



Brussels, 21 May 2024

**EACB comments the EFRAG public consultation -
Questionnaire ESRS for listed SMEs (LSME) Exposure Draft**

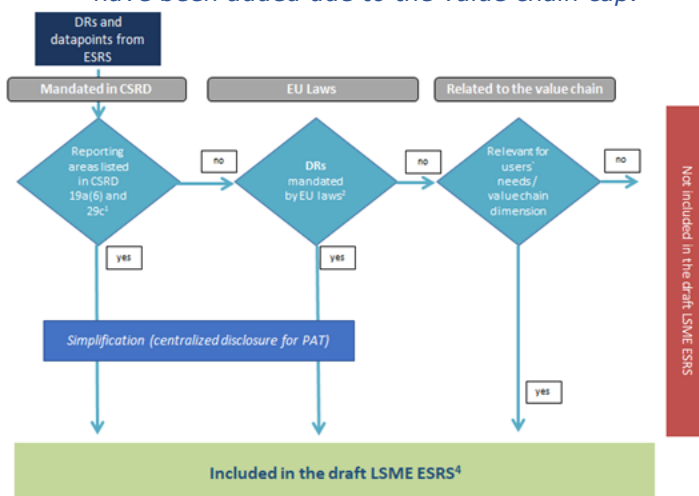
Part A. Key questions about ESRS LSME ED (key questions to be prioritised by the respondent)

A.1) Methodological approach and general principles

The "decision tree" to develop the ESRS LSME ED

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

- (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?

Yes / No – Please explain your answer

We believe that to enhance accessibility for smaller reporting entities, the LSME ESRS serves as a promising initial step.



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

xxx

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

xxx

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 impactor 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**

Entity-specific disclosures should be voluntary. Individual disclosures are burdensome for small companies. Removing it from the mandatory requirements would not be contrary to the objective of LSME as stated in the CSRD. Sustainability reporting should be "comparable" (Art.



29b (2) Accounting Directive) and ESRS for LSME/SNCI should be “proportionate and relevant to the capacities and the characteristics of small and medium-sized undertakings and to the scale and complexity of their activities” (Art. 29c (1) Accounting Directive). Entity-specific disclosures are not suitable, for example, for investors to make comparisons between companies. This applies in particular to entity-specific KPIs.

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:

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.

Sections 4, 5 and 6 is reported only when deemed material.

Q5) Do you agree with this approach?

Yes / No – Please explain your answer

xxx

Transitional provision - Approach to phase-ins

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

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

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

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

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

Yes / No – Please explain your answer



LSME Opt-out for SNCI via phase-in (for two financial years)

The implementation of the new reporting requirements is ambitious, both in terms of content and time. This applies especially to those banks that are reporting for the first time, such as SNCIs. SNCIs are smaller institutions operating usually at national and regional level. They will face very significant challenges.

Under Art. 19a (7) Accounting Directive, LSMES may opt out from sustainability reporting for financial years starting before 1 January 2028. SNCIs and captive insurance undertakings cannot opt out for two additional financial years as LSMES.

It would be consistent if the phase-in always applied to the first reporting periods for all SNCIs and captive insurance. The phase-in would then reduce the burden on SNCIs and captive insurance undertakings reporting for the first time.

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

Yes / **No – Please explain your answer**

The SNCI-threshold should be at least 500 employees (NFRD threshold).

Under Art. 19a (7) Accounting Directive, LSMES may opt out from sustainability reporting for financial years starting before 1 January 2028. SNCIs and captive insurance undertakings cannot opt out for two additional financial years as LSMES.

It would be consistent if the phase-in always applied to the first reporting periods for all SNCIs and captive insurance. The phase-in would then reduce the burden on SNCIs and captive insurance undertakings reporting for the first time.

"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

The 'report if you have' disclosures should be voluntary

By way of derogation from Article 19a (2) to (4) of the Accounting Directive listed SMEs, SNCIs and captive insurance undertakings may limit their sustainability reporting to the information listed in Article 19a (6) (Art. 29c (1) Accounting Directive). As a result (i.a.),

- Art. 19a (2) pt. (a) (iii) Accounting Directive ("the **plans** of the undertaking ... to ensure that its business model and strategy are compatible with the **transition** to a sustainable economy ...")
- Art. 19a (2) pt. (a) (iv) Accounting Directive ("interests of the undertaking's stakeholders")
- Art. 19a (2) pt. (b) Accounting Directive ("time-bound targets"),
- Art. 19a (2) pt. (c) Accounting Directive ("role of the administrative, management and supervisory bodies"),
- Art. 19a (2) pt. (f) (i) Accounting Directive ("due diligence process"),
- Art. 19a (3), 19a (2) pt. (f) (ii) Accounting Directive ("with its value chain, ... and its supply chain")

are not applicable.

Regarding the inclusion of the 'report if you have' disclosures as a 'shall', as the legislator has deliberately chosen to exclude them from the list of explicit content to be covered in LSME, EFRAG cannot include them as a 'shall'. Instead, we propose to include them as a "may". EFRAG does not have a mandate to impose more disclosure requirements than those required by the Accounting Directive (Articles 29c, 19a (6) Accounting Directive).

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 / No

xxx

Value chain implications of ESRS LSME ED and VSME ED

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

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



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

a) In developing LSME ESRS ED, EFRAG has scrutinised the datapoints in ESRS for large undertakings (Delegated Act Set 1) and has identified ten disclosures that result in large undertakings having to disclose about their value chain aspects, when material. These disclosures are illustrated in Annex 3 available at the following [link] and they are: SBM 1; SBM-3; IRO-1; PAT; Climate Transition plan; GHG emissions; GHG removal; substances of concern and substances of very high concern; resource inflows; entity specific disclosures. LSME ED has been developed as a simplified version of the content required in ESRS for large undertakings. The priority has been to include in LSME ESRS ED those requirements that correspond to the information needs of users of sustainability statements of undertakings in scope of LSME. After having identified the simplifications in LSME ESRS ED that are compatible with such users' needs, EFRAG has assessed the extent to which the simplifications would have impaired the feasibility of a complete coverage of the ten value chain disclosures mentioned above. EFRAG notes that there are no datapoints in the ED that have been added in the standard for the purpose of preserving the integrity of the reporting of large undertakings on their value chain, as all the datapoints in LSME ESRS ED are justified by specific needs of the users of LSME reporting. When considering the resulting content of LSME ESRS ED and its role in setting the value chain cap, EFRAG notes that some requests to SMEs from large undertakings may derive from specific arrangements between the SME and its corporate clients, due to business reasons. Therefore, EFRAG notes that the trickle-down effect due solely to ESRS reporting obligations of large undertakings (i.e. in isolation from business reasons) has been minimized in LSME ED, while allowing to maintain an appropriate coverage of the value chain information in the ESRS reporting obligations for large corporates. EFRAG also considered that the administrative burden required from SMEs in general to prepare such datapoints does not outweigh the informative and management benefits for them and for business partners and is commensurate with their resources.

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

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

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

Q10-11) Do you agree with the approach taken by EFRAG on the value chain cap with respect to:

1. *SBM-1, SBM-3, IRO-1: for both LSME and VSME EDs the conclusion is that no undue effect expected from ESRS reporting*

The current lack of a specific definition for SNCI's value chain presents a challenge. It would be beneficial to have a clearer understanding of the obligations involved. Explaining what needs to be reported and providing practical examples could greatly improve clarity.

2. *Policies, Actions and Targets (PAT): for both LSME and VSME EDs the conclusion is that no undue effect expected from ESRS reporting*



Section 3 could benefit from more detailed explanations and a clearer structure with regard to thematic standards.

In addition, collecting relevant data on value chains is a significant challenge in ensuring accurate impact assessments.

3. *Climate Transition plan (Section 3 Actions – AR 6 and AR 11): for both LSME and VSME EDs the conclusion is that no undue effect expected from ESRS reporting*

xxx

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*

In particular, Scope 3 is difficult to measure and involves disproportionately high costs.

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*

xxx

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.*

A precise definition would be helpful, as well as the introduction of reporting thresholds would be helpful, for banks of rather minor importance due to the comparatively small quantities.

7. *Resource inflows (E5-1 Resource inflows): for both LSME and VSME EDs the conclusion is that no undue effect expected from ESRS reporting*

Clear definition of the report's subject (i.e., value chain) is missing and would be useful at this point.

It is not clear which calculation rules are to be applied. Clear references must be made.

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)*

xxx

Q12) Please provide other comments on the value chain cap, if any.

xxx



A.3) Sector specific guidelines

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

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

Sustainability matters are 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.).

Q13) 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.

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.

xxx

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

Q14) 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, with respect to the following:

Impacts; Risks and Opportunities

xxx

6.1 Presenting comparative information



xxx

6.2 Sources of estimation and outcome uncertainty

xxx

6.3 Updating disclosures about events after the end of the reporting period

xxx

6.5 Reporting errors prior period

xxx

6.7 Matters in course of negotiation

xxx

Q15) If you agree with the substance of the requirements above, please provide your suggested improvement, if any (please specify the relevant requirement).

xxx

B.2) Section 2: General Disclosures

Q16) 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, with respect to the following:

DR-1 (BP 1) – General basis for preparation of the sustainability statement and DR-2 (BP 2) – Disclosures in relation to specific circumstances

xxx

DR-3 (GOV1) – The role of the administrative, management and supervisory bodies

By way of derogation from Article 19a (2) to (4) of the Accounting Directive listed SMEs, SNCI and captive insurance undertakings may limit their sustainability reporting to the information listed in Article 19a (6) (Art. 29c (1) Accounting Directive). As a result, Art. 19a (2) pt. (c) Accounting Directive ("role of the administrative, management and supervisory bodies") is not applicable.

Regarding the inclusion of the 'report if you have' disclosures as a 'shall', as the legislator has deliberately chosen to exclude them from the list of explicit content to be covered in LSME, EFRAG cannot include them as a 'shall'. Instead, we propose to include them as a "may".

DR-4 (GOV 2) – Due diligence.



The 'report if you have' disclosures should be voluntary.

DR-5 (SBM 1) - Strategy, business model and value chain

xxx

DR-6 (SBM 2) - Interests and views of stakeholders

The 'report if you have' disclosures should be voluntary.

DR-7 (SBM-3) - Material impacts and risks and their interaction with strategy and business model

xxx

DR-8 (SBM-4) - Material opportunities and positive impacts as voluntary content

xxx

DR-9 (IR 1) - Processes to identify and assess material impacts and risks

xxx

Q17) If you agree with the substance of the requirements above, please provide your suggested improvement, if any (please specify the relevant requirement).

xxx

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.

Q18) Would you like to reinsert the "information about the resilience of the undertaking's strategy"?

Yes / No – please explain your answer

xxx

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.



Q19) Do you agree with this approach?

Yes / No – please explain your answer

xxx

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

Q20) Please indicate your agreement or not with the proposed approach to simplify ESRS Set 1 disclosure requirements, as included in Section 3 of ESRS LSME ED, with respect to the following:

MDR -P, MDR-A

xxx

Policies and Actions across ESRS E1-E5 and S1-S4

xxx

MDR-T

xxx

Targets across ESRS E1-E5 and S1-S4

xxx

Processes for engaging with own workforce, workers in the value chain, affected communities, consumers and end-users, and their representatives about impacts

xxx

Processes to remediate negative impacts and channels for own workforce, workers in the value chain, affected communities, consumers and end-users to raise concerns

xxx

Q21) If you agree with the substance of the requirements above, please provide your suggested improvement, if any (please specify the relevant requirement).

xxx

B.4) Section 4: Environment



Q22) Please indicate your agreement or not with the proposed approach to simplify ESRS Set 1 metrics, as included in Section 4 of ESRS LSME ED, with respect to the following:

DR E1-1 Energy consumption and mix

xxx

DR E1-1 Energy intensity based on net revenue

xxx

DR E1-2 Gross Scopes 1, 2, 3 and Total GHG emissions

xxx

DR E1-2 GHG intensity based on net revenue

xxx

DR E1-3 GHG removals and GHG mitigation projects financed through carbon credits

xxx

DR E1-4 Anticipated financial effects from material physical and transition risks and potential climate-related opportunities

xxx

DR E2-1 Pollution of air, water and soil

Adding a description of the scope could be beneficial. It would also be helpful to consider introducing reporting thresholds.

DR E2-2 Substances of concern and substances of very high concern

xxx

DR E3-1 Water consumption

The definition of water use includes various sources such as tap water, rainwater, and groundwater. However, guidelines and examples specific to water stress areas, as well as methods for measuring recycled and reused water, would be beneficial additions. In addition, the establishment of clear reporting thresholds would be valuable. Greater clarity will ensure consistency and accuracy in reporting practices across different contexts and organizations.

DR E4-1 Impact metrics related to biodiversity and ecosystems change



Measuring a biodiversity footprint is still in its development phase. There are currently no established metrics.

DR E5-1 Resources inflows

The report could benefit from a clearer definition of the subject, specifically concerning the value chain.
It would be helpful to have clarification on the calculation rules that should be applied in this context.

DR E5-2 Resources outflows

The report could benefit from a clearer definition of the subject, specifically concerning the value chain.
It would be helpful to have clarification on the calculation rules that should be applied in this context.

DR E6 – Anticipated financial effects from material environmental-related matters other than climate

xxx

Q23) If you agree with the substance of the requirements above, please provide your suggested improvement, if any (please specify the relevant requirement).

xxx

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?

Q24) 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

xxx

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.

Q25) 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

xxx

B.5) Section 5: Social

Q26) Please indicate your agreement or not with the proposed approach to simplify ESRS Set 1 metrics, as included in Section 5 of ESRS LSME ED, with respect to the following:

DR S1-1 Characteristics of employees

It would be helpful to clarify certain terms, such as the use of "temporary work", which currently lacks specificity.

DR S1-2 Characteristics of non-employees:

Data collection presents challenges, especially concerning the number of employees engaged in outsourced service activities. Clarifying this information would be beneficial.

DR S1-3 Collective bargaining coverage and social dialogue

xxx

DR S1-4 Adequate wages

xxx

DR S1-5 Social protection

xxx

DR S1-6 Training metrics

xxx



DR S1-7 Health and safety metrics

xxx

DR S1-8 Remuneration metrics

There is a conceptual challenge with the unadjusted gender pay gap. The relevance of the gender pay gap is somewhat restricted when not considering specific tasks or job categories. There is also a concern regarding data protection, as providing the total annual pay ratio could potentially lead to identifying individuals.

DR S1-9 Incidents and severe human rights impacts and incidents

xxx

DR S1-10 Diversity

xxx

S1-11 Work-life balance metrics

Metrics on other information such as remote working options, working time accounts, etc. should be included.

Q27) 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).

xxx

B.6) Section 6: Business conduct

Q28) Please indicate your agreement or not with the proposed approach to simplify ESRS Set 1 metrics, as included in Section 6 of ESRS LSME ED, with respect to the following:

DR G1-1 – Management of relationships with suppliers

xxx

DR G1-2 Anti-corruption and anti-bribery

xxx

DR G1-3 – Political influence and lobbying activities

xxx



Q29) If you agree with the substance of the requirements above, please provide your suggested improvement, if any (please specify the relevant requirement).

xxx

Q30) Is there any information that the ESRS LSME ED should further cover? (please specify)

xxx

Q31) Do you have any other comments?

xxx