Executive summary per question LSME ED public consultation

This report offers only a partial view of the overall feedback. For a complete view, the findings in this report (feedback from online survey only) needs to be read in conjunction with the findings of the comment letters received outside the online survey.

Objective of the paper

This paper presents the findings of the comments received by participants to the public consultation on LSME ED via online survey.

The comments received for each question during the LSME public consultation have been aggregated in:

- recurring common criticisms;
- Recurring common suggestions for improvements;
- Recurring common expressions of support.

Furthermore, the report shows a trend analysis in the positions and arguments across different categories of respondents. These categories include:

1. **Preparers**: small or medium listed SMEs in a regulated market; Small and Non-Complex financial Institutions (SNCIs); or other stakeholders as proxies of those undertakings, i.e., Industry Associations and Business associations[1];
2. **Users:** User of sustainability reporting statements (e.g. bank or investor), Rating Agency (as proxy for user) and Large Company as SME's value chain partner.
3. **Other** which includes National or European authority/Standard Setters, Non-Government Organizations ("NGOs"), Business association, Academic or research institution, Accountant/Consulting services, Auditor/Assurance provider.

The following terminology conventions are used when aggregating detailed comments into a list of criticisms/suggestions resulting from the comment clustering exercise on Excel:

[1] The perspectives of industry and business associations have been examined alongside those of preparers because they represent the interests of a large number of undertakings. They were considered proxies for preparers, and their views are explicitly attributed to them throughout the document.

All: 100% of respondents
Most: 80% to 99% of respondents
A majority: 50% to 79% of respondents
Some: 20% to 49% of respondents[2]
A few: 1% to 19% of respondents [2]
None: 0% of respondents

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[2] In some cases, the absolute number of respondents is very low, so that even one single respondent can fall into the 'a few' or even the 'some' category.

Part A Q1)

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

Overview of respondents that agree/disagree

	Agree	Disagree
Overall, 68 out of 69, 99% response rate	50 out of 68, 74%	18 out of 68, 26%
Preparers (and proxies for preparers), 26 out of 27, 96% response rate	18 out of 26, 69%	8 out of 26, 31%
Users (and proxy for user), response rate, 10 out of 10, 100% response rate	9 out of 10, 90%	1 out of 10 users, 10%
Other, 32 out of 32, 100% response rate	23 out of 32 others, 72%	9 out of 32 others, 28%

Table 1: Percentages of respondents in agreement/disagreement with the approach adopted to develop LSME ED, by category (percentage)

Key insights based on comment analysis

4. A majority of **preparers** agreed with the approach. Small non-complex financial institutions (SNCIs) supported the approach, stating that it meets the needs of investors and is reasonable given the small size of the undertakings. An business association also emphasized the CSRD's promotion of transparency and accountability but noted that the LSME standard is almost as comprehensive as the ESRS, suggesting that the standard needs further simplification. Industry associations agreed on maintaining consistency with ESRS Set 1 for uniform reporting across the value chain and stressed the importance of consolidated reporting for listed SMEs structured as groups. However, some preparers disagreed, finding the draft too comprehensive and not sufficiently simplified for SMEs. They suggested building on the VSME standard and integrating additional EU regulations to better address SMEs' capacities.

5. Most **users** agreed with the approach. Two users from sustainability reporting statements (e.g., banks or investors) advocated for aligning LSME ED with ESRS Set 1 to ensure high-quality, comparable, and reliable disclosures. They highlighted that this approach achieves a balance between proportionality and the needs of investors. Users also emphasized the necessity for these disclosures to meet their own regulatory requirements (e.g., SFDR, Pillar 3, Solvency II).

6. A majority of **others** agreed with the approach. One National or European authority/standard setter supported the overall approach but suggested that the standard is too extensive and needs further simplification. They emphasized the importance of maintaining alignment with ESRS Set 1 and integrating additional EU regulations (SFDR, Pillar 3, and the Benchmark regulation). One NGO also supported strong alignment with ESRS Set 1 to ensure credibility and comparability, advocating for a materiality assessment approach and maintaining interoperability with other EU regulations. Academic or research institutions agreed on the need for simplification and coherence with ESRS Set 1. However, some other stakeholders disagreed, warning that the complexity might lead LSMEs to de-list and recommending a bottom-up approach using the VSME standard. They also highlighted value chain cap concerns, suggesting more proportionate requirements.

Part A Q2)

Q2) Do you agree with this approach on EU datapoints? Please explain your answer.

Overview of respondents that agree/disagree

	Agree	Disagree
Overall, 63 out of 68, 91% response rate	51 out of 63, 81%	12 out of 63, 19%
Preparers, 22 out of 27, 81% response rate	18 out of 22 preparers, 82%	4 out of 22 preparers, 18%
Users, 10 out of 10, 100% response rate	10 out of 10 users, 100%	0 out of 10 users, 0%
Other, 31 out of 32, 97% response rate	23 out of 31 others, 74%	8 out of 31 others, 26%

Table 2: Percentages of respondents in agreement/disagreement with the approach on EU datapoints, by category (percentage)

Key insights based on comment analysis

7. Most **preparers** agreed with the general approach on EU datapoints. Listed SMEs expressed concern over the extensive list of EU datapoints, suggesting it should focus on what SMEs can feasibly disclose. Both agreeing and disagreeing respondents pointed out the difficulties associated with specific datapoints, such as value chain information. An business association endorsed the materiality approach but highlighted potential challenges with the Double Materiality Assessment due to the extensive list of ESG issues in ESRS. Another business association who disagrees recommended making only mandatory PAIs obligatory for LSMEs, with the rest as optional disclosures, and to remove the requirement to justify non-materiality. Industry associations appreciated the transparency improvement and user utility of the approach, noting that it ensures consistency and comparability with larger

undertakings. In total, a few preparers disagreed, arguing that justifying non-material datapoints is burdensome and that the list of EU datapoints should be more concise and better aligned with SME characteristics.

8. All **users** agreed with the general approach. Users of sustainability reporting statements (e.g., banks or investors) emphasized the importance of preserving disclosures from SFDR, Benchmarks Regulation, and Pillar 3 in the LSME standard to maintain consistency in sustainability reporting between large undertakings and LSMEs. They suggested presenting materiality information in a summary table for clarity.

9. A majority of **others** agreed with the general approach. A National or European authority/standard setter highlighted that these datapoints are most relevant from the users' perspective and that the materiality regime ensures only the most pertinent information is disclosed. NGOs supported the materiality regime for improving transparency and emphasized the need for comparable disclosures to enable LSMEs' access to investment opportunities. One recommended making all EU datapoints from ESRS mandatory in LSME to simplify the materiality assessment. Academic or research institutions and accountant/consulting services endorsed the approach, noting that it meets the needs of financial market participants. However, some other stakeholders disagreed, citing the burdensome nature of justifying non-material datapoints and advocating for a more concise list of EU datapoints. They also stressed the need for additional guidance on what constitutes a good justification for omitting a datapoint.

Part A Q3)

Q3) Interoperability with ISSB standards not applicable. Do you agree with this approach? Please explain your answer.

Overview of respondents that agree/disagree

	Agree	Disagree
Overall, 57 out of 69, 76% response rate	52 out of 57, 91%	5 out of 57, 9%
Preparers, 20 out of 27, 74% response rate	20 out of 20 preparers, 100%	0 out of 20 preparers, 0%
Users, 10 out of 10, 100% response rate	7 out of 10 users, 70%	3 out of 10 users, 30%
Other, 27 out of 32, 84% response rate	25 out of 27, 93%	2 out of 27, 7%

Table 3: Percentages of respondents in agreement/disagreement with the interoperability with ISSB approach taken, by category (percentage)

Key insights based on comment analysis

10. All **preparers** agreed with the preference for simplification over interoperability. Listed SMEs and small non-complex financial institutions (SNCIs) highlighted that the costs of interoperability exceed the benefits for SMEs. Business associations agreed that simplification is more critical than interoperability, especially given the size of the undertakings. Industry associations also supported this view, although one suggested that EFRAG could consider producing an interoperability grid between the ISSB and ESRS LSME standards to address any potential issues.

11. A majority of **users** agreed with the approach, emphasizing the preference for simplification over interoperability. Users of sustainability reporting statements (e.g., banks or investors) agreed that simplification should be the priority, noting that covering financial opportunities in LSME would lead to disproportionate efforts. However, some users disagreed. One user of sustainability reporting statements (e.g., banks or investors) and one large company as an SME's value chain partner highlighted the need for interoperability across standards. They argued that aligning with IFRS S1 and IFRS S2 would be valuable to meet the needs of international investors and avoid double reporting for SMEs expected to apply ISSB standards. A rating agency also stressed the benefits of interoperability for growth and efficiency.

12. Most **others** agreed with the approach, favouring simplification over interoperability. National or European authorities/standard setters noted that interoperability is costly due to substantial differences between ESRS and ISSB standards and that ESRS (LSME) should suffice for users. NGOs emphasized the importance of simplification but one also warned against making LSME completely contradictory to ISSB standards, and another suggested adding references to specific versions of international protocols. An academic or research institution, while agreeing with the current approach, argued for long-term harmonization of standards. However, a few other stakeholders, including an NGO and an accountant/consulting service, disagreed, stressing that ISSB standards are crucial for meeting the information needs of external investors and large multinationals importing from European SMEs.

Part A Q4)

Q4) Do you agree with this approach taken on entity-specific disclosure? Please explain your answer.

Overview of respondents that agree/disagree

	Agree	Disagree
Overall, 66 out of 69, 96% response rate	51 out of 66, 77%	15 out of 66, 23%

	Agree	Disagree
Preparers, 24 out of 27, 89% response rate	16 out of 24 preparers, 67%	8 out of 24 preparers, 33%
Users, 10 out of 10, 100% response rate	9 out of 10 users, 90%	1 out of 10 users, 10%
Other, 32 out of 32, 100% response rate	26 out of 32 others, 81%	6 out of 32 others, 19%

Table 4: Percentages of respondents in agreement/disagreement with the approach taken on entity-specific disclosures, by category (percentage)

Key insights based on comment analysis

13. A majority of **preparers** agreed with the approach taken on entity-specific disclosures. At least one respondent from each of the preparer subcategories either in agreement or in disagreement with the approach preferred sector-specific disclosures, considering them more relevant and tailored to their activities. However, in the absence of sector-specific standards, their agreement indicates that they see entity-specific disclosures as a reasonable interim solution. Some preparers disagreed, arguing for ensuring comparability across sectors. Two industry associations and one SNCIs suggested that entity-specific disclosures should be voluntary.

14. Most **users** agreed with the approach on entity-specific disclosures. Users of sustainability reporting statements (e.g., banks or investors) highlighted the importance of voluntary entity-specific disclosures.

15. Most **others** agreed with the approach. However, some other stakeholders disagreed. Five National or European authorities/standard setters and one NGO in disagreement strongly supported sector-specific disclosures.

Part A Q5)

Q5) Materiality approach. The ED has maintained the same approach for materiality as in ESRS Set 1. <u>Do you agree with this approach?</u> Please explain your answer.

Overview of respondents that agree/disagree

	Agree	Disagree
Overall, 62 out of 69, 90% response rate	53 out of 62, 85%	9 out of 62, 15%
Preparers, 20 out of 27, 74% response rate	16 out of 20 preparers, 80%	4 out of 20 preparers, 20%

	Agree	Disagree
Users, 10 out of 10, 100% response rate	10 out of 10 users, 100%	0 out of 5 users, 0%
Other, 32 out of 32, 100% response rate	27 out of 32 others, 84%	5 out of 32 others, 16%

Table 5: Percentages of respondents in agreement/disagreement with the approach taken on materiality, by category (percentage)

Key insights based on comment analysis

16. Most **preparers** agreed with the approach taken on the materiality approach in the LSME ED. Business associations and industry associations emphasized the importance of aligning with ESRS Set 1, as it ensures consistent reporting under the CSRD and enhances information comparability. They also supported maintaining the double materiality analysis with guidance on its assessment and implementation. However, some preparers disagreed. A listed SME considers that the additional mandatory requirement of justifying non-materiality of climate change is unreasonable, while industry associations suggested that double materiality should be abandoned for LSMEs due to its complexity and instead proposed a list of fixed disclosures to ensure proportionality and avoid omitting important information.

17. All **users** agreed with the approach on the materiality approach. Users of sustainability reporting statements (e.g., banks or investors) highlighted the importance of aligning LSME ED with ESRS Set 1 to ensure consistency and comparability. They appreciated the focus on relevant topics without overcomplicating reporting with unnecessary efforts. Users also suggested that certain key information, such as EU datapoints, climate disclosures, and specific social disclosures, should always be considered material and not be subject to the materiality filter. One emphasized the need for detailed explanations when targets are not set, as it provides clarity and future direction for sustainability efforts.

18. Most **others** agreed with the approach. National or European authorities and NGOs supported alignment with ESRS Set 1. Among the reasons cited by some of them are that it facilitates the transition from LSME ESRS to ESRS Set 1 for large projects and ensures a thorough assessment of sustainability issues. They also advocated for additional guidance on double materiality, including a list of potentially material topics per sector and illustrative examples. On this note, academic or research institutions mentioned the need for clear guidance on distinguishing between "principal" and "material" issues and better-defined thresholds for material topics. However, few other stakeholders disagreed, citing concerns over the requirement for detailed explanations when targets are not set. An NGO argued that not requesting justification for the absence of targets goes against the practical usefulness of the CSRD.

Part A Q6)

Q6) <u>Do you agree with this approach taken on phase-ins?</u> Please explain your answer.

Overview of respondents that agree/disagree

	Agree	Disagree
Overall, 61 out of 69, 88% response rate	38 out of 61, 62%	23 out of 61, 38%
Preparers, 24 out of 27, 63% response rate	6 out of 10 preparers, 60%	4 out of 10 preparers, 40%
Users, 10 out of 10, 100% response rate	9 out of 10 users, 90%	1 out of 10 users, 10%
Other, 27 out of 32, 52% response rate	14 out of 27, 52%	13 out of 27 others, 48%

Table 6: Percentages of respondents in agreement/disagreement with the approach taken on phase-ins, by category (percentage)

Key insights based on comment analysis

19. A majority of **preparers** agreed with the approach taken on phase-ins in the LSME ED. Listed SMEs and business associations endorsed the approach, emphasizing that it aligns with ESRS Set 1 principles and makes it easier for small entities to comply with their reporting obligations. They also recommended extending the phase-in duration or scope to cover more disclosures. Industry associations supported the phased-in process, highlighting the reduction of the employee threshold from 750 to 50 and advocating for extending the phase-ins to all enterprises for the first two years of listing. However, some preparers disagreed, criticizing the reduction of the employee threshold and advocating for comprehensive coverage of phase-ins for all SMEs, regardless of size. Some suggested increasing the threshold to 150 employees, while others proposed extending phase-ins for carbon footprint reporting and aligning with Eco-design Regulation requirements.

20. Most **users** agreed with the approach on phase-ins. Users of sustainability reporting statements (e.g., banks or investors) highlighted that the full application of phase-ins would initially overwhelm small companies and agreed with the 50-employee threshold. They supported the approach, acknowledging the need for flexibility and phased implementation to ease the burden on SMEs. However, a few users disagreed, and one suggested that the same phase-in approach as in ESRS Set 1 should be followed.

21. A majority of **other** agreed with the approach on phase-ins. Some NGOs and academic or research institutions, noting that it makes compliance easier for small entities and aligning with ESRS Set 1 principles. A National or European authority/standard setter endorsed the reduction of the employee threshold to 50 and proposed considering additional criteria such as revenue or balance sheet total to determine eligibility for phase-ins. Across the agreement/disagreement spectrum a significant number of comments mention that phase-ins on social metrics are unnecessary. Some **others** disagreed. They criticized the reduction of the employee threshold and advocating for comprehensive coverage of phase-

ins for all SMEs. One expressed the need for immediate attention to issues like gender breakdown and severe human rights impacts. A National or European authority/standard setter also suggested a dynamic phase-in provision allowing all SMEs to use phase-ins for their first reporting periods and grouping all transitional provisions in a dedicated section for clarity.

Part A Q7)

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

Overview of respondents that agree/disagree

	Agree	Disagree
Overall, 58 out of 69, 84% response rate	31 out of 58, 53%	27 out of 58, 47%
Preparers, 24 out of 27, 89% response rate	12 out of 24 preparers, 50%	12 out of 24 preparers, 50%
Users, 9 out of 10 users, 90% response rate	8 out of 9 users, 89%	2 out of 10 users, 11%
Other, 25 out of 32, 78% response rate	11 out of 25 others, 44%	14 out of 25 others, 56%

Table 7: Percentages of respondents in agreement/disagreement with the threshold proposed, by category (percentage)

2. Key insights based on comment analysis

22. A half of **preparers** agreed with the threshold of 50 employees for phase-ins in the LSME ED. Listed SMEs and some industry associations supported the threshold but raised concerns about its implementation. For example, some suggested clarifying that the threshold applies to the reporting undertaking exclusively. However, another half of preparers disagreed, proposing revised thresholds that would better reflect the needs and capacities of SMEs. They suggested alternative thresholds, such as 250 employees, 500 employees (to align with the former accounting directive) or maintaining the same threshold as ESRS Set 1 (750 employees).

23. Most **users** agreed with the threshold of 50 employees, highlighting its proportionality and appropriateness for small enterprises. Only a few users disagreed. A rating agency suggested lowering the threshold to 25 employees.

24. Some **others** agreed with the threshold of 50 employees, with some expressing support for the approach but raising concerns. For instance, one academic institution highlighted the risk of creating incentives for entities to reduce employment to stay below the threshold.

Additionally, an NGO agreeing raise the concern that standard is not clear regarding the fact that that the threshold refers to employee count of the reporting undertaking and not the group. A majority of other stakeholders disagreed, advocating for higher thresholds or uniform phase-ins for all entities. Suggestions included setting the threshold at 100 employees, 250 employees, or 500 employees (to align with the former accounting directive). Some also proposed that the phase-ins should apply uniformly to all undertakings in scope, regardless of size, to maintain consistency and proportionality across the board.

Part A Q8)

Q8) 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, are treated under a "report if you have" approach. Do you agree with this "report if you have" approach? Please explain your answer.

Overview of respondents that agree/disagree

	Agree	Disagree
Overall, 62 out of 69, 90% response rate	43 out of 62, 69%	19 out of 62, 31%
Preparers, 23 out of 27, 85% response rate	15 out of 23 preparers, 65%	8 out of 23 preparers, 35%
Users, 9 out of 10, 90% response rate	9 out of 9 users, 100%	0 out of 9 users, 0%
Other, 30 out of 32, 94% response rate	19 out 30 others, 63%	11 out of 30 others, 37%

Table 8: Percentages of respondents in agreement/disagreement with the "report if you have" approach, by category (percentage)

Key insights based on comment analysis

25. A majority of **preparers** agreed with the approach of "report if you have" disclosures, while some disagreed. Among those who agreed, some industry associations supported the need for clearer definitions and terminology in the standard. They believed this would help streamline the reporting process and ensure consistent implementation. However, those who disagreed raised several concerns. Listed SMEs and industry associations argued that this approach imposes an additional burden on LSMEs compared to VSMEs and fails to achieve proportionality, as LSMEs are expected to be active in areas such as stakeholder engagement and climate change transition plans. Some preparers also suggested that

these disclosures should be voluntary ("may") rather than mandatory ("shall") and criticized the approach for being inconsistent with the materiality principle.

26. All **users** agreed with the approach. Users of sustainability reporting statements, such as banks and investors, emphasized the importance of these disclosures for due diligence purposes.

27. A majority of **others** agreed with the approach, while some disagreed. Among those who agreed, two NGOs and one academic or research institution highlighted the importance of these disclosures for due diligence and emphasized that the approach achieves proportionality. An NGO also suggested that additional reporting areas should be covered by this approach to ensure comprehensive sustainability reporting. However, those who disagreed, including national or European authorities, NGOs, and consulting services, raised concerns about the additional burden on LSMEs and the lack of proportionality. Two argued that the approach is inconsistent with the materiality principle, and one suggested that these disclosures should be voluntary ("may") rather than mandatory. The need for clearer definitions and terminology ("report if you have") in the standard was also a common point of feedback among these stakeholders.

Part A Q9.1)

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

Overview of respondents that agree/disagree

	Agree	Disagree
Overall, 37 out of 69, 54% response rate	22 out of 37, 59%	15 out of 37, 41%
Preparers, 15 out of 27, 56% response rate	8 out of 15 preparers, 53%	7 out of 15 preparers, 47%
Users, 6 out of 10, 60% response rate	6 out of 6 users, 100%	0 out of 6 users, 0%
Other, 16 out of 32, 50% response rate	8 out of 16 others, 50%	8 out of 16 others, 50%

Table 9: Percentages of respondents in agreement/disagreement with the approach taken value chain cap, by category (percentage)

Key insights based on comment analysis

28. A majority of **preparers** agreed with the contents of Annex 3, while some disagreed. Among those who disagreed some raised several specific concerns in their additional comments. 1 SNCIs and 1 industry association expressed the need for more guidance and examples for

disclosures related to SBM-1, SBM 3, IRO 1, and Policies, Actions, and Targets (PAT). They also highlighted the high complexity and cost associated with measuring Scope 3 GHG emissions, which they found disproportionately difficult. Additionally, there was a call for more clarity about the resource inflows (E5-1) disclosure, particularly whether it pertains to the undertaking or the value chain. Moreover, respondents emphasized the need for additional guidance and examples, as well as reporting thresholds, for substances of concern and very high concern.

29. All **users** agreed with the approach taken by EFRAG on the value chain cap. Users did not provide specific comments in this question.

30. A half of **other** stakeholders agreed with the contents of Annex 3, while the remaining half disagreed. National or European authorities and standard setters who disagreed highlighted several issues. One emphasized the necessity of disclosing production sites to enable large undertakings to access IRs using sectoral data. One also found Scope 3 GHG emissions disproportionately difficult and costly to measure and another suggested removing GHG removal requirements due to a lack of connection with value chain information. Additionally, one expressed strong preference for sector-specific disclosures over entity-specific disclosures not included in the LSME ED.

Part A Q9.2)

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

Number of comments

31. Respondents provided a total of 22 comments.

	Number of comments and suggested improvements
Preparers, 8 out of 27 preparers, 30% response rate	8 out of 22 comments, 36%
Users, 0 out of 10 users, 0% response rate	N/A
Other, 14 out of 32 others, 44% response rate	14 out of 22, comments, 64%

Table 10: Breakdown per category of comments provided, by category (percentage)

Key insights based on comment analysis

32. **Preparers**. One Listed SME believes requirements should focus only on their operations, not the value chain. An Business association and three Industry Associations expressed scepticism about the value chain cap's effectiveness, suggesting alignment between VSME and LSME standards. They also proposed protecting SMEs from additional requests by providing more datapoints or legal prohibitions. Another Industry Association suggested using VSME standards as the cap.

33. **Others**. A National or European authority/Standard Setter agreed with the value chain cap, but suggested VSME standards should serve as the cap. They also recommended deleting part of the ED for simplification and allowing non-assured information from the value chain. An NGO made the same suggestion. One of these organisations expressed scepticism about the cap's practicality and emphasized the need for better alignment between LSME and VSME standards. They noted a potential misalignment between the value chain cap and VSME standards and highlighted that the cap fails to address critical aspects like using value chain data for assessing business counterparts. One NGO argued that the rationale for disclosures should focus more on SMEs' roles in sustainability rather than just user needs. An Academic or Research Institution supported better alignment of VSME standards with ESRS Set 1, while another believed requirements should focus only on SMEs' operations and not the value chain. An Accountant/Consulting Service agreed with the value chain cap approach but noted a gap between the value chain cap and VSME standards. Another Accountant/Consulting Service disagreed, suggesting mandatory due diligence assessments.

Part A Q10)

Q10) Selection of approach to develop guidance to support SMEs in addressing and reporting their sector specific IROs Please provide your comments, if any.

Overview of respondent choices

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.	The content of the future Sector ESRS for large undertakings.	Sector specific guidelines and disclosures designed for listed SMEs, to be issued by EFRAG as a non-authoritative annex to the future sector-ESRS.	Existing reporting practices, without specific EFRAG guidance.
Overall, 63 out of 69, 91% response rate	30 out of 63, 48%	9 out of 63, 14%	15 out of 63, 24%	9 out of 63, 14%
Preparer, 24 out of 27, 89% response rate	11 out of 24, 46%	3 out of 24, 13%	5 out of 24, 21%	5 out of 24, 21%
User, 9 out of 10, 90% response rate	6 out of 9, 67%	1 out of 9, 11%	1 out of 9, 11%	1 out of 9, 11%

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.	The content of the future Sector ESRS for large undertakings.	Sector specific guidelines and disclosures designed for listed SMEs, to be issued by EFRAG as a non-authoritative annex to the future sector-ESRS.	Existing reporting practices, without specific EFRAG guidance.
Other, 30 out of 32, 94% response rate	13 out of 30, 43%	5 out of 30, 17%	9 out of 30, 30%	3 out of 30, 10%

Table 11: Overview of respondent's preferences on sector-specific IROs possible guideline approaches, by category (percentage).

Key insights based on comment analysis

Preparers

Option: Voluntary sector-specific guidelines for SMEs (both listed and non-listed)

34. Some preparers supported sector-specific guidelines for both listed and non-listed SMEs. One listed SME emphasized that SMEs in the same sector are not substantially different, whether listed or non-listed. Undertaking and industry associations suggested stakeholder involvement in drafting these guidelines to address inconsistent information requests and to ensure the guidelines stem from sector ESRS for large undertakings. They also proposed sector-related implementation guidance in a concise table format to outline material sustainability issues per sector.

Option: Voluntary sector-specific guidelines for listed SMEs

35. Some preparers supported sector-specific guidelines for listed SMEs. Industry associations highlighted the differences between listed SMEs and large undertakings and suggested developing sector-specific guidelines that address these differences.

Users

Option: Voluntary sector-specific guidelines for SMEs (both listed and non-listed)

36. A majority of users supported sector-specific guidelines for both listed and non-listed SMEs. Two users highlighted the differences between large undertakings and SMEs, justifying the need for specific guidance for SMEs. They also indicated that it would not be useful to have different guidance for VSME and LSME.

Option: Voluntary content of future Sector ESRS for large undertakings

37. A few users supported using the content of future sector ESRS for large undertakings. They expressed no difficulties in adopting ESRS Sector guidance for large undertakings.

Others

Option: Voluntary sector-specific guidelines for SMEs (both listed and non-listed)

38. Some other stakeholders supported sector-specific guidelines for both listed and non-listed SMEs. National or European authorities/standard setters and NGOs emphasized the importance of sector-specific guidelines for consistency and comparability. They also suggested sector-related implementation guidance in a concise table format.

Option: Voluntary content of future Sector ESRS for large undertakings

39. A few other stakeholders supported using the content of future sector ESRS for large undertakings. NGOs and consulting services argued that relevant sustainability matters remain largely the same for large undertakings and SMEs in the same sector, hence sector ESRS for large undertakings may be used as guidance.

Option: Sector specific guidelines and disclosures designed for listed SMEs, to be issued by EFRAG as a non-authoritative annex to the future sector-ESRS

40. Some of other stakeholders supported sector-specific guidelines for listed SMEs. One National or European authorities/standard setter emphasized the need for clear guidelines tailored to the unique characteristics of listed SMEs.

Part B Q11) 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.

Overview of respondents that agree/disagree

Section 1	Preparer			User			Other		
	Response Rate	Agree	Disagree	Response Rate	Agree	Disagree	Response Rate	Agree	Disagree
Impacts; Risks and Opportunities	18 out of 27, 67%	78%	22%	8 out of 10, 80%	100%	0%	22 out of 32, 69%	68%	32%
6.1 Presenting comparative information	18 out of 27, 67%	67%	33%	8 out of 10, 80%	75%	25%	22 out of 32, 69%	86%	14%
6.2 Sources of estimation and	18 out of 27, 67%	72%	28%	8 out of 10, 80%	100%	0%	21 out of 32, 66%	90%	10%

Section 1	Preparer			User			Other		
	Response Rate	Agree	Disagree	Response Rate	Agree	Disagree	Response Rate	Agree	Disagree
outcome uncertainty									
6.3 Updating disclosures about events after the end of the reporting period	18 out of 27, 67%	78%	22%	8 out of 10, 80%	88%	13%	20 out of 32, 63%	90%	10%
6.5 Reporting errors prior period	17 out of 27, 63%	71%	29%	8 out of 10, 80%	100%	0%	20 out of 32, 63%	90%	10%
6.7 Matters in course of negotiation	18 out of 27, 67%	67%	33%	8 out of 10, 80%	100%	0%	20 out of 32, 63%	95%	5%

Table 12: Agreement and disagreement per category with proposed approaches to simplify ESRS Set 1 general requirements included in Section 1 (percentage)

Overall - Key insights based on comment analysis

41. Levels of agreement of the respondents are mostly consistent across the three categories.

42. The percentage of total respondents who agreed was, by category, Preparers (average 72%), Users (average 94%), and Others (average 87%) agreeing with the simplifications of the general requirements.

Key insights per item based on comment analysis

Impacts; Risks and Opportunities

43. A majority of **preparers** agreed with simplification of Impacts; Risks and Opportunities, indicating strong support for the voluntary disclosure of opportunities and positive impacts. Another preparer noted that financial materiality remains challenging for companies to grasp, thus supporting the chosen approach. Among the proxy for preparers dissenting the approach, one industry association states that a top-down approach might lead to inappropriate and misleading results. Another industry association and a listed SME

advocate for additional guidance on materiality assessment, acknowledging it will be a difficult task for listed SMEs.

44. **Users** also showed full agreement but did not provide additional comments to support their views.

45. However, only a majority of **others** agreed, with some expressing concerns. Among those who disagree with the approach, academic institutions argue that disclosure should cover both IRs and opportunities. Additionally, a respondent from accounting and consulting services points out the same, emphasizing that SMEs need motivation by showcasing positive effects and footprints, as well as turning risks and challenges into opportunities. One NGO highlights that while negative impacts are crucial, the focus should also be on value creation at the company level by promoting sustainable development through responsible business behaviour. National and European authorities and standards suggest that material impacts or risks arising from actions to address sustainability issues (paragraph 4a) should be removed in accordance with the principle of proportionality.

6.1 Presenting comparative information

46. Among the **preparers**, a majority agreed with the content of this point. Those who disagreed, including one listed SME, two industry associations and one business association also expressed that it would be burdensome for listed SMEs to assess "reasonable effort."

47. A majority of **users** agreed with the content of this point. A User of sustainability reporting statements (e.g. bank or investor) demands clarification on the meaning of the terms “reasonable effort”/” when impractical”/”difficult to assess”. Moreover, two other Users of sustainability reporting statements (e.g. bank or investor) mentioned when it is not feasible to adjust comparative information for one or more prior periods with reasonable effort, the company should disclose this fact and explain why the comparative information is unavailable or why the efforts to adjust it are unreasonable.

48. In the **other** category, most agreed, although some expressed dissent. One National or European authority/Standard Setter shares the view of users of sustainability reporting statements on the need to provide an explanation on unreasonable efforts.

6.2 Sources of estimation and outcome uncertainty

49. Among the **preparers**, a majority agreed with the content of this item. Those who disagreed suggested that the wording of the question and what information is being sought here is not clear. Industry associations' respondents also argued that while they want estimations to simplify reporting for SMEs, there should also be additional information with sources, which would involve a significant workload to search and assess various databases. They also emphasized that VSME should be the foundation for reporting.

50. All **users** agreed with the content of this point.

51. In the **Other** category, most agreed, although some expressed dissent. Among the dissenters, a National or European authority/standard setter states that estimations undermine the meaningfulness of the materiality assessment, another suggests deleting paragraph 10 due to low relevance and proportionality principle, and the third comment

from this subcategory calls into question the scope of simplification, by changing "full range" to "range of severity and likelihood".

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

52. Among the **preparers**, a majority agreed with the content of this item. Those who disagreed, including one respondent from the Business association and two respondents from Industry Associations, noted that it would be burdensome for listed SMEs to assess "reasonable effort."

53. Most **users** agreed with the content of this point. A user of sustainability reporting statements (e.g., bank or investor) added that it was unclear what is meant by "reasonable effort" and "when impracticable". One user of sustainability reporting statements (e.g., banks or investors) also showed disagreement, arguing that eliminating the disclosure of narrative information on the effects of events occurring after the reporting period could lead to investors not receiving important information.

54. In the **Other** category, most agreed, although a few expressed dissent. Among the dissenters, one National or European authority/standard setters estimate that the terms "reasonable effort"/"when impracticable" will be difficult to assess.

6.5 Reporting errors prior period

55. Among **preparers**, a majority expressed general agreement with the content of this point. However, one preparer from the business associations and two from industry associations expressed uncertainty regarding the interpretation of terms like "reasonable effort" and "when impracticable."

56. In contrast, all **users** supported the point. Nonetheless, one user shared some preparers' concerns as presented above.

57. Within the **Other** category most agreed, while a few voiced concerns. A national or European authorities / standard setters an NGO representative highlighted a lack of clarity on the definitions of "reasonable effort" and "where impracticable,". One national or European authority / standard setter suggests deleting 6.1 to 6.5 like what has been done for VSME because these aspects should all remain entity specific. Lastly, these same respondent states that it should be required to disclose when something is impractical to disclose.

(i) **6.7 Matters in course of negotiation**

58. Among **preparers**, a majority agreed with the content of this point. Some disagreed. One Listed SME, one not listed SME, three industry associations and one business association disagreed. One of the Industry Associations and the business association dissenting, argue that the content of this point should be the same as in ESRS Set 1.

59. Regarding **users**, all agreed with the content of this item, and did not provide additional comments.

60. In the **Other** category, most agreed with the point. One National or European authority/Standard Setter agreeing also argued that the option to omit ongoing business

should be subject to national legislation transposing the CSRD, similar to ESRS Set 1, contrary to EFRAG's interpretation. They emphasized that Article 19a(6) grants listed SMEs exemptions from specific CSRD provisions, differing from EFRAG's exclusionary stance.

Part B Q12) Section 1: General requirements

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).

Number of comments

61. Respondents provided a total of 17 comments.

	Number of comments and suggested improvements
Preparers	8 comments (8 out of 27 preparers, 30%)
Users	4 comments (4 out of 10 users, 40%)
Other	5 comments (5 out of 32 others, 16%)

Table 13: Breakdown per category of comments provided, by category (percentage)

Key insights based on comment analysis

62. **Preparers**, including Listed SMEs and Industry Associations, strongly advocate for substantial reductions in complexity throughout the exposure draft, aiming specifically to simplify reporting requirements for SMEs. Industry Associations also emphasize the need for clarification of terms like "reasonable" in sections 6.1 and 6.3, suggesting that explanations should be provided on how efforts were deemed "unreasonable."

63. **Users** of sustainability reporting statements stress the necessity for clarity on terms like "reasonable" in sections 6.1 and 6.3. They also emphasize the importance of companies providing justifications for disclosures in section 6.7.

64. **Others**, namely National or European authority/Standard Setters suggest enhancing the LSME ED by improving readability through consolidating related paragraphs and aligning AR paragraphs within the main text instead of separate appendix sections. They emphasize the need for clear definitions of terms like "reasonable" and advocate for disclosing opportunities in sustainability reporting to attract investors. Additionally, they propose restructuring the draft to ensure clarity and organization, covering both general principles and specific requirements effectively. They also call for reducing excessive coverage of subjects not pertinent to SMEs. Meanwhile, NGOs reiterate the importance of comprehensive sustainability reporting that includes opportunities alongside risks, highlighting its positive influence on investor decisions. Finally, Accountant/Consulting services seek further clarification on specific paragraphs, such as those addressing negative human rights impacts and the materialization of risks. They express concerns about the audit implications of omitting disclosures and propose adjustments for clarity and coverage within the reporting standards.

Part B Q13) 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

Overview of respondents that agree/disagree

Section 2	Preparer			User			Other		
	Response Rate	Agree	Disagree	Response Rate	Agree	Disagree	Response Rate	Agree	Disagree
DR-1 (BP 1) - General basis for preparation of the sustainability statement and DR-2 (BP 2) - Disclosures in relation to specific circumstances	17 out of 27, 63%	76%	24%	9 out of 10, 90%	89%	11%	21 out of 32, 66%	76%	24%
DR-3 (GOV 1) - The role of the administrative, management and supervisory bodies	19 out of 27, 70%	79%	21%	9 out of 10, 90%	89%	11%	20 out of 32, 63%	70%	30%
DR-4 (GOV 2) – Due diligence	19 out of 27, 70%	47%	53%	8 out of 10, 80%	100%	0%	21 out of 32, 66%	67%	33%
DR-5 (SBM 1) - Strategy, business model and value chain	17 out of 27, 63%	65%	35%	9 out of 10, 90%	56%	44%	20 out of 32, 63%	80%	20%
DR-6 (SBM 2) - Interests and	19 out of 27, 70%	68%	32%	9 out of 10, 90%	100%	0%	20 out of 32, 63%	70%	30%

Section 2	Preparer			User			Other		
	Response Rate	Agree	Disagree	Response Rate	Agree	Disagree	Response Rate	Agree	Disagree
views of stakeholders									
DR-7 (SBM-3) - Material impacts and risks and their interaction with strategy and business model	17 out of 27, 63%	59%	41%	9 out of 10, 90%	67%	33%	18 out of 32, 56%	83%	17%
DR-8 (SBM 4) - Material opportunities and positive impacts as voluntary content	17 out of 27, 63%	94%	6%	9 out of 10, 90%	100%	0%	20 out of 32, 63%	70%	30%
DR-9 (IR 1) - Processes to identify and assess material impacts and risks	17 out of 27, 63%	65%	35%	9 out of 10, 90%	67%	33%	18 out of 32, 56%	78%	22%

Table 14: Agreement and disagreement per category with proposed approaches to simplify ESRS Set 1 general disclosures included in Section 2 (percentage)

Overall - Key insights based on comment analysis

65. Levels of agreement of the respondents present with a few trends. Namely, preparers disagree with **DR-4 (GOV 2) – Due diligence** more than the other two categories do, and the same can be said for **DR-7 (SBM-3) - Material impacts and risks and their interaction with strategy and business model.** Users register the highest disagreement with **DR-5 (SBM 1) - Strategy, business model and value chain,** 4 out of the 9 who answered the question disagree. As for others, it is also noticeable that there is higher disagreement with **DR-4 (GOV 2) – Due diligence** than with other DRs.

66. The percentage of total respondents who agreed was, by category, Preparers (average 69%), Users (average 83%), and Others (average 74%) agreeing with the approaches to simplify general disclosures from ESRS Set 1.

Key insights per item based on comment analysis

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

67. A majority of **preparers** agreed with DR-1 and DR-2. One business association and two industry associations found the term "reasonable effort" unclear, suggesting additional guidance.

68. Most **users** supported DR-1 and DR-2. 1 respondent belonging to the users of sustainability reporting statements category emphasized the need for credible value chain estimations, in the sense that LSMEs are in the capacity to collect value chain information because their value chains are not particularly complex. Furthermore, one other user found BP2 too prescriptive and burdensome, suggesting simplifications and opposing the requirement to report omitted information, which adds complexity.

69. Among **others**, a majority agreed. One national or European authority or standard setter raised the issue that BP-1 5b.) of ESRS 2 should not be omitted in LSME (for consolidated sustainability statements), and one respondent from accounting/consulting services questions why is a “shall” and not a “may”. Lastly, one other national or European authority or standard setter proposes additional deletions and changes of the wording.

DR-3 (GOV 1) - The role of the administrative, management and supervisory bodies

70. A majority of **preparers** agreed with DR-3. Listed SMEs and industry associations argued that EFRAG has gone beyond Article 19a by mandating disclosures that should be optional. They believe the 'shall' requirement should be replaced by 'may' to provide flexibility, allowing SMEs to report based on relevance rather than a blanket requirement.

71. Most **users** supported DR-3. Users from banks and investors expressed concerns about oversimplification, reducing comparability. They preferred having the same data points as in ESRS 2, allowing LSMEs to state when a disclosure is not relevant. Users also suggested adding missing data points related to material impacts and risk management, advocating for additional guidance and tools.

72. Among **others**, a majority agreed. One national or European authority / standard setter recommended changing the terminology for governance bodies to reflect simpler structures in SMEs. One NGO suggested modifying certain disclosures to better align with ESRS 2 (e.g., revert merging of Gov-1 and Gov-2), ensuring comparability.

DR-4 (GOV 2) – Due diligence

73. Only some **preparers** agreed with DR-4. A SNCI, an business association, and five industry associations argued for voluntary due diligence disclosures.

74. All **users** supported DR-4. One user emphasized the importance of maintaining due diligence disclosures, and another acknowledged SMEs might need additional guidance to implement these processes.

75. Among **others**, a majority agreed. While one National or European authority/standard setter and one NGO supported the deletion of the disclosure in line with proportionality and low relevance for LSMEs, two respondents from accountant/consulting services stressed the importance of this disclosure for transparency and requested a more granular disclosure requirement. A third respondent from accountant/consulting services argues that the disclosure should be voluntary. Finally, two NGOs highlight the criticality of the disclosure and argue against its exclusion.

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

76. A majority of **preparers** agreed with DR-5. Two industry associations and an business association disagreeing suggested modifying requirements to cover subsidiaries only if they are part of the value chain, making disclosures more relevant and manageable. Another industry association also called for clarifying the scope of revenues related to controversial sectors like fossil fuels and tobacco.

77. A majority of **users** supported DR-5. However, from those dissenting, one expressed concern about changes in SBM 1 compared to ESRS Set 1, noting reduced comparability. Another suggested clarifying the scope of revenues from sectors such as fossil fuels and tobacco and a third one argued for maintaining the revenue breakdown, which they find useful for understanding business models and strategies.

78. Among **others**, most agreed. One National or European authority/Standard Setter suggested deleting or reframing paragraphs 28.a.iv., 28b. and 28d. to avoid redundancy. One NGO argues for less simplification of this DR and better alignment with ESRS Set 1 and 2, and finally, and another states that revenue breakdown may have been useful and worth keeping.

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

79. A majority of **preparers** agreed with DR-6. A listed SME highlighted the need for additional clarification on whether stakeholder dialogue is required, noting that dealing with stakeholder feedback is time-consuming and challenging. One SNCI argued that the disclosure should be voluntary. One industry association echoed this sentiment, suggesting that the 'report if you have' disclosures should be voluntary.

80. All **users** supported DR-6. One comment from a user of sustainability reporting statements (e.g., banks or investors) suggested that engagement with stakeholders should detail the category of stakeholders and the results of engagement.

81. Among **others**, a majority agreed. Two accountants/consulting services and one NGO argued that the disclosure should be mandatory. Another accountant/consulting service argues it should be voluntary. A national or European authority/standard setter recommended merging related data points to simplify the requirements.

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

82. A majority of **preparers** agreed with DR-7. Comments stemming from disagreement can be summarised as follows: An industry association and an business association called for further simplifications, arguing that the current requirements are too granular. Another industry association argues that the disclosure should not be required in the first place, revealing data sensitivity concerns. A third industry association supports the requirement of a resilience disclosure. Lastly, one business association highlighted the need for flexibility in disclosing forward-looking information when detailed quantitative data is not feasible.

83. A majority of **users** supported DR-7. From a disagreement standpoint, two users from sustainability reporting statements (e.g., banks or investors) recommend that resilience is required. Another suggests to better align this DR with ESRS Set 1, and a fourth one presents multiple points for improvement, i. suggestion to have a pre-set list of biodiversity sensitive areas and to only require information about incidents of forced labor if the country of operation is associated with any risks, ii. suggestion to only require sectoral and geographic distribution, while other aspects would be entity specific, iii. Additional guidance on the definitions of climate-related physical risk/transition risk, iv. Suggestion to exempt undertaking from conducting the value chain assessment if workers in the value chain are located exclusively in the EU.

84. Among **others**, most agreed. From a disagreement standpoint, one National or European authority/Standard Setter suggests that content of AR23 to AR27 be reduced and presents multiple suggestions to modify paragraph 35.

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

85. Most preparers agreed with DR-8. They provided no additional comments.

86. All users supported DR-8. They provided no additional comments.

87. Among others, a majority agreed. From a disagreement standpoint, one National or European authority/Standard Setter suggests deleting paragraph 42 or moving it to ARs because the quantification of financial effects should be entity specific. Two accountant/consulting services and one academic or research institution supported the voluntary disclosure of opportunities, noting it allows SMEs to benefit from their sustainability initiatives.

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

88. A majority of **preparers** agreed with DR-9. From a disagreement standpoint, one Listed SME called for additional guidance, including examples of risks and impacts in different industries. risks and impacts; an business association argues for additional guidance and further simplifications of this disclosure; and an industry association argues that ESRS 2 SBM-3 par. 53 (a) (methodologies and assumptions) should be included

89. A majority of **users** supported DR-9. From a disagreement standpoint, users from sustainability reporting statements (e.g., banks or investors) recommended aligning this disclosure more closely with ESRS 2 to enhance comparability. Three of them also

suggested including specific methodologies and assumptions, like ESRS 2 SBM-3 par. 53 (a), to provide clearer guidance.

90. Among **others**, a majority agreed. From a disagreement standpoint, two NGOs argue for more alignment with ESRS Set 1 and 2. One National or European authority/Standard Setter suggested merging certain AR 36 to 38 and making them applicable to all environmental topics, additionally the same respondent recommended deleting paragraph 40 and paragraph 42 to align with the proportionality principle.

Part B Q14) Section 2: General disclosures

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)

Number of comments

91. Respondents provided a total of 9 comments.

	Number of comments and suggested improvements
Preparers	3 comments (3 out of 27 preparers, 11%)
Users	1 comment (1 out of 10 users, 10%)
Other	5 comments (5 out of 32 others, 16%)

Table 15: Breakdown per category of comments provided, by category (percentage)

Key insights based on comment analysis

92. Listed SMEs, as **preparers**, express agreement that the proposed disclosures are feasible, suggesting a reduction in the scope of initially planned reserves.

93. In the **other** category, National or European authorities/Standard Setters emphasize the need for further simplification in paragraphs GOV-1, SBM-1, SBM-3, and IR-1 within the LSME ED. Specific suggestions include:

    a. summarizing Paragraph 20 to exclude disclosures unrelated to sustainability matters.

    b. simplifying disclosures on business models and value chains (SBM-1), material impacts and risks (SBM-3),

    c. and streamlining materiality processes (IR-1) across environmental topics.

94. NGOs advocate for the reintroduction of disclosures under GOV-2, GOV-3, and GOV-5 in ESRS Set 2, emphasizing their importance for credit and investment decisions. They argue that maintaining the content and wording of these disclosures is crucial for transparency and accountability purposes.

Part B Q15) Section 2: General disclosures

Q15) Would you like to reinsert the "information about the resilience of the undertaking`s strategy"?

Overview of respondents that agree/disagree

	Agree	Disagree
Overall, 47 out of 69, 68% response rate	13 out of 47, 28%	34 out of 47, 72%
Preparers, 16 out of 27, 59% response rate	2 out of 16, 13%	14 out of 16, 88%
Users, 9 out of 10, 90% response rate	5 out of 9, 56%	4 out of 9, 44%
Other, 22 out of 32, 69% response rate	6 out of 22, 27%	16 out of 22, 73%

Table 16: agreement/ disagreement with reinsert the "information about the resilience of the undertaking's strategy", by category (percentage)

Key insights based on comment analysis

95. Only a few preparers agreed with reinserting the resilience disclosure. Industry associations supported the need for resilience strategy disclosures, at least in a simplified format or on a voluntary basis. However, most preparers disagreed, arguing that the requirement is too burdensome for SMEs, which typically do not have formalised resilience strategies. Industry associations also noted that SBM-3 requirements are too granular and suggested removing ARs related to resilience to simplify reporting.

96. A majority of users agreed with reinserting the resilience disclosure. Users from sustainability reporting statements (e.g., banks or investors) and a rating agency emphasized the necessity of disclosing resilience strategies to provide relevant information for users, suggesting that it could be done in a simplified format or on a voluntary basis to meet local reporting obligations. However, some users disagreed, noting that the requirement is too burdensome for SMEs, which often lack formalised strategies.

97. Only some among other stakeholders agreed with reinserting the resilience disclosure. One NGO and one accountant/consulting services highlighted the relevance of resilience disclosures for users, suggesting they could be necessary in a simplified format or on a voluntary basis. However, a majority of other stakeholders disagreed. National or European authorities/standard setters as well as NGOs argued that including resilience disclosures beyond what is clearly prescribed by the CSRD is not desirable. Academic or research institutions and most Accountant/Consulting services who commented noted that the

requirements are too burdensome for SMEs, which typically do not have formalised resilience strategies.

Part B Q16) Section 2: General disclosures

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?

Overview of respondents that agree/disagree

	Agree	Disagree
Overall, 44 out of 69, 64% response rate	29 out of 44, 66%	15 out of 44, 34%
Preparer, 15 out of 27, 56% response rate	10 out of 15, 67%	5 out of 15, 33%
User, 9 out of 10, 90% response rate	6 out of 9, 67%	3 out of 9, 33%
Other, 20 out of 32, 63% response rate	13 out of 20, 65%	7 out of 20, 35%

Table 17: Agreement and disagreement per category with proposed approach to keep requirements for the information related to current financial effects and anticipated financial effects in SBM-3 as separate datapoints (percentage)

Key insights based on comment analysis

98. A majority of **preparers** agreed with maintaining separate disclosures. Listed SMEs generally support the separation of datapoints to ensure clarity and prevent confusion, though they suggest that the disclosures could be simplified to reduce complexity. Small non-complex financial institutions argue for merging the datapoints in order to ease the burden, while some undertaking and industry associations emphasize that separate datapoints are essential for clarity. Some preparers also highlight the difficulty in obtaining anticipated financial effects information and suggest allowing qualitative descriptions instead. Industry associations note that different time frames for various data points justify keeping them separate and argue that merging disclosures would lead to confusion.

99. A majority of **users** agreed with maintaining separate disclosures. Users from sustainability reporting statements (e.g., banks or investors) agree with the separation of datapoints but recommend further simplification of disclosures. They believe that maintaining separate disclosures ensures consistency and is beneficial for users, making the information clearer

and more useful. Users also highlight that different time frames for various data points justify keeping them separate to ensure accurate reporting.

100. A majority of **other** stakeholders agreed with maintaining separate disclosures. NGOs emphasize that keeping the disclosures separate ensures consistency, which benefits users, and is crucial for clarity. Academic or research institutions suggest better linking current effects with financial reporting and eliminating anticipated financial effects for LSMEs due to the burden. Accountants and consulting services also support maintaining separate datapoints for consistency and clarity but two respondents suggest merging some aspects to simplify the process and reduce the reporting burden on SMEs.

Part B Q17) 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

Section 3	Preparer			User			Other		
	Response rate	Agree	Disagree	Response rate	Agree	Disagree	Response rate	Agree	Disagree
MDR-P, MDR-A	16 out of 27, 59%	88%	13%	7 out of 10, 70%	86%	14%	18 out of 32, 56%	61%	39%
Policies and Actions across ESRS E1-E5 and S1-S4	17 out of 27, 63%	71%	29%	7 out of 10, 70%	86%	14%	20 out of 32, 63%	65%	35%
MDR-T	17 out of 27, 63%	82%	18%	7 out of 10, 70%	100%	0%	19 out of 32, 59%	53%	47%
Targets across ESRS E1-E5 and S1-S4	17 out of 27, 63%	88%	12%	7 out of 10, 70%	86%	14%	20 out of 32, 63%	45%	55%
Processes for engaging with own workforce, workers in the value chain, affected communities, consumers and end-users, and their representatives about impacts	17 out of 27, 63%	65%	35%	7 out of 10, 70%	100%	0%	19 out of 32, 59%	58%	42%
Processes to remediate negative impacts and channels for own workforce, workers in the value chain, affected communities, consumers and end-users to raise concerns	16 out of 27, 59%	69%	31%	7 out of 10, 70%	100%	0%	19 out of 32, 59%	68%	32%

Table 18: Agreement and disagreement per category with proposed approach to simplify ESRS Set 1 general requirements included in Section 3 (percentage)

1. Overall - Key insights based on comment analysis

101. Levels of agreement of the respondents are mostly consistent, with the notable exception of the 'other' category which showcases rather split views for MDR-T, Targets across ESRS E1-E5 and S1-S4, and Processes for engaging with own workforce, workers in the value chain, affected communities, consumers and end-users, and their representatives about impacts.

102. The percentage of total respondents who agreed was, by category, Preparers (average 77%), Users (average 93%), and Others (average 58%) agreeing with the detailed metrics for various sustainability reporting requirements.

2. Key insights per item based on comment analysis

MDR-P, MDR-A

103. Most preparers agreed with the content of the MDR-P and MDR-A, indicating strong support for these disclosures.

104. Most users also showed high agreement, reflecting the alignment of these disclosures with their needs for reliable sustainability information. Users of sustainability reporting statements registered one significant concern among the dissenters which was about substantial changes to the LSME standard structure, arguing for consistency with ESRS Set 1 to ensure comparability and ease of transition.

105. However, only a majority of others agreed, with some expressing concerns, suggesting a need for addressing specific feedback from this group. Those National or European authority/ Standard Setters who disagreed suggested that adopting Modules 1, 2, and 3 of the VSME ESRS for LSME ESRS with necessary adaptations would be beneficial. Additionally, they felt that certain actions in paragraph 8 (d) to (e) were of limited relevance for LSMEs and should be removed to better align with the needs and capabilities of smaller entities. There was also a suggestion to combine plans, actions, and targets with metrics in the ESG sections to enhance coherence and usability of the standards. Academic or research institutions registered some disagreement based on the belief that centralizing PAT requirements in section 3 does not simplify or reduce the burden for LSMEs and should align more closely with the Full ESRS structure. Accountant and consulting services were divided. Supporters noted the importance of simplifications compared to ESRS, while dissenters reiterated concerns about centralizing PAT requirements.

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

106. The majority of preparers and most users showed strong support for these policies and actions, highlighting their relevance and importance for sustainability reporting. Industry associations (as proxy for preparer) cited the complexity and practical challenges of the current LSME ESRS ED. They suggested simplification and alignment with the "report if you have one" approach, emphasizing the need for legal definitions for certain terms. Business associations (as proxy for preparer)' views were evenly split, but the disagreeing ones made remarks coinciding with the clarify "report if you have" also made by Industry Associations.

107. Once again, users expressed concern that significant structural changes to the LSME standard would lead to confusion and reduced comparability.

108. Among others, a majority agreed, but some disagreed, indicating some reservations about the complexity and applicability of these requirements for certain entities. Only some National or European authorities and standard setters agreed, while a majority disagreed. The main reasons for disagreement included concerns about the extensive number of Application Requirements (AR) on plans, actions, and targets (PAT), which were seen as overly complex and burdensome. Specific requirements, such as those related to the climate transition plan, were deemed unnecessary for LSMEs and should be removed to simplify the standard. Academic or research institutions showed mostly agreement, with a minority disagreeing due to concerns about the centralization of PAT requirements, which they argued does not reduce the burden for LSMEs and should be better aligned with the Full ESRS structure. Accountants and consulting services who support the approach noted the importance of simplifications compared to ESRS, while those who dissent pointed out the complexity and difficulty in navigating the current requirements.

MDR-T

109. Most Preparers and all users unanimously supported the MDR-T requirements, underscoring their importance for detailed and reliable sustainability reporting.

110. In contrast, only a majority of others agreed, while some disagreed, pointing to significant concerns about the complexity and relevance of these requirements for smaller entities. The primary reasons for disagreement by National or European authorities/standard setters included suggestions to remove certain detailed sub-paragraphs within Paragraph 17, which were seen as overly complex or irrelevant for LSMEs, and a call for mandatory disclosure of whether companies have set targets to ensure transparency. Dissenters among Academic or research institutions criticised the centralisation of PAT requirements, which they argued did not simplify reporting for LSMEs and recommended alignment with the Full ESRS structure. The main points of contention of Accountants and consulting services resemble those of Academic or research institutions.

Targets across ESRS E1-E5 and S1-S4

111. Most preparers and most users strongly agreed with the targets, suggesting they find them relevant and applicable to their reporting practices. Both Industry and Business associations (as proxies for preparers) agreed on the importance of simplifying the reporting framework and the need for clear guidance, though Industry Associations had some reservations about the complexity of the current approach.

112. As for users, users of sustainability reporting statements dissenting the approach stressed the importance of detailed disclosures on targets and transition plans, criticizing the removal of crucial details and the relocation of climate mitigation transition plans to less prominent sections, which they deemed unhelpful.

113. All the while, only some among others agreed, with a majority disagreeing, highlighting the need for further refinement to meet the needs of all stakeholders. Roughly one third of National or European authorities and Standard Setters, criticizing detailed target

requirements as burdensome. NGOs were split, with dissenters calling for standardization and comprehensive climate disclosures. Accountant/consulting services argued for maintaining the "report if you have" and noted the need for clearer guidelines and examples (specifically on impact on financial statements) and better alignment with the Full ESRS on MDRs and topical requirements. Overall, the group highlighted issues with complexity and the need for simplified, standardized reporting guidelines.

Processes for Engaging with Own Workforce, Workers in the Value Chain, Affected Communities, Consumers and End-Users, and Their Representatives about Impacts

114. The majority of preparers on the importance of these engagement processes, reflecting their value in comprehensive sustainability reporting. listed SMEs largely supported the processes for engaging with their workforce, value chain workers, communities, consumers, and end-users. They emphasized the importance and relevance of these processes, although some argued for making these engagement processes voluntary, particularly where local laws do not mandate worker representation. SNCIs fully supported the detailed engagement processes. Industry and Business associations were divided, with some advocating for a simpler, standardized reporting framework based on the VSME standard and highlighting inconsistencies in the current structure.

115. And users agree. They emphasized the importance of transparent and comprehensive engagement processes for effective stakeholder relationship management, which they see as crucial for sustainability performance and risk management strategies.

116. Among others, a majority agreed, while some disagreed, indicating a need for clearer guidelines and practical approaches for implementation. Some authorities and standard setters criticized the application requirements as excessively detailed and impractical, suggesting consolidating plans, actions, and targets within ESG sections. Academic institutions mostly agreed but some argued against centralizing PAT requirements, suggesting alignment with the Full ESRS. Accountant/Consulting services were split, with some supporting centralizing requirements while others emphasized the need for specific data points and better alignment with the Full ESRS structure.

Processes to Remediate Negative Impacts and Channels for Own Workforce, Workers in the Value Chain, Affected Communities, Consumers and End-Users to Raise Concerns

117. A majority of preparers, including listed SMEs, SNCIs, and associations (Industry and Undertaking), showed support for the outlined remediation processes, emphasizing their importance in addressing negative impacts effectively. However, there is mixed agreement among Industry and Business associations. Some prefer a simpler, standardized reporting framework based on the VSME standard and have highlighted inconsistencies and confusion in the current structure, particularly regarding workforce and value chain information.

118. As for users, they this group of respondents showed full support for the approach. They view such processes as essential for effective sustainability reporting and risk management, emphasizing their significance for transparency and accountability.

119. Among others, a majority agreed, while some disagreed, suggesting a need for more specific guidance to address the concerns of this group. Among National or European authorities and standard setters, roughly a third agree, with most finding the requirements excessively detailed and impractical. They suggest combining plans, actions, and targets with metrics within ESG sections for better coherence and usability. Academic institutions mostly agree but some dissent, arguing that centralizing PAT requirements does not simplify or reduce the burden for LSMEs, and suggesting alignment with the Full ESRS for mandatory and topical disclosure requirements. Accountant/Consulting services dissenting emphasized the need for more specific data points and highlighted the challenges of discussing social factors, suggesting that these should not be overlooked but used strategically. They also disagreed with the current approach to centralizing PAT requirements, recommending better alignment with the Full ESRS structure.

Part B Q18) Section 3: Policies, actions and targets

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).

Number of comments

120. Respondents provided a total of 12 comments.

	Number of comments and suggested improvements
Preparers	3 comments (3 out of 27 preparers, 11%)
Users	3 comments (3 out of 10 users, 30%)
Other	6 comments (6 out of 32 others, 19%)

Table 19: Breakdown per category of comments provided (percentage)

Key insights based on comment analysis

121. Preparers, including Listed SMEs and Rating Agencies, provided a critical suggestion regarding the clarity of the guidelines. Specifically, 1 out of 11 Listed SMEs recommended that EFRAG better clarify the concept of Minimum Disclosure Requirements (MDR) directly in the main document Annex. This suggestion aims to streamline the process and reduce the need for preparers to delve deeply into the detailed guidelines, thereby enhancing accessibility and understanding.

122. Users, including sustainability reporting statement users (such as banks or investors), emphasized the need for simplification and clarity. One out of four users highlighted the complexity of providing information on biodiversity offsets for LSMEs, noting it offers little value to data users. They suggested using simplified examples and employing color codes to distinguish between mandatory requirements and suggestions, thus improving the overall clarity of the guidelines. This feedback underscores the importance of making the reporting process more user-friendly and accessible to ensure effective implementation and utility.

123. Other stakeholders, comprising National or European authorities, NGOs, Industry Associations, Academic institutions, and Accountant/Consulting services, provided diverse and detailed feedback. National or European authorities suggested simplifying section 3 by reducing cross-references and clearly outlining PAT requirements in one place. NGOs recommended maintaining consistency in disclosure requirements across different sets of standards, particularly for ESRS E1 and E4. Industry Associations criticized the unclear explanations and lack of practical examples, urging for improved clarity and relevance. Academic institutions opposed centralizing PAT requirements, suggesting alignment with the Full ESRS structure to reduce the burden on LSMEs. Accountant/Consulting services highlighted issues such as the lack of organization and practical examples, recommending clearer formulations and expectations for report content. These varied insights point to the need for EFRAG to refine and streamline its guidelines to enhance comprehensibility, consistency, and practical application across different stakeholder groups.

Part B Q19) Section 4: Environment

Q19) 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.

Overview of respondents that agree/disagree

Section 4	Preparer			User			Other		
	Response rate	Agree	Disagree	Response rate	Agree	Disagree	Response rate	Agree	Disagree
DR E1-1 Energy consumption and mix	16 out of 27, 59%	69%	31%	8 out of 10, 80%	75%	25%	20 out of 32, 63%	85%	15%
DR E1-1 Energy intensity based on net revenue	17 out of 27, 63%	65%	35%	8 out of 10, 80%	88%	13%	20 out of 32, 63%	80%	20%
DR E1-2 Gross Scopes 1, 2, 3 and Total GHG emissions	17 out of 27, 63%	53%	47%	9 out of 10, 90%	78%	22%	21 out of 32, 66%	81%	19%
DR E1-2 GHG intensity based on net revenue	17 out of 27, 63%	59%	41%	8 out of 10, 80%	100%	0%	19 out of 32, 59%	84%	16%

Section 4	Preparer			User			Other		
	Response rate	Agree	Disagree	Response rate	Agree	Disagree	Response rate	Agree	Disagree
DR E1-3 GHG removals and GHG mitigation projects financed through carbon credits	16 out of 27, 59%	69%	31%	8 out of 10, 80%	88%	13%	20 out of 32, 63%	90%	10%
DR E1-4 Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	17 out of 27, 63%	41%	59%	8 out of 10, 80%	100%	0%	20 out of 32, 63%	85%	15%
DR E2-1 Pollution of air, water and soil	18 out of 27, 67%	72%	28%	7 out of 10, 70%	100%	0%	20 out of 32, 63%	80%	20%
DR E2-2 Substances of concern and substances of very high concern	15 out of 27, 56%	73%	27%	9 out of 10, 90%	100%	0%	20 out of 32, 63%	80%	20%
DR E3-1 Water consumption	18 out of 27, 67%	72%	28%	8 out of 10, 80%	88%	13%	20 out of 32, 63%	85%	15%
DR E4-1 Impact metrics related to biodiversity and ecosystems change	17 out of 27, 63%	47%	53%	8 out of 10, 80%	63%	38%	20 out of 32, 63%	75%	25%
DR E5-1 Resources inflows	17 out of 27, 63%	47%	53%	9 out of 10, 90%	100%	0%	19 out of 32, 59%	84%	16%
DR E5-2 Resources outflows	16 out of 27, 59%	50%	50%	9 out of 10, 90%	100%	0%	19 out of 32, 59%	89%	11%
DR E6 – Anticipated financial effects from material environmental-	16 out of 27, 59%	50%	50%	8 out of 10, 80%	100%	0%	19 out of 32, 59%	84%	16%

Section 4	Preparer			User			Other		
	Response rate	Agree	Disagree	Response rate	Agree	Disagree	Response rate	Agree	Disagree
related matters other than climate									

Table 20: Agreement and disagreement per category with proposed approaches to simplify ESRS Set 1 metrics included in Section 4

Overall - Key insights based on comment analysis

124. Levels of agreement of the respondents vary per metric. For example, simplification of DR E4-1 showcases the lowest levels of agreement across the three categories (47%-75%), while for most other DRs if disagreement is higher that is only the case for one or two of the categories. In particular, preparers are the category that consistently expresses the highest level of disagreement with the simplifications. The percentage of total respondents who agreed was, by category, Preparers (average 59%), Users (average 91%), and Others (average 83%) agreeing with the simplification of ESRS environment metrics for LSMEs.

125. Two respondents consistently made the same comment under each DR: an accountant/consulting service provider who supports simplification but only provides detailed feedback on DR E4-1, and an NGO that supports the VSME standard's application to LSMEs.

Key insights per item based on comment analysis

DR E1-1 Energy Consumption and Mix

126. The majority of preparers agreed with the simplifications for DR E1-1, emphasizing the need for simplification and practicality in reporting energy consumption metrics. However, some disagreed, citing concerns about the feasibility of implementing detailed requirements (e.g., reporting both consumption from renewable and nuclear sources), especially for smaller entities.

127. The majority of users agreed with the need for detailed disclosures but requested additional guidance to ensure the reported information is useful and comparable. However, some disagreed, indicating that there is still room for improvement in the guidelines.

128. Most respondents in the Others category also agreed. However, some disagreed, highlighting the need for support documents in local languages and practical examples for determining energy consumption and mix, and emphasizing the importance of consistency and alignment with broader regulatory frameworks.

DR E1-1 Energy Intensity Based on Net Revenue

129. The majority of preparers agreed, However, some disagreed. An Industry/ Business association disagreed and requests practical examples and guidance in local language, one Listed SME and one Industry/ Association argue that the phase-in is applicable for

additional 1 or 2 years. Another Listed SME suggest that this DR should be voluntary or not applicable

130. Most users agreed. One user recommended additional guidance consisting of a list of high climate impact sectors and calculation tools for energy intensity. A few disagreed but did not provide additional comments. =

131. Most respondents in the others category agreed, emphasizing the need for clear guidelines and practical examples in local languages. However, some disagreed. One accountant/consulting service stressed the importance of providing support to ensure accurate and consistent reporting, an NGO questions that necessity of 1-year phase-in and a National or European authority/ standard setter proposes multiple simplifications consisting of deletions of data points in between paragraphs 9 and 11.

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

132. A slight majority of preparers agreed but highlighted difficulties in acquiring data for Scope 3 emissions from partners. However, some disagreed, suggesting that Scope 3 emissions reporting should be voluntary for smaller entities due to the challenges involved. Moreover, two Business associations and two Industry Associations find the prescribed method for consolidating emissions unclear and even incoherent with the CSRD requirement of individual reporting.

133. The majority of users supported the approach. One user called for A gradual approach and phase-in provisions of up to 5 years. Another user highlighted the relevance of this disclosure.

134. Most respondents in the Others category agreed, highlighting difficulties in acquiring data for Scope 3 emissions and the need for clear guidelines. However, a few disagreed, emphasizing the importance of consistency and alignment with existing regulatory frameworks. A National Authority/ Standard Setter disagreed and asked to delete/ streamline certain paragraphs. These specific suggestions include:

135. Deletion of paragraphs 16 and 17 (percentage of Scope 1 GHG emissions from regulated emission trading schemes), as well as related ARs.

    i. Reference to scope 2 GHG emissions should be deleted from AR6, disaggregation according to multiple criteria should be deleted from AR7, and AR13b. pertaining to the disclosure of GHG emissions based on market-based scope 2 GHG emissions should be deleted.

  b. Further simplification of paragraph 12a., 12d., 15, 20, in line with proportionality principle.

  c. Paragraph 18: data point on market-based Scope 2 GHG emissions should be voluntary

136. An Authority/ Standard Setter agreed with the approach of centralising anticipated financial effects from topics other than climate change. An additional Authority/ Standard Setter agreed with allowing the use of different metrics.

DR E1-2 GHG Intensity Based on Net Revenue

137. The majority of preparers agreed. However, some disagreed, highlighting concerns about the feasibility of detailed reporting. One Lised SME suggests that ratios will not provide meaningful information in many cases and the DR should be voluntary.

138. All users agreed,. There were no disagreements in this category, but one user added that a phase-in provision may be granted for this datapoint

139. Most respondents in the others category agreed. However, a few disagreed, and a National or European authority/Standard Setter indicated that the datapoint is not relevant for LSMEs due to limited size and should therefore be deleted.

DR E1-3 GHG Removals and GHG Mitigation Projects Financed Through Carbon Credits

140. The majority of preparers agreed while, some disagreed. Two Industry Associations and one business association argue for further simplification of this DR.

141. Most users agreed and a few disagreed. One user agreeing with the simplification of the DR highlighted the importance of reporting removals and emissions separately.

Most respondents in the others category agreed, emphasizing the need for clear guidelines and support documents. However, a few disagreed, and a National or European authority/Standard Setter indicated that the datapoint is not relevant for LSMEs should become a “may” because they are expectedly not practicing offsetting **DR E1-4 Anticipated Financial Effects from Material Physical and Transition Risks and Potential Climate-Related Opportunities**

142. Some preparers agreed, while a majority disagreed. Comments simply request further simplification and/or suggest alternative avenues for simplification. Two Industry Associations and one business association argue for further simplification of this DR. A SNCI requested that the disclosure becomes a “report if you have”, a Listed SME warns that the disclosure should be met by referring to the financial report, and lastly an business association and an industry association argue that the DR should address net-risks (after climate change adaption and mitigation actions) and therefore paragraphs 31a. and 32a. should be partially deleted.

143. All users agreed. One user of sustainability reporting statements mentions that the disclosure should be voluntary and that LSMEs should not be required to perform climate scenarios.

144. Most respondents in the others category agreed, and a few disagreed, . A National or European authority/Standard Setter who agrees recommends the addition of references to energy performance and efficiency directives. From a dissenting standpoint, an academic or research institution states that the DR is too burdensome, and a National or European authority/Standard Setter argues that the number of datapoints under this DR should be significantly reduced.

DR E2-1 Pollution of Air, Water, and Soil

145. The majority of preparers agreed,, while some disagreed. Among those disagreeing, an Business association and an Industry Association warn that a definition for inferior methodologies is lacking, and SNCI and an Industry Association claim that a description of scope as well as reporting thresholds would be helpful.

146. All users agreed, stressing the importance of these disclosures. One comment stressed that additional guidance on methodology is important.

147. Most respondents in the others category agreed, Nonetheless, from a dissenting standpoint, a National or European authority/standard setter argues that datapoint on microplastics is not sufficiently precise ("vaguely worded"), another National or European authority/standard setter argues that the disclosure on microplastics should be deferred and may require additional guidance and, at the same time, it should be clarified that pollutants are to be disaggregated by nature (water, air, soil). Thirdly, an accountant/consulting service argues that turnover is not a suitable denominator for SNCIs. **DR E2-2 Substances of Concern and Substances of Very High Concern**

148. The majority of preparers agreed, and some disagreed. An industry association and an business association argue for a better link with existing regulations and a better definition of "concern" given that often the impact of a substance depends on the use it is given.

149. All users agreed. No additional comments were provided.

150. Most respondents in the others category agreed, Some disagreed, including two National or European authorities / standard setters. One argued for a better link with existing regulation and another mentions that it is unclear whether total amounts or breakdown per hazard category are to be reported. **DR E3-1 Water Consumption**

151. The majority preparers agreed and some disagreed, including a SNCI and an Industry Association that indicate a need for additional guidance and reporting thresholds. Moreover, a Listed SME argues that water intensity ratio may not be a meaningful metric because some industries are more water intensive than others.

152. Most users agreed, stressing the importance of water consumption data. However, a few disagreed, indicating a need for more detailed guidance. One user of sustainability reporting statements suggests that the disclosure is only required for water-intensive sectors.

153. Most respondents in the Others category agreed while a few disagreed. One accountant/consulting service considers that net-turnover is not a suitable denominator for SNCIs and calls for additional guidance and examples on water stressed areas, and measurement of recycled/reused water. A National or European authority/Standard Setter recommends adding the disclosure of water discharge in line VSME and proposes multiple adjustments to paragraph 46. Lastly, the same authority/standards setter recommends deleting the data point on water intensity based on net revenue because it is not relevant to LSMEs due to their size.

DR E4-1 Impact Metrics Related to Biodiversity and Ecosystems Change

154. Some preparers agreed, but a majority disagreed. An Industry Association and a SNCI claim that the market is unprepared to report this information. A Listed SME considers it challenging and may lead listed SMEs to delist, and, thirdly, another Industry Association and Business association call for further simplifications.

155. The majority users agreed, however, some disagreed. Two users of sustainability reporting statements express their dissatisfaction with the removal of the biodiversity transition plan (DR) from ESRS Set 1.

156. The majority respondents in the Others category agreed and three have provided comments endorsing support for the simplification, including a National or European authority/standard setter who recommends, as points for further improvement, i. the inclusion of a definition of 'sites managed', ii. clarification of the measurement of 'site area', and iii. further simplification of AR58. Among the dissenting respondents, two accountants/consulting services argue that the DR is too complex for LSMEs, while two NGOs argue for more granularity. One states that the same level of granularity of ESRS E4-5 should be ensured, and the other proposes adding a datapoint on type of ecosystem and HCV status as well as prescribing detail on volumes in AR58 and type of monitoring system used in AR59. **DR E5-1 Resources Inflows**

157. Some preparers agreed, however, a majority disagreed. Two Industry Associations and an business association call for further simplifications. A SNCI and an Industry Association claim that further clarification is needed on value chain implications and calculation methodologies.

158. All users agreed. No additional comments were provided.

159. Most respondents in the Others category agreed however, a few disagreed, including a National or European authority/standard setter that proposed amendments, namely i. moving paragraph 57 up and making it compulsory, ii. making paragraph 58 voluntary, iii. defining the term "biological", and iv. deleting AR 69 to AR 74. Lastly, a National or European authority/standard setter that neither agrees nor disagrees states that the DR should refer to upstream value chain. **DR E5-2 Resources Outflows**

160. A half of preparers agreed. Among the other half that disagreed, two Industry Associations and an business association call for further simplifications. A SNCI and an Industry Association claim that further clarification is needed on value chain implications and calculation methodologies.

161.

162. All users agreed. No additional comments were provided.

163. Most respondents in the others category agreed,. However, a few disagreed, including an accountant/consulting service and a National or European authority / standard setter who provide rationales for their disagreement. The former calls for a more precise definition and calculation methods, while the latter suggests i. that paragraph 62 and 63 should be moved to ARs and made optional because they are more connected to opportunities than to IRs, and ii. that paragraph 67 may be deleted.

DR E6 – Anticipated Financial Effects from Material Environmental-Related Matters Other Than Climate

164. A half of preparers agreed, calling to include both positive and negative financial impacts. However, the other half disagreed. Among these, two Industry Associations and an

business association call for further simplifications and a Listed SME argues that the disclosure should be met by referring to the financial report.

165. All users agreed An user of sustainability reporting statements highlights that this DR shall not increase cost and reporting burden for LSMEs.

166. Most respondents in the others category agreed, calling to include both positive and negative financial impacts. An accountant/consulting service recommends including positive impacts and opportunities. However, a few disagreed, including a National or European authority/standard setter that argues that paragraphs 68 to 73 should solely apply to climate. Lastly, a National or European authority/standard setter who neither agrees nor disagrees claims that clarifications and examples are needed for SNCIs. Part B Q20) Section 4: Environment

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

Number of comments

167. Respondents provided a total of 14 comments.

	Number of comments and suggested improvements
Preparers	2 comments (2 out of 27 preparers, 7%)
Users	4 comments (4 out of 10 users, 40%)
Other	8 comments (8 out of 32 others, 9%)

Table 21: Breakdown per category of comments provided (percentage)

Key insights based on comment analysis

168. Among preparers, there is general agreement that biodiversity transition plans should remain applicable. However, there are suggestions for further refinements to enhance clarity and relevance. One Listed SME specifically emphasized the importance of keeping biodiversity transition plans. Additionally, an Industry Association (as proxy for preparer) proposed that these plans in DR E4-1 should not be deleted and should instead be allowed as voluntary disclosures with a phase-in approach.

169. Users generally support the alignment with existing standards but suggest some refinements for consistency and relevance. A Rating Agency (as proxy for user) explicitly supports alignment with existing standards. Users of Sustainability Reporting Statements, however, indicated that DR E1-2 GHG intensity might be unnecessary. They stressed the importance of retaining biodiversity transition plans and internal carbon pricing, emphasizing that aligning with ESRS Set 1 is crucial for consistency.

170. The category 'other' provided diverse feedback, often emphasizing the need for consistency and alignment with broader regulatory frameworks. A National or European Authority/Standard Setter requested clarifications on metrics and updated references to directives and recommended proposals for a simplified LSME standard (please refer to the Part B Q20) Detailed analysis of National or European Authority/Standard Setter in the

detailed report for a detailed description of this comment) along with additional disclosures on climate-risk opportunities. A Non-Government Organization highlighted the necessity of aligning with ESRS Set 1 to reduce the reporting burden for LSMEs and support their access to finance. Accountant/Consulting Services criticized the requirements as too detailed and burdensome for SMEs, potentially discouraging them from listing on the stock exchange, and suggested linking requirements to stakeholders to improve feasibility.

Part B Q21) Section 4: Environment

Q21) In your view as SNCI or investor, should this ED anticipate detailed guidance on disclosure

breakdown for financed emissions.

Overview of respondents that agree/disagree

	Agree	Disagree
Overall, 8 out of 10, 80% response rate	6 out of 8, 75%	2 out of 8, 25%
SNCI, 2 out of 3, 67% response rate	2 out of 2 preparers, 100%	0 out of 2 preparers, 0%
User of sustainability reporting statements (e.g. bank or investor), 6 out of 7, 86% response rate	4 out of 6 users, 67%	2 out of 6 users, 33%

Table 22: Agreement/ disagreement of SNCIs or investors on whether this ED should anticipate detailed guidance on disclosure breakdown for financed emissions (percentage)

Key insights based on comment analysis

171. While all SNCIs who contributed to this question agree with the approach, two users of sustainability reporting statements disagree. Out of the two agreeing SNCIs, one has provided a comment stating the importance of including detailed guidance in future sector standards. The SNCI specifically emphasized that future sector standards should incorporate comprehensive guidance to facilitate better implementation and understanding.

172. In the group of users, three agreeing and one disagreeing have provided additional comments. Their perspectives reveal varying opinions on the necessity of detailed guidance. Among those who agree, two users emphasized the need for more detailed guidance in future sector standards. They suggested that such guidance should be based on the GHG Accounting and Reporting Standard for the Financial Industry recommendations. This approach, supported by three respondents, would simplify the documentation research that LSMEs need to conduct to meet the ESRS LSME requirements. Conversely, one user disagreed with the need for detailed guidance. This respondent

recommended the development of advisory panels to create appropriate guidance on disclosures related to financed emissions. This approach, they argued, would ensure that the guidance is more tailored and relevant to the specific needs of the industry.

Part B Q22) Section 4: Environment

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?

Overview of respondents that agree/disagree

	Agree	Disagree
Overall, 39 out of 69, 57% response rate	30 out of 39, 77%	9 out of 39, 23%
Preparers, 13 out of 27, 48% response rate	8 out of 13, 62%	5 out of 13, 38%
Users, 8 out of 10, 80% response rate	7 out of 8, 88%	1 out of 8, 13%
Other, 18 out of 32, 56% response rate	15 out of 18, 83%	3 out of 18, 17%

Table 23: Agreement/ disagreement with the proposed approach allowing the use of different metrics (other than net revenues) to determine GHG emissions intensity and water intensity (percentage)

Key insights based on comment analysis

173. A majority of preparers agreed. It can be noted that Listed SMEs mainly supported the use of alternative metrics, taking into account different factors such as activity, size, and maturity for each company. They proposed that this section should be voluntary or not applicable to SMEs, Non-Profit Organizations, Foundations, LSMEs, and VSMEs. One Industry Association (as proxy for preparer) supported alternative metrics, suggesting that, as a sectoral standard for Small and Non-Complex Credit Institutions (SNCIs) is not yet established, SNCIs should be able to use the most relevant metrics to determine GHG emission intensity and water intensity of their activities. Conversely, one Business association (as proxy for preparer) opposed alternative metrics, emphasizing that GHG emission intensity and water intensity should be reported only according to net revenues to ensure consistency and comparability.

174. As for users, who mostly agreed, large companies as SME's value chain partners and most users of sustainability reporting generally supported the use of alternative metrics. They agreed that SNCIs should be able to use the most relevant metrics to determine GHG

emission intensity and water intensity of their activities, as a sectoral standard for SNCIs is not yet established. However, one user disagreed, noting that financial institutions may need to use different, more specific financial indicators from their financial statements to disclose GHG and water intensity ratios. This issue should be addressed by the Financial Institution Advisory Panels and included in the guidance for financial institutions.

175. Among the 'other' respondents, who mostly agreed, Academic or research institutions had mixed views; some supported the use of alternative metrics, suggesting that volumes of final product may be more explanatory, while others emphasized the need for consistent data comparability, preferring the use of the same indicator across sectors. Accountants and consulting services generally supported alternative metrics, believing that this approach provides incentives for SNCIs to determine and report GHG emissions and water intensity. National or European authorities/standard setters and NGOs mostly supported the use of alternative metrics, with recommendations for transparency and alignment with current financial advisory panel efforts.

Part B Q23) 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.

Overview of respondents that agree/disagree

Section 5	Preparer			User			Other		
	Response rate	Agree	Disagree	Response rate	Agree	Disagree	Response rate	Agree	Disagree
S1-1 Characteristics of employees	20 out of 27, 74%	80%	20%	8 out of 10, 80%	100%	0%	19 out of 32, 59%	89%	11%
S1-2 Characteristics of non-employees	19 out of 27, 70%	53%	47%	8 out of 10, 80%	88%	13%	19 out of 32, 59%	84%	16%
S1-3 Collective bargaining coverage and social dialogue	17 out of 27, 63%	88%	12%	8 out of 10, 80%	63%	38%	19 out of 32, 59%	95%	5%

Section 5	Preparer			User			Other		
	Response rate	Agree	Disagree	Response rate	Agree	Disagree	Response rate	Agree	Disagree
S1-4 Adequate wages	16 out of 27, 59%	75%	25%	8 out of 10, 80%	88%	13%	19 out of 32, 59%	84%	16%
S1-5 Social protection	17 out of 27, 63%	88%	12%	8 out of 10, 80%	100%	0%	19 out of 32, 59%	79%	21%
S1-6 Training metrics	17 out of 27, 63%	71%	29%	8 out of 10, 80%	75%	25%	19 out of 32, 59%	84%	16%
S1-7 Health and safety metrics	17 out of 27, 63%	71%	29%	9 out of 10, 90%	89%	11%	19 out of 32, 59%	84%	16%
S1-8 Remuneration metrics	19 out of 27, 70%	68%	32%	8 out of 10, 80%	88%	13%	19 out of 32, 59%	95%	5%
S1-9 Incidents and severe human rights impacts and incidents	16 out of 27, 59%	94%	6%	7 out of 10, 70%	100%	0%	19 out of 32, 59%	89%	11%
S1-10 Diversity	16 out of 27, 59%	94%	6%	7 out of 10, 70%	100%	0%	19 out of 32, 59%	79%	21%
S1-11 Work-life balance metrics	19 out of 27, 70%	79%	21%	7 out of 10, 70%	100%	0%	19 out of 32, 59%	74%	26%

Table 24: Agreement and disagreement per category with proposed approaches to simplify ESRS Set 1 metrics included in Section 5 (percentage)

Overall - Key insights based on comment analysis

176. The majority of respondents who contributed agreed with simplification proposals (72-93%). The percentage of total respondents who agreed was, by category, Preparers (average 78%), Users (average 90%), and Others (average 85%) agreeing with the simplification of ESRS social metrics for LSMEs. Of those that agreed, there were no further constructive comments. Responses in disagreement were more prevalent.

177. The overview table above shows no DRs that are of high concern for all categories. Of the subjects that prompted further comment, DR S1-2 (Non-employees), DR S1-4 (Adequate

wages), DR S1-7 (Health & Safety) and DR S1-8 (Remuneration) were most frequently commented on. Interestingly, of least concern were DR S1-5 (social protection), DR S1-9 (Incidents & Severe Human Rights) and DR S1-10 (Diversity). There were calls from preparers and others for simplifying DRs even further, and several respondents across all categories were in favour of a VSME Plus model. A minority of respondents, however, felt that simplification had, in some cases, gone too far, leading to a loss of information. There were requests from across all categories for clarification of DR's, terminology and definitions, such as those of non-employees or adequate wages, along with data sourcing and legislative alignment. Where data for DRs can be collected internally, the concern is around data privacy for the workforce. Regarding external data collection, privacy is an issue, as is alignment with other reporting commitments such as GDPR legislation or GRI standards. However, along the value chain, for communities and end-users, it is both difficult, with questionable data quality. The data collected is accepted to be of value but also potentially intrusive.

a. Two respondents consistently made the same comment under each DR: an accountant/consulting service provider who supports simplification but only provides detailed feedback on DR E4-1 in the previous section, and an NGO that supports the VSME standard's application to LSMEs.

Key insights per item based on comment analysis

S1-1 Characteristics of employees

178. Most preparers agreed with the simplifications for DR S1-1 (Characteristics of employees). However, some respondents expressed concerns about the clarity of terms like "temporary work" and the need for further simplification. %

179. All users agreed with the simplifications. One User of sustainability reporting statements requested additional clarity regarding non-guaranteed hours employees, as it might be interpreted the same way with temporary employees.

180. Most respondents in the others category also agreed with the simplifications for DR S1-1. However, some concerns were raised regarding the definition of "non-employees" and the potential burden of data collection for smaller companies. Additionally, there was a suggestion to remove the breakdown by region and replace it with "major countries" to better reflect the limited geographical scope of LSMEs.

S1-2 Characteristics of non-employees

181. A majority of preparers agreed with the simplifications for DR S1-2 (Characteristics of non-employees). However, some disagreed, citing concerns about the excessive burden of collecting information about non-employees, as well as the definition of 'self-employed'.

182. Most users agreed with the simplifications for DR S1-2.

183. Most respondents in the Others category also agreed with the simplifications for DR S1-2. However, a fair few disagreed, primarily due to concerns about the unclear definition of "non-employees" and the potential burden of data collection for smaller companies.

S1-3 Collective bargaining coverage and social dialogue

184. Most preparers agreed with the simplifications for DR S1-3 (Collective bargaining coverage and social dialogue). However, a few disagreed, including an Industry Association that claims that deletion of social dialogue is unnecessary because ESRS S1-8 is already sufficiently concise.

185. The majority of Users agreed with the simplifications for DR S1-3. However, a few disagreed, including two users of sustainability reporting statements who share the Industry Association's view presented above on the deletion of social dialogue.

186. Most respondents in the others category also agreed with the simplifications for DR S1-3. However, a few disagreed.. One respondent suggested that the definition of "collective bargaining agreements" should be clarified, particularly regarding their application at national or sectoral levels for SMEs.

S1-4 Adequate wages

187. A majority of preparers agreed with the simplifications for DR S1-4 (Adequate wages). However, some claimed that the data was not readily available for SMEs, particularly those that are not financial market participants. An Industry Association and an Business Association raise the following concerns:

    i. **Definition and Applicability of "Adequate Wages":** Some respondents found the concept unclear and difficult to apply, especially for LSMEs. They highlighted the discrepancy between minimum wages, adequate wages, and living wages, and suggested aligning the definition with existing national or local legal definitions.

    ii. **Legal and Data Privacy Concerns:** A few respondents raised concerns about potential conflicts with GDPR when disclosing individualized wage data, such as the "lowest paid wage." They suggested that reporting on compliance with existing legal requirements and customs regarding wages should be sufficient.

188. Most users agreed with the simplifications for DR S1-4. However, a few disagreed, with one user of sustainability reporting statements citing concerns about the lack of a clear benchmark for "adequate wages."

189. Most respondents in the Others category also agreed with the simplifications for DR S1-4. However, a few disagreed, raising several concerns:

    a.

    b. **Excessive Reporting Burden and Lack of Materiality Considerations:** One respondent argued that the current requirements are too burdensome for LSMEs, especially those with limited geographical scope. They proposed applying materiality assessments to determine whether reporting on inadequate wages is necessary.

    c. **Unnecessary Definition:** One respondent found the calculation of "lowest wages" in AR26 unnecessary.

S1-5 Social protection

190. Most Preparers agreed with the simplifications for DR S1-5 (Social protection).

191. All users agreed with the simplifications for DR S1-5. There were no additional comments by this group regarding this specific disclosure requirement.

192. A majority respondents in the others category also agreed with the simplifications for DR S1-5. However, a few disagreed for reasons such as the voluntary nature of reporting on social protection or the reporting burden on LSMEs with limited geographical operations. One respondent suggested limiting disclosure to major countries and material situations to avoid excessive granularity and potential disclosure of sensitive information. One respondent also highlighted the need for clarification regarding the wording in paragraphs 27 and 29, suggesting that it should be clear whether employees must be covered for all or any of the listed major life events. Two accountants/ consulting services providers cited concerns about the voluntary nature of reporting on social protection.

S1-6 Training metrics

193. A clear majority of preparers agreed with the simplifications for DR S1-6 (Training metrics). including an Industry Association and an Business association that

194. A majority of Users agreed with the simplifications for DR S1-6. However, some disagreed, with one respondent stating that the data was "nice to have," but from a user perspective.

195. Most respondents in the Others category also agreed with the simplifications for DR S1-6. One disagreed because of the phase-in for the gender breakdown in training data . Several responders suggested alternative metrics, such as the share of training expenditure in relation to the total payroll and proposed using the VSME standard as a baseline for LSME reporting.

S1-7 Health and safety metrics

196. A majority of preparers agreed with the simplifications for DR S1-7 (Health and safety metrics). Additionally, there was the suggestion from an Industry Association and a Business association to align the definition of "work-related incidents and fatalities" with established standards like GRI and to make information regarding other workers and workers in the value chain voluntary for LSMEs and VSMEs.Most users agreed with the simplifications for DR S1-7. However, one disagreed, expressing concerns about the potential loss of information due to the removal of disclosures on work-related incidents associated with work-related injuries and ill health.

197. Most respondents in the others category also agreed with the simplifications for DR S1-7. An accountant/consulting services provider who agrees argues that information on illness may be subject to data protection laws, and a National or European authority/standard setter makes a similar point. However, a few disagreed with the simplification, raising concerns about the removal of information on health and safety management system coverage and work-related incidents, like a comment from a user. Lastly, another National or European authority/standard setter proposes deleting the breakdown by non-employees.

S1-8 Remuneration metrics

198. A majority of preparers agreed with the simplifications for DR S1-8 (Remuneration metrics). However, some disagreed. A SNCI cites concerns about the limited informational value of the unadjusted gender pay gap, and two Industry Associations and an Business association cite data protection concerns, and the potential for the disclosure to lead to the identification of individuals.

199. Most users agreed with the simplifications for DR S1-8. Most respondents in the others category also agreed with the simplifications for DR S1-8. However, a very few disagreed, raising as concerns similar to those of the preparers about data protection and the limited relevance of the unadjusted gender pay gap. A National or European authority/standard setter also suggested further simplifying the DR by moving paragraph 41 to ARs and deleting paragraph 42.

S1-9 Incidents and severe human rights impacts and incidents

200. Most preparers agreed with the simplifications for DR S1-9 (Incidents and severe human rights impacts and incidents). Very few disagreed, with no additional comments or concerns raised by this group regarding this specific disclosure requirement.

201. All users agreed with the simplifications for DR S1-9. This group made no additional comments regarding this specific disclosure requirement.

202. Most respondents in the others category also agreed with the simplifications for DR S1-9. A National or European authority/standard setter who disagrees suggested a minor wording change to specify that incidents and cases should be reported in the reporting period and recommended removing the reconciliation of fines with financial statements.

S1-10 Diversity

203. Most preparers agreed with the simplifications for DR S1-10 (Diversity).

204. All Users (average 100%) agreed with the simplifications for DR S1-10. This group raised no additional comments or concerns regarding this specific disclosure requirement.

205. A majority of respondents in the others category (average 79%) also agreed with the simplifications for DR S1-10. However, some disagreed, raising concerns about the limited diversity categories and the elimination the of age breakdown requirement. Some respondents suggested allowing companies to define their own diversity groups to reflect their specific context and priorities.

S1-11 Work-life balance metrics

206. A majority of preparers agreed with the simplifications for DR S1-11 (Work-life balance metrics). However, some disagreed, including a SNCI and an Industry Association who call for additional metrics on remote working options and working time accounts.

207. All users agreed with the simplifications for DR S1-11. This group made no additional comments regarding this specific disclosure requirement.

208. A majority of respondents in the Others category also agreed with the simplifications for DR S1-11. However, some disagreed, with a few suggesting the inclusion of additional metrics such as remote working options and working time accounts. One argued that the

current disclosure should be mandatory, and another argued that paragraphs 51 to 54 should be deleted given the low relevance for users.

Part B Q24) Section 5: Social

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).

Number of comments

209. Respondents provided a total of 8 comments.

	Number of comments and suggested improvements
Preparers	1 comment (1 out of 27 preparers, 4%)
Users	4 comments (4 out of 10 users, 40%)
Other	3 comments (2 out of 32 others, 9%)

Table 25: Breakdown per category of comments provided (percentage)

Key insights based on comment analysis

210. The low response rate may indicate that many stakeholders are satisfied with the current proposals, have contributed solutions already in Q23 or may not have specific suggestions for improvement at this stage.

211. There is general agreement with the simplifications but suggest further refinements to enhance clarity and relevance. However, one National or European authority/standard setter requested for Simplified LSME Standard, specifically recommending a significantly simplified LSME standard based on the VSME model.

212. **Alignment with ESRS Full Set:** One National or European authority/standard setter suggested providing guidance on how to proceed if a company considers a topic material that is not included in the LSME standard but is addressed in the ESRS full set. They recommend that companies disclose any differences from the ESRS full set metric and the reasons for those differences.

213. Specific Suggestions for Improvement:

214. DR S1-1 (Characteristics of employees): One Academic or research institution recommends the inclusion of information regarding remote work.

215. DR S1-7 (Health and safety metrics): One User of sustainability reporting statements advocates for the re-insertion of information about the extent to which the workforce is covered by the health and safety management system and disclosures on work-related incidents.

216. DR S1-8 (Remuneration metrics): Allow for company-specific simplifications in calculating the gender pay gap and retain the two metrics for this DR. Two Users of sustainability

reporting statements and one Industry Association (as proxy for preparer) requested that the two metrics for DR S1-8 be retained, as they are not considered complex to set up.

Part B Q25) 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.

Overview of respondents that agree/disagree

Section 6	Preparer			User			Other		
	Response rate	Agree	Disagree	Response rate	Agree	Disagree	Response rate	Agree	Disagree
DR G1-1 – Management of relationships with suppliers	17 out of 27, 63%	82%	18%	9 out of 10, 90%	56%	44%	21 out of 32, 66%	90%	10%
DR G1-2 Anti-corruption and anti-bribery	17 out of 27, 63%	82%	18%	9 out of 10, 90%	78%	22%	20 out of 32, 63%	95%	5%
DR G1-3 – Political influence and lobbying activities	17 out of 27, 63%	76%	24%	8 out of 10, 80%	63%	38%	22 out of 32, 69%	82%	18%

Table 26: Agreement and disagreement per category with proposed approaches to simplify ESRS Set 1 metrics included in Section 6 (percentage)

Overall - Key insights based on comment analysis

217. Overall, the majority of the respondents, who contributed, supported the proposed DRs in Section 6: Business Conduct of ESRS LSME ED aimed at simplifying the ESRS Set 1 metrics.

218. The *average* percentage of total respondents' breakdown by category, who agreed is Preparers 80%, Users 66%, and Others 89%.

219. Only a limited number of respondents who disagreed with the proposed simplifications of section 6 provided feedback with *diverse and sometimes contradictory rationales*. A striking example (recurring for all three DR's G1-1, G1-2, G1-3) is that some (user, other) suggest

closer alignment with ESRS Set 1, while in contrast some (preparer, other) prefer closer alignment with the VSME Standard ED (though with added requirements for limited assurance).

220. The most supported simplified DR is G1-2 - *Anti-corruption and anti-bribery*. In contrast, the proposed simplification of DR G1-3 - *Political influence and lobbying activities* is the least supported.

Key insights per item based on comment analysis

DR G1-1 Management of relationships with suppliers

221. Most preparers agreed with the simplification of DR G1-1 and a few disagreed. One preparer (listed SME) advocates for voluntary disclosure requirements due to the company size and the lack of available resources while another preparer (industry Association) advocates for mandatory disclosure of ESG criteria integration in purchasing practices / procedures (para 7). The latter resonate with the comments of two users of sustainability reporting statements (e.g. bank or investor) who also support a *change from 'may' to 'shall'.* (see also Part B Q 26). In this respect the simplification of DR G1-1 is the least supported by users (a small majority).

DR G1-2 Anti-corruption and anti-bribery

222. Most preparers agreed with the simplification of DR G1-2 and a few disagreed. Two prepares mentioned the need for clarity, especially regarding the disclosure of the number of convictions and the amount of fines for violations (par 10 (b)). They recommend limiting disclosures to final criminal court convictions to avoid reporting on cases still pending or in appeal. The Secretariat notes that conviction or fine would denote that the case is no longer pending. If an appeal has been lodged, the undertaking is free to report on that but as appealing is voluntary, it is not sensible to delay reporting until appeals have been exhausted.

DR G1-3 Political influence and lobbying activities

223. Most preparers agreed with the simplification of DR G1-1 and some disagreed.

224. Some disagreement is also shared by the users and few among the category of "others".

225. The comments provided by preparers and the others are similar and relate to the suggestion to change to voluntary reporting or omitting this DR as well as to the complexity to assess due to overlapping roles of strategic partners and lobbyist (of particular concern in Germany).

Part B Q26) Section 6: Business Conduct

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).

Number of comments

226. Respondents provided a total of 7 comments.

	Number of comments and suggested improvements
Preparers	2 comments (2 out of 27 preparers, 7%)
Users	3 comments (3 out of 10 users, 30%)
Other	2 comments (2 out of 32 others, 6%)

Table 27: Breakdown per category of comments provided (percentage)

Key insights based on comment analysis

227. A rating agency (as proxy for user) supports the proposed simplification and merging of disclosure requirements in this section. However, a national or European authority recommends a significantly simplified LSME.

228. One National or European authority/standard setter suggests providing guidance on how to handle governance-related procedures, such as whistleblower policies, which may not be included in the LSME standard but is addressed in the ESRS full set.

229. DR GR1-1 para 7: *change from 'may' to 'shall'*, an Industry Association (as proxy for preparer) and two users of sustainability reporting statements (e.g. bank or investor) advocates for mandatory disclosure of ESG criteria integration in purchasing practices / procedures (see also supra).

230. DR GR1-2 and GR 1-3: one preparer (who self-categorised as third country listed SMEs that are in scope of ESRS LSME) mentioned that there are entities that produce specific reports on DR G1-2 and DR G1-3 that could serve as a reference.