the EFRAG's field-test which was a very welcomed initiative. Furthermore, the French minister for SME, Tourism and Consumption, Olivia Grégoire, also initiated a field-test with a dozen of SMEs to assess their ability to understand and comply to the standard. The Ministry of Economics and Finance also gathered all stakeholders to discuss the recommendations set out in this reply.

The French authorities welcome the draft VSME ESRS – subject to targeted amendments detailed below - which will allow SMEs to benefit from a standardized and simple reporting framework. On the other hand, the draft LSME ESRS is excessively complex for listed SMEs and their stakeholders and for playing its role as a “cap in the value chain”. Consequently, the French authorities strongly support using a slightly amended version of the draft VSME ESRS as the standard defined in directive EU/2013/34 art. 19 bis (6).

The draft LSME ESRS is indeed overly complex for listed SMEs and their stakeholders. With 689 datapoints, including 466 mandatory, and 189 pages, it is not proportionate. The information requirements it contains exceed the information sought by business partners and financial institutions. Establishing sustainability reporting in line with such a standard would come with significant costs of preparation and assurance, hence disincentivizing listings for SMEs.

As a consequence, the draft LSME ESRS cannot as it stands fulfill the function of “cap in the value chain” attributed to it by the CSRD. It is important to ensure that CSRD reporting requirements do not translate into increasing sustainability related information demands on SMEs which have been kept out of the scope of the directive. Unfortunately, the length and complexity of the draft LSME ESRS largely exceeds the capacity of any SME to comply with it as well as the amount of information needed by stakeholders.

The EFRAG is well aware of the importance of harmonizing sustainability related information demands expressed to SMEs in general. In this perspective, it has also developed a draft voluntary standard for SMEs that aims to be a reference points for stakeholders and replace the questionnaires bilaterally addressed to SMEs by their business partners. In other words, the VSME ESRS as presented by the EFRAG is also meant to play in practice a role of “cap in the value chain”. Sharing this objective, the French authorities support the use of the content of the draft VSME ESRS for listed SMEs. The draft VSME ESRS indeed strikes a better balance between the objectives of keeping things practicable for SMEs and covering the key information needs of third parties. Applied to listed SMEs, it can be completed with a limited number of data points like the mandatory SFDR PAIs and taxonomy ratio. Note that, in general, reporting requirements on corporates should be calibrated bearing in mind the priority objectives of proportionality and practicality. Reporting requirements on the financial sector should then be adapted accordingly.

This proposal is consistent with the provisions of the accounting directive UE/2013/34. As defined by article 19a(6), the sustainability information related to the activities of listed SMEs may be limited to: a brief description of the undertaking's business model and strategy, the description of its sustainability policies, the main actual or potential adverse impacts related to sustainability matters, the main risks and their management, and key indicators to assess them.

The draft VSME ESRS achieves the goals of proportionality and usefulness for SMEs and stakeholders provided that the following targeted amendments are made :

- facilitate the implementation of the standard by specifying the methodologies for the more complex data point and by limiting their application to high-impact activities (water, biodiversity, indirect greenhouse gas emissions, adaptation), as well as by avoiding a too conceptual language;
- increase the focus on sectors and provide them guidance: in particular, simplify the materiality analysis by drawing up a brief guide to clarify the main material issues by sectors and by specifying how to conduct a simplified materiality assessment for SMEs;
- add voluntary datapoints for relevant sector-specific information (volume of activity, carbon intensity ratios for high-impact sectors);
- simplify the provisions on transition plans for SMEs by focusing on decarbonation actions and allocated capital expenditures;
- develop an open access tool to help companies collect and report sustainability information.

The French authorities support ANC's responses to the questionnaires and invites the EFRAG to consider them as the French authorities detailed response to the public consultation.

The French authorities would also like to thank the EFRAG for undertaking this task and organizing the field-test and public consultation.