

Report LSME field test

About this report

EFRAG has conducted a questionnaire-based survey to gather views from stakeholders that have participated in the field test of the ESRS LSME ED. The results of this field test, that included 30 participants as preparers, users and other (consultants, accountants, etcetera), have been compiled in this detailed report.

This report uses the following terms to describe the extent to which particular feedback was shared by respondents (both when referring to total respondents or a subset of respondents).

Most: 80% to 100% of respondents
A majority: 50% to 79% of respondents
Some: 20% to 49% of respondents
A few: 0% to 19% of respondents

This report also includes results from the field test workshops (in total three, one for listed SMEs and proxies, one for SNCIs and one for Users) that were organised by EFRAG to discuss respondent's written surveys. These results can be found in the last segment of this paper.

About the ESRS LSME ED field test

The ESRS LSME ED field test was launched on 22 January 2024 and was conducted in parallel with the [public consultation](#) as it intends to complement the outcome of the consultation, with additional fact-based evidence. The purpose of the field test is to gather facts and evidence on the challenges and benefits of the content of the ED, from stakeholders that will prepare actual disclosures applying ESRS LSME ED.

From the preparers' perspective, the questions focused on aspects such as operational challenges, level of difficulty and feasibility per disclosure requirement, costs and benefits and other similar questions.

From the users' perspective, the participants were asked to indicate if the DRs are necessary or if further simplifications can be implemented.

The deadline for submitting answers to the field test was 8 May 2024. The three field test workshops and interviews took place in the first week of June 2024.

Table of Contents

Report LSME field test.....	1
About this report.....	1
About the ESRS LSME ED field test.....	1
Table of Contents	2
General Overview of Field Test Participants	5
Summary of the responses to the field test questionnaires	7
Feedback received in the field test workshops	14
Feedback from workshop with listed SMEs & proxies (3 June 2024)	14
Feedback from workshop with SNCIs (4 June 2024).....	15
Feedback from workshop with users (7 June 2024)	16
Module 1 – General, Strategy, Governance and Materiality Assessment (Section 2 of LSME).....	18
Q1 for preparers only (Listed SMEs & proxies and SNCIs)	18
Q2 for preparers only (Listed SMEs & proxies and SNCIs)	22
Q2 for Users	28
Q3 for preparers only (Listed SMEs & proxies and SNCIs)	32
Q4 for preparers only (listed SMEs & proxies and SNCIs).....	37
Q5 for preparers only (listed SMEs & proxies and SNCIs).....	40
Q6 for preparers only (listed SMEs & proxies and SNCIs).....	41
Q7 and Q7.1 for preparers only (listed SMEs & proxies and SNCIs)	43
Q8 for preparers only (listed SMEs & proxies and SNCIs).....	46
Q9 for preparers only (listed SMEs & proxies and SNCIs).....	47
Q10 for preparers only (listed SMEs & proxies and SNCIs).....	47
Module 2 – Policies, Actions and Targets (Section 3 LSME)	48
Q1 for preparers only (Listed SMEs & proxies and SNCIs)	48
Q2 for preparers only (Listed SMEs & proxies and SNCIs)	51
Q2 for Users	54
Q3 for preparers only (Listed SMEs & proxies and SNCIs)	55

Q4 for preparers only (listed SMEs & proxies and SNCIs).....	59
Q5 for preparers only (listed SMEs & proxies and SNCIs).....	61
Q6 for preparers only (listed SMEs & proxies and SNCIs).....	63
Q7 and Q7.1 for preparers only (listed SMEs & proxies and SNCIs)	64
Module 3 – Environment (Section 4 LSME).....	66
Q1 for preparers only (Listed SMEs & proxies and SNCIs)	66
Q2 for preparers only (Listed SMEs & proxies and SNCIs)	69
Q2 for Users	78
Q3 for preparers only (Listed SMEs & proxies and SNCIs)	83
Q4 for preparers only (listed SMEs & proxies and SNCIs).....	86
Q5 for preparers only (listed SMEs & proxies and SNCIs).....	89
Q6 for preparers only (listed SMEs & proxies and SNCIs).....	90
Q7 and Q7.1 for preparers only (listed SMEs & proxies and SNCIs)	93
Module 4 – Social (Section 5 LSME)	95
Q1 for preparers only (Listed SMEs & proxies and SNCIs)	95
Q2 for preparers only (Listed SMEs & proxies and SNCIs)	98
Q2 for Users	103
Q3 for preparers only (Listed SMEs & proxies and SNCIs)	105
Q4 for preparers only (listed SMEs & proxies and SNCIs).....	108
Q5 for preparers only (listed SMEs & proxies and SNCIs).....	111
Q6 for preparers only (listed SMEs & proxies and SNCIs).....	113
Q7 and Q7.1 for preparers only (listed SMEs & proxies and SNCIs)	115
Module 5 – Business conduct (Section 6 LSME).....	117
Q1 for preparers only (Listed SMEs & proxies and SNCIs)	117
Q2 for preparers only (Listed SMEs & proxies and SNCIs)	120
Q2 for Users	122
Q3 for preparers only (Listed SMEs & proxies and SNCIs)	123

Q4 for preparers only (listed SMEs & proxies and SNCIs).....	126
Q5 for preparers only (listed SMEs & proxies and SNCIs).....	129
Q6 for preparers only (listed SMEs & proxies and SNCIs).....	130
Q7 and Q7.1 for preparers only (listed SMEs & proxies and SNCIs)	132

General Overview of Field Test Participants

- **Total Number of Field Test Respondents: 30**

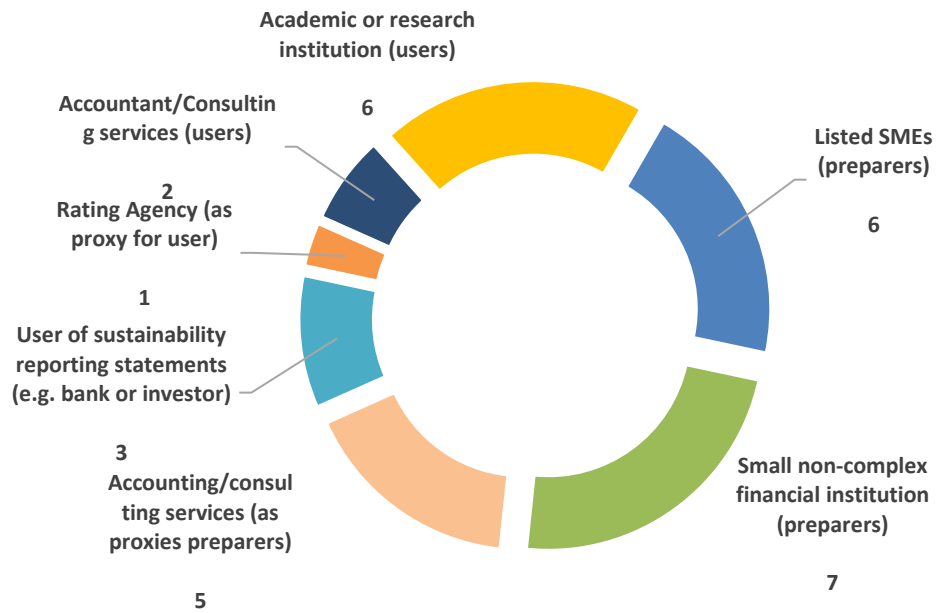


Figure 1: Total Number of Field Test Respondents

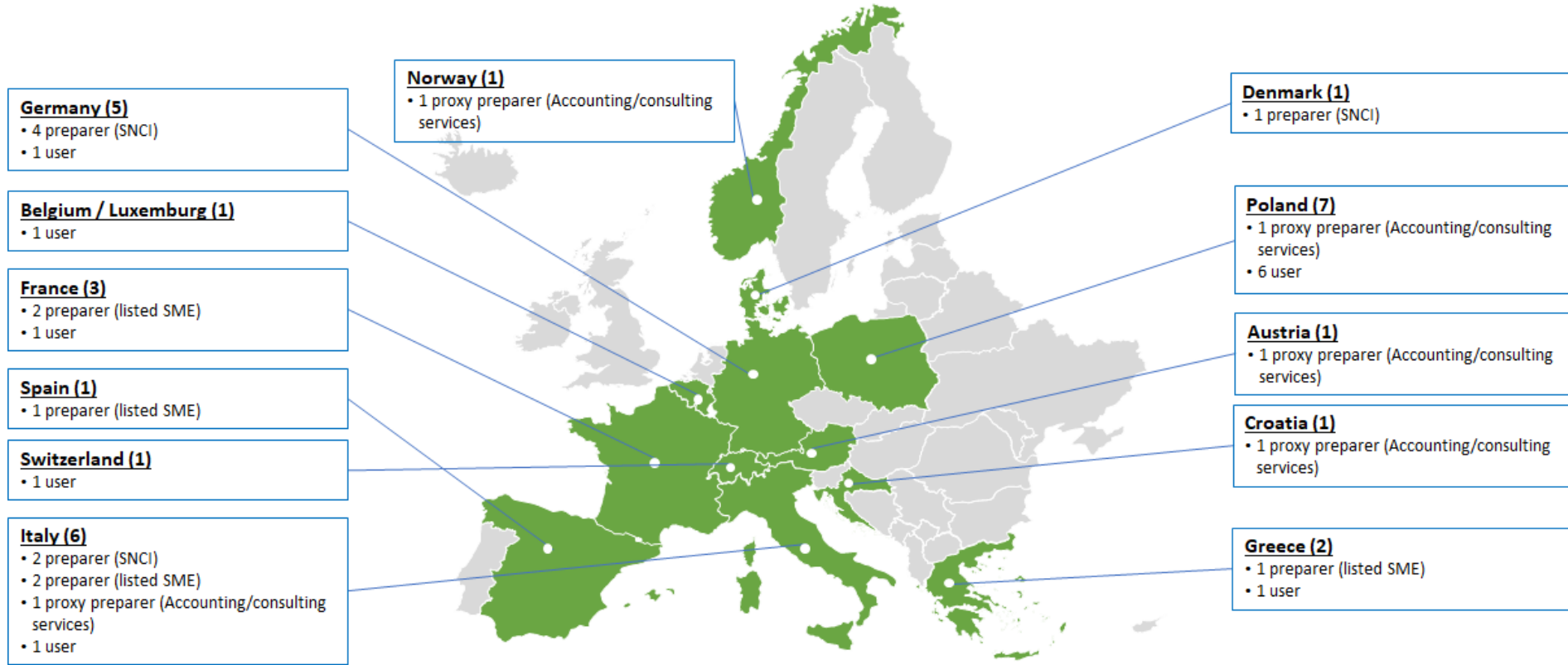


Figure 2: Number of respondents by country

Summary of the responses to the field test questionnaires

General, Strategy, Governance and Materiality Assessment (Section 2 of LSME)

Q1 for preparers only (Listed SMEs & proxies and SNCIs)

The biggest challenges for preparers are understandability of the requirements and/or needs for practical guidance, the need to upgrade skills and resources, and the availability of data with appropriate quality as indicated by most respondents. Majority indicated availability of IT or supporting tool however this seems pertinent compared to the sample and the rest of the responses and not as big of an obstacle.

Q2 for preparers only (Listed SMEs & proxies and SNCIs)

Most disclosures were found possible to prepare with some efforts or feasible / already prepared.

GOV-1 and IR-2 were identified by most (for GOV-1) and by the majority (for IR-2) of respondents as either feasible or possible to prepare with efforts.

The two most challenging and costly disclosure requirements in section 2 for the respondents are SBM-3 (highly challenging costly for majority) and GOV-2 (highly challenging costly for some).

Split views found on BP-1, BP-2, SBM-1 and SBM-2 as well as Material opportunities and positive impacts, IR-1 and IR-2. However, the majority in these disclosures indicated that they are either feasible and already prepared or possible with efforts.

Q2 for Users

Overall, all disclosures are needed in the ED by most users, except for SBM 1 that is needed according to many. Participants suggested a number of possible simplifications in their comments.

Q3 for preparers only (Listed SMEs & proxies and SNCIs) 21

For listed SMEs: the first-year costs are mostly in the range of 5,000 to 10,000 and 10,001 to 30,000 Euros while some respondents estimated possible costs above 70k for all categories. Average costs above 20,000 euros for all categories of expenses.

SNCI: All SNCIs answered that major costs are related to HR. The need of consultants and IT costs are relevant cost drivers for almost all respondents. The small sample indicates that the first-year costs are either in the range of 10,001 to 30,000 Euros or above 70,000. Some respondents estimated possible costs above 70k for all categories (this cost is related to the preparation of the entire report and not only related to the DRs included in this section). Those costs might also appear to be higher because of the costs related to the materiality assessment process (20k-30k for the first year), definition of the SR (approx. 20k for the first year), and training of internal resources.

Q4 for preparers only (listed SMEs & proxies and SNCIs)

The majority of respondents suggested better understanding of IROs as an internal benefit of Section 2 and reducing reputational risks and improvement of engagement with stakeholders as an external benefit. Some also indicated the improvement of internal management systems (internal) as well as competitive advantages and promoting a more sustainable economy (external). Finally, a few respondents did not identify any related benefit in this section, suggesting an increase in bureaucracy and the burdens of reporting.

Q5 for preparers only (listed SMEs & proxies and SNCIs)

Mixed views: the majority of respondents consider that the disclosures in this section can be verified/assured. A significant minority has the opposite view.

Q6 for preparers only (listed SMEs & proxies and SNCIs)

Split views. SNCIs mostly indicated that the disclosure requirements in this section do not reach a reasonable cost/benefit balance, while the majority of listed SMEs & proxies agreed that the disclosure requirements in this section reach a reasonable cost/benefit balance.

Q7 and Q7.1 for preparers only (listed SMEs & proxies and SNCIs)

Split views. Majority of listed SMEs & proxies consider the ARs sufficiently clear and understandable. Significant minority has the opposite view. Majority of SNCI consider the ARs not sufficiently clear and understandable. Significant minority has the opposite view. General call for more guidance and examples.

Q8 for preparers only (listed SMEs & proxies and SNCIs) / Q10 for preparers only (listed SMEs & proxies and SNCIs)

Challenges in running the DMA: lack of examples, stakeholder engagement, consultancy costs, understanding value chain, lack of data.

Q9 for preparers only (listed SMEs & proxies and SNCIs)

Mixed views. Majority could not estimate a % of information that can be omitted as not material. Five responded with % expressing a range of views, from no omissions at all to more than 50% data omitted.

Policies, Actions and Targets (Section 3 LSME)

Q1 for preparers only (Listed SMEs & proxies and SNCIs)

All operational challenges are relevant for most or majority of respondents. In the comments: need for additional guidance, IT tools, skills, language.

Q2 for preparers only (Listed SMEs & proxies and SNCIs)

Table 20 indicates the following:

Only few suggested that these DRs are feasible or already prepared. Majority of respondents found these disclosures possible to prepare with some efforts, however some respondents indicate that the respective DR is highly challenging and costly, in particular for Policies and Actions across E1-E5 and S1-S4, Processes

for engaging with own workforce, workers in the value chain, affected communities [...] and for Processes to remediate negative impacts and channels for own workforce, workers in the value chain, affected communities [...].

Q2 for Users

All disclosures seem to be needed in the ED by most users.

Q3 for preparers only (Listed SMEs & proxies and SNCIs)

LSME: the first-year costs are mostly in the range of 5,000 to 10,000 and 10,001 to 30,000 Euros while some respondents estimated possible costs above 70k for all categories. The costs witness a significant drop in the following years.

SNCI: the first-year costs are mostly in the range of 10,001 to 30,000 Euros. In the following years, each cost category witnesses a very significant drop.

Q4 for preparers only (listed SMEs & proxies and SNCIs)

Most relevant external benefit, as indicated by most respondents is reducing reputational risks and improved engagement with stakeholders. Half of the preparers responding suggested better understanding of IROs and improving internal management systems and increasing efficiency and reducing internal costs as internal benefits of Section 3.

Q5 for preparers only (listed SMEs & proxies and SNCIs)

Mixed views. Majority considers that the DRs in Section 3 can be verified/assured came on the other hand from listed SMEs. Significant minority disagreed.

Q6 for preparers only (listed SMEs & proxies and SNCIs)

Mixed views. Majority of LSME consider that the DRs in this section achieve a reasonable cost/benefit profile, while most of SNCI have the opposite view.

Q7 and Q7.1 for preparers only (listed SMEs & proxies and SNCIs)

The majority of preparers overall agreed that the ARs in Section 3 are sufficiently clear and understandable. One level down: mixed views: majority of SNCIs does not agree, while the majority of listed SMEs & proxies does. From those SNCIs disagreeing and indicating that the ARs are not sufficiently clear and understandable, an additional comment also emerged that there is a need of more examples, guidance and practical tools.

Environment (Section 4 LSME)

Q1 for preparers only (Listed SMEs & proxies and SNCIs)

All operational challenges are relevant for most or majority of respondents. Availability of data with appropriate quality and understandability of the requirements was mentioned by all or most preparers in this question as the two most relevant operational challenges in Section 4.

Q2 for preparers only (Listed SMEs & proxies and SNCIs)

The most highly challenging and costly DRs as indicated by majority of preparers are E1-2 Gross Scopes 1, 2, 3 and Total GHG emissions, E1-2 GHG intensity based on net revenue, E1-3 GHG removals and GHG mitigation projects financed through carbon credits and E1-4 Anticipated financial effects from material physical and transition risks and potential climate-related opportunities.

For most of the disclosures respondents mostly indicated that the respective DR is either possible to prepare with efforts or highly challenging and costly – only E1-1 Energy consumption and mix and E3-1 Water consumption appear to be mentioned by the majority of preparers as feasible or already prepared DRs.

Q2 for Users

Users find all the disclosure requirements useful and needed, however some of them indicated that further simplifications can be implemented, particularly on E1-2 Gross Scopes 1, 2, 3 and Total GHG emissions, E1-2 GHG intensity based on net revenue, E3-1 Water consumption and E4-1 Impact metrics related to biodiversity and ecosystems change.

Q3 for preparers only (Listed SMEs & proxies and SNCIs)

The first-year costs are for the majority of listed SMEs in the range of 10,001 to 30,000 or above 30,000 Euros. The costs however witness a significant drop (50% more or less in all categories) in the following years, following the trend of the aggregated responses of all preparers.

The first-year costs for SNCIs are mostly in the range of 10,001 to 30,000 or above 30,000 Euros. In general, SNCIs indicated considerably higher amounts in Section 4, especially for the first year of reporting. Nonetheless, the costs in each category witness significant drops (50% or more) for HR and consulting. For SNCIs that responded, IT seems to be a major cost driver even for the following years of reporting.

Q4 for preparers only (listed SMEs & proxies and SNCIs)

The most relevant internal benefit for most preparers is better understanding of impacts, risks and opportunities that can support decision making processes. The majority also recommended the improvement of internal management systems and increased efficiency / reduction of internal costs as a relevant internal benefit.

The most relevant external benefits as indicated by the majority of respondents are reducing reputational risks, improved engagement with stakeholders, access to capital and increased competitiveness. Some preparers also indicated promoting a more sustainable economy as a relevant external benefit.

Q5 for preparers only (listed SMEs & proxies and SNCIs)

Majority of respondents consider that DRs can be verified/assured in Section 4, with a large minority having the opposite view.

Q6 for preparers only (listed SMEs & proxies and SNCIs)

Minority of respondents consider that the requirements in this section reach a reasonable cost/benefit balance (less than 20% for SNCI).

Q7 and Q7.1 for preparers only (listed SMEs & proxies and SNCIs)

The views between listed SMEs & proxies and SNCIs are split. The majority of listed SMEs & proxies agreed that the ARs in Section 4 are sufficiently clear and understandable. On the other side, SNCIs mostly suggest that the ARs in Section 4 are not sufficiently clear and understandable. The views of those categories (as additional comments) are provided below.

Social (Section 5 LSME)

Q1 for preparers only (Listed SMEs & proxies and SNCIs)

Most preparers found the need to upgrade in skills and resources as the most relevant operational challenge of this section. The majority also indicated the rest of the operational challenges as listed in the table.

Q2 for preparers only (Listed SMEs & proxies and SNCIs)

Preparers overall mostly indicated that the DRs in Section 5 are either feasible/already prepared or possible to prepare with efforts. Only a few indications on certain DRs, mainly S1-7 Health and safety metrics and S1-8 Remuneration metrics, that these are highly challenging and costly.

Q2 for Users

Most users find all the disclosure requirements useful and needed. The statistics indicate only few users suggested that further simplifications can be achieved, however, few respondents further suggested simplifications.

Q3 for preparers only (Listed SMEs & proxies and SNCIs)

LSME: In both the first-year and the subsequent years, the majority indicated costs that do not go beyond 10,000. This is also clearly evident when looking at the average cost per category, making this section for LSMEs relatively cheaper (in comparison to the costs in Section 2, 3 and 4).

Unlike listed SMEs & proxies, the costs of SNCIs seem higher in comparison per respective cost-category. When compared to LSMEs and the drop of costs in the following years in other sections, the responses received indicate a cost that remains high even in the following years.

Q4 for preparers only (listed SMEs & proxies and SNCIs)

Table 62 illustrates that:

The most relevant internal benefit for majority of preparers that responded is improving internal management systems and increasing efficiency and reducing internal costs. Enhanced decision-making is also mentioned by the majority of all preparers as a relevant benefit of section 5. Some then indicated attracting talent and motivating the workforce as relevant internal benefits too.

As external benefits, the ones mentioned the most by the majority of respondents are improved engagement with stakeholders, increased competitiveness and reduced reputational risks.

Some also mentioned enhancing social well-being as relevant benefit of Section 5.

Q5 for preparers only (listed SMEs & proxies and SNCIs)

Majority of respondents think that the DRs can be verified/assured.

Q6 for preparers only (listed SMEs & proxies and SNCIs)

Both Listed SMEs & proxies and SNCIs seem to mostly have positive views on the cost/benefit balance in this section as most of respondents suggested that the disclosure requirements in this section reach a reasonable cost/benefit balance.

Q7 and Q7.1 for preparers only (listed SMEs & proxies and SNCIs)

The views between listed SMEs & proxies and SNCIs are similar. The majority agreed that the ARs in Section 5 are sufficiently clear and understandable. On the other side, some suggest that the ARs are not sufficiently clear and understandable.

Business conduct (Section 6 LSME)

Q1 for preparers only (Listed SMEs & proxies and SNCIs)

All preparers responding found the understandability of the requirements and/or needs for practical guidance as the most relevant operational challenge of this section. The majority also indicated the rest of the operational challenges as listed in the table.

Q2 for preparers only (Listed SMEs & proxies and SNCIs)

Preparers overall mostly indicated that the DRs in Section 6 are either feasible/already prepared or possible to prepare with efforts. Only some indications on G1-1 – Management of relationships with suppliers as well as G1-3 – Political influence and lobbying activities that these are highly challenging and costly.

Q2 for Users

Overall, most users find all the disclosure requirements useful and needed. Request for simplifications for For G1-2 Anti-corruption and bribery: SMEs lack the resources and systems to effectively monitor and manage relationships with suppliers, resulting in challenges in collecting data on supplier governance practices such as ethical sourcing, labor standards, and environmental impact. Request for simplification for G1-3 Political influence and lobbying activities: One user suggested to drop the datapoint and disclose

on a voluntary basis; another user pointed again to the lack the resources and expertise resulting in incomplete or inaccurate disclosure of relevant data.

Q3 for preparers only (Listed SMEs & proxies and SNCIs)

High variability in estimated HR cost, from 2,000 to 75,000. Costs in general decreasing in subsequent years.

Q4 for preparers only (listed SMEs & proxies and SNCIs)

Table 78 illustrates that:

The most relevant internal benefit for all preparers that responded is improving internal management systems and increasing efficiency and reducing internal costs. The majority also indicated Understanding of IROs that can support decision making processes as a relevant internal benefit.

As external benefits, the ones mentioned the most by most of respondents are improved engagement with stakeholders and reduced reputational risks.

Q5 for preparers only (listed SMEs & proxies and SNCIs)

Majority consider that the DRs can be verified and assured.

Q6 for preparers only (listed SMEs & proxies and SNCIs)

Both Listed SMEs & proxies and SNCIs seem to mostly have positive views on the cost/benefit balance in this section as most of respondents suggested that the disclosure requirements in this section reach a reasonable cost/benefit balance.

Q7 and Q7.1 for preparers only (listed SMEs & proxies and SNCIs)

All LSME respondents consider ARs sufficiently clear and understandable, while most of SNCI have the opposite view.

Feedback received in the field test workshops

Feedback from workshop with listed SMEs & proxies (3 June 2024)

Topic	Comment / suggestion from participant
General simplifications	- One participant (LSME) generally recommended that EFRAG needs to find ways to address the complexity issue of the LSME: there should be a way to mitigate and simplify the standard as the ED with 190 pages is currently too long. The participant however did not find any issues with the proposed centralised architecture.
Materiality	The same participant as above agreed with the approach to materiality however, it being a new concept for LSMEs, the connection of the double materiality process needs to be more interconnected with what the LSMEs have to report on.
General simplifications	- Another LSME strongly advocated for a much smaller standard, mostly in a form of a questionnaire. The rationale behind this suggestion is that the current ED is too burdensome and creates competitive disadvantages with competitors such as non-EU SMEs in the US or non-listed SMEs that do not have all these reporting requirements. Furthermore, most of their human resources are in operations, meaning that there aren't dedicated capacities for this information requested.
Sector approach	One participant (proxy) suggested that sector guidance for SMEs could significantly factor in facilitating the process for LSMEs.
Reporting costs	An LSME participant indicated that the costs estimated by participants in this field test are most probably not considering the additional costs due to the needs of XBRL tagging.
Implementation support	Two participants (one LSME and one proxy) indicated the need for further financial implementation support, either at national or European level
Sector approach	One other proxy suggested that there should be a clearer connection between the ED and the sectors which would also complement sector benchmarking
Verification/assurance of information	One LSME suggested that the verification depends on the auditor however the experience level of the undertaking in reporting information can significantly facilitate the process and contribute to verifiable information. Another LSME suggested that time is also of essence in matters of audits and assurance of information, especially when having to assure both financial and non-financial information and statements.

Topic	Comment / suggestion from participant
	Another LSME, based on the above indications, further added that reporting all this information and verifying/assuring it is very expensive. The stock exchange costs are already very high for the size of those firms thus there is a strong need to simplify by developing a standard with key indicators for listed SMEs.
Q7 on AR understandability	One LSME indicated that in their case they are more experienced as an entity in sustainability reporting however, the Ars might not be sufficient to help non-experienced reporting undertakings and for those new reporters the information requests should be much clearer.
Q8 Section 2 materiality	One LSME suggested that certainly LSMEs will need consultants to follow the MA process correctly. Another LSME added that the MA process should be defined more clearly, perhaps in a more “tailored to the needs of SMEs” way, also with the contributions of incentives at national level.
Guidance / sectors	One LSME suggested that EFRAG develops standards that are complemented by more practical examples and tools. However, it does not make sense to give examples to SMEs for sectors they are not operating in (i.e., Oil and Gas). The guidance should be tailored to those markets that LSMEs usually operate in. Another participant (proxy) further added that the ED is too technical for the size of the firm however this is also reliant on the sector of each LSME, as some LSMEs might be in more high impact sectors.

Feedback from workshop with SNCIs (4 June 2024)

Topic	Comment / suggestion from participant
Architecture	Section 3: the centralised ARs are not clear. It is difficult to understand the link with the related DRs. Suggestion to include PAT in topical sections
Materiality and Value chain	Clear need for more guidance that is tailored to smaller undertakings in different sectors Proposal to define a sort of navigation table that can help the understanding of DRs and for DRs with VC implications, proposal to indicate it explicitly

Topic	Comment / suggestion from participant
Biodiversity E4	Need for more guidance. Suggestion to build on the VSME guidance
Guidance improvement	The standard should include more practical guidance

Feedback from workshop with users (7 June 2024)

Topic	Comment / suggestion from participant
GOV-1 BoD information	One user as investor of LSMEs indicated that even large undertakings need to put effort to make the disclosures regarding the BoDs in GOV-1 useful for users. These DRs should be complemented by guidance as much as possible.
SBM-3 revenues by sectors	On revenues by sector: One user as investor of LSMEs suggested that if it's difficult maybe they should disclose thresholds. As users they would need to see if they have some certain commitments.
Omitting DRs and matters	Two participants as users of LSME sustainability reports (either as bank or investor) suggested that LSMEs should only disclose their material matters and topics. On non-material topics, there should be a pragmatic approach and only material topics and the process behind them are the necessary ones. LSMEs have limited resources. This approach should also be applied to EU Law datapoints
SFDR Table 1, 2 and 3	One user as investor of LSMEs suggested that a phase-in of Table 1, 2 and 3 SFDR could be introduced: better to motivate SMEs to start somewhere and then they follow-up with additional SFDR information
Guidance and value chain	Two users as bank or investor of LSMEs indicated the need for clear language and definitions in local language. The value chain element appears to also be very challenging for those undertakings, even for large companies. Therefore, it would be ideal to provide with best practice examples, digital tools and visualisation of what is expected from them. One consultant further added that this best practice example could be inspired by Set 1 reporters.

Topic	Comment / suggestion from participant
E6 anticipated financial effects for topics other than climate	One user as investor of LSMEs suggested that the information is needed because by having this information, investors can better assess not only based on monetary effects but also based on reputational risks
General	One user as investor of LSMEs recommended that guidance is not only needed for preparers but also for users, for example on matters of how the user should check the consistency of the process followed by the companies. For preparers a guidance should be developed that assists the LSMEs but also ensures the consistency of the process.
S1-6 Training metrics	One user as investor of LSMEs recommended that education is very crucial as a metric. Preparers need to disclose as users can see that the investee has training metrics / suggestion to develop perhaps a tick box on how many hours the employees are trained as a bottom up approach

**Module 1 – General, Strategy, Governance and Materiality Assessment
(Section 2 of LSME)**

The following is an analysis of answers to ten questions covering Section 2 DRs and materiality questions in the VSME ED Field Text Questionnaire published in January 2024, by EFRAG. These questions covered operational challenges, levels of difficulty, estimation of costs & benefits, assurance/verification of DRs, challenges with materiality process and necessity of DRs (for users).

Q1 for preparers only (Listed SMEs & proxies and SNCIs)

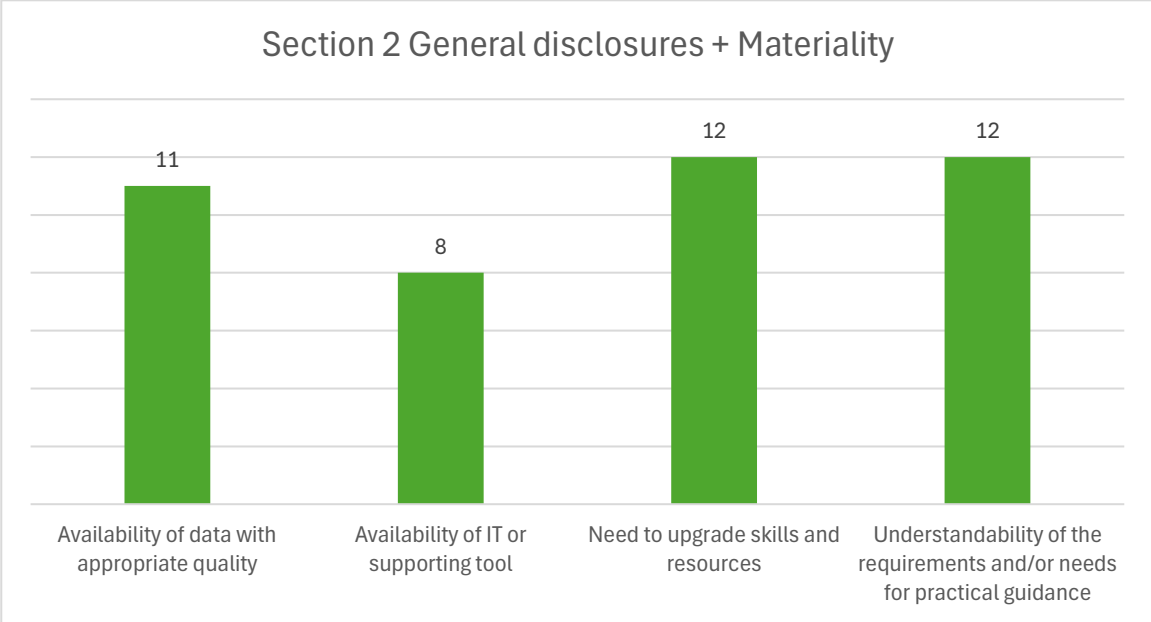
Question 1: For Preparers, a selection of the most relevant operational challenges was asked to be chosen, if applicable:

- a) Availability of data, with appropriate quality
- b) Availability of IT or supporting tool
- c) Need to upgrade skills and resources
- d) Understandability of the requirements and/or needs for practical guidance

Number of respondents that answered the question

In this question, 13 out of 18 (73%) preparers answered the question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents (Preparers only) to Question 1



Overall, the graph suggests that the biggest challenges for preparers are understandability of the requirements and/or needs for practical guidance, the need to upgrade skills and resources, and the availability of data with appropriate quality as indicated by most respondents. Majority

indicated availability of IT or supporting tool however this seems pertinent compared to the sample and the rest of the responses and not as big of an obstacle.

Table 1: Number of overall respondents per Q1 challenge

Analysis of listed SMEs & proxies

Response rate: 8 out of 11 (73%) listed SMEs & proxies responded to Question 1 of Module 1.

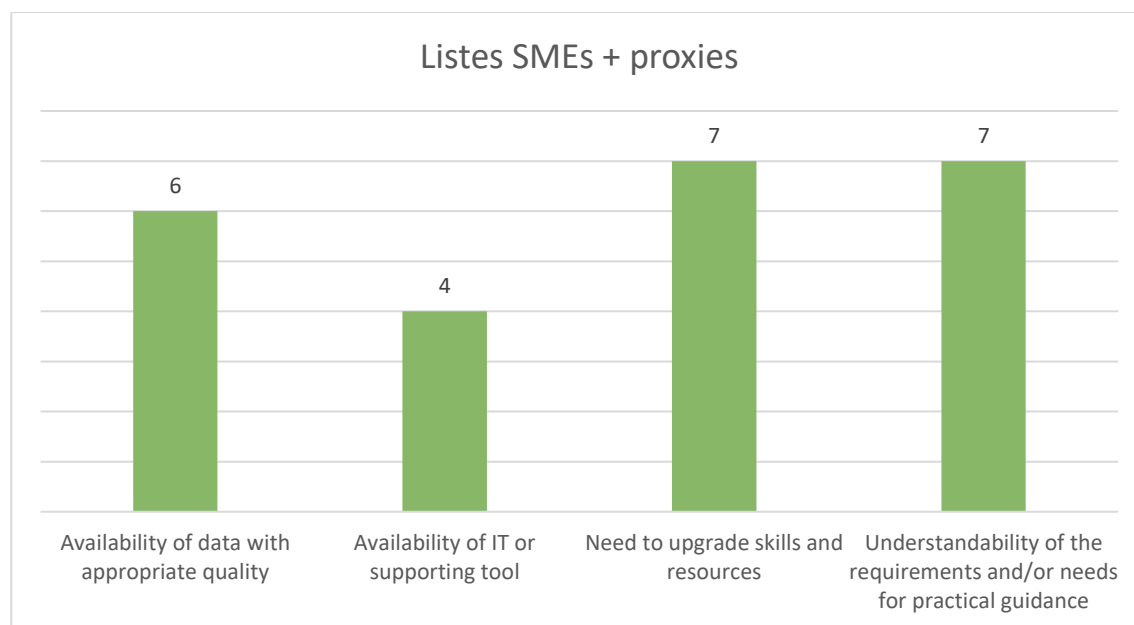


Table 2: Number of listed SMEs & proxies per challenge

Analysis:

Similar to the overall trend, the biggest challenges for preparers are understandability of the requirements and/or needs for practical guidance, the need to upgrade skills and resources, and the availability of data with appropriate quality as indicated by most respondents.

Additional comments provided:

Three additional comments came from Listed SMEs & proxies in this question:

- Need for more guidance and guidelines, including practical examples and calculation tools
- DRs should require a reasonable amount of time and resources to prepare the related information
- Challenging to define the MA and to understand Value chain implications

Analysis of SNCIs

Response rate: 5 out of 7 (71%) SNCIs responded to Question 1 of Module 1.

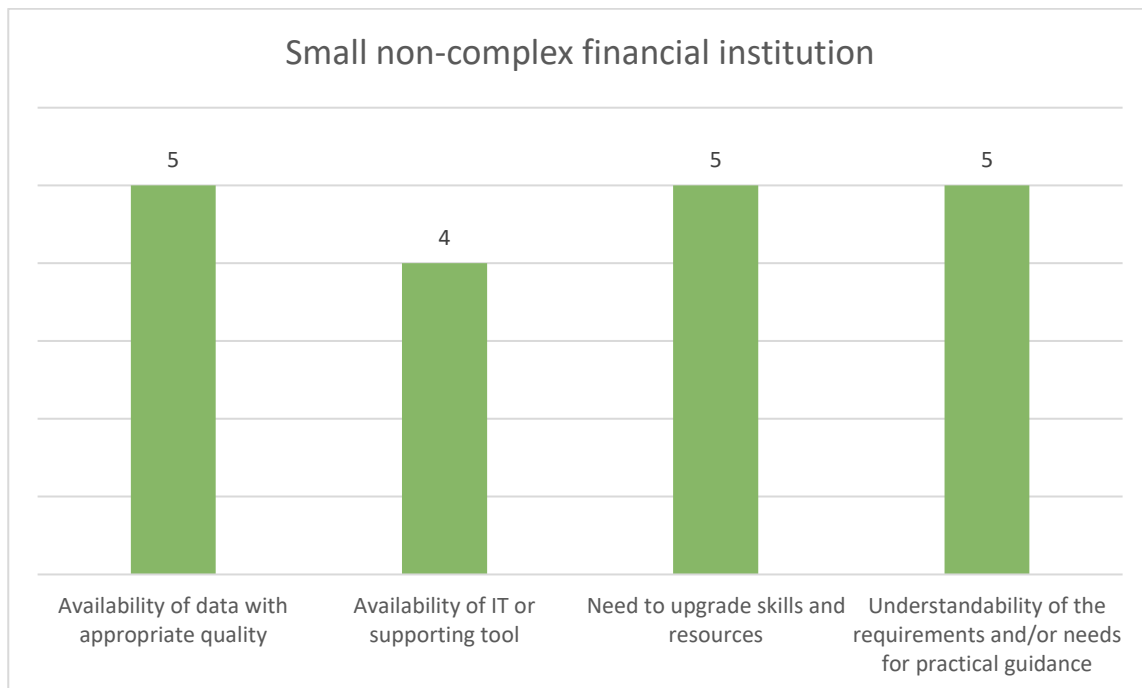


Table 3: Number of SNICs per challenge

Analysis:

All the operational challenges are considered relevant, with a slightly less relevance associated to “availability of IT tool”.

Additional comments provided:

All SNICs responding are in favour of having the possibility to apply a simplified standard, with three additional comments:

- Need for more guidance and guidelines, including practical examples and calculation tools (3 respondents)
- DRs should require a reasonable amount of time and resources to prepare the related information (3 respondents)
- Challenging to define the MA and to understand Value chain implications (2 respondents)

One SNIC further suggested/indicated in their comment:

- limited human and financial resources
- lack of definition of the value chain for SNIC
- implementation of a proper MA
- difficult to understand how the stakeholder engagement should take place and the implications in relation to the MA

- DRs are not clear. There is a need for more guidance, including practical examples and calculation tools

Q2 for preparers only (Listed SMEs & proxies and SNCIs)

Question: Considering Section 2 of this ESRS LSME ED, for each disclosure please indicate if the disclosure is “highly challenging and costly”, or “possible to prepare with some efforts”, or “feasible with available means or already prepared”.

Number of respondents that answered the question

In Question 2 of Module 1, 15 out of 18 (83%) respondents answered this question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents to Question 2

Preparers overall	Feasible with available means or already prepared	Possible to prepare with some efforts	Highly challenging and costly
DR-1 (BP 1) and DR-2 (BP 2) – General basis for preparation of the sustainability statements and DR-2 (BP 2) – Disclosures in relation to specific circumstances	6	5	4
DR-3 (GOV 1) - The role of the administrative, management and supervisory bodies	9	6	0
DR-4 (GOV 2) – Due diligence	4	5	6
DR-5 (SBM 1) - Strategy, business model and value chain	2	9	4
DR-6 (SBM 2) - Interests and views of stakeholders	2	9	4
DR-7 (SBM-3) - Material impacts and risks and their interaction with strategy and business model	1	6	8
DR-8: Material opportunities and	1	9	5

Preparers overall	Feasible with available means or already prepared	Possible to prepare with some efforts	Highly challenging and costly
positive impacts as voluntary content			
DR-9 (IR 1) - Processes to identify and assess material impacts and risks	1	9	5
DR-10 (IR-2) – Disclosure Requirements in ESRS LSME covered by the undertaking’s sustainability statement	2	10	3

Table 4: Overall breakdown of respondents that selected different levels of difficulty encountered with each relevant disclosure in Section 2

Key messages:

Overall, Table 4 indicates the following:

- Most disclosures were found possible to prepare with some efforts or feasible / already prepared
- GOV-1 and IR-2 were identified by most (for GOV-1) and by the majority (for IR-2) of respondents as either feasible or possible to prepare with efforts
- The two most challenging and costly disclosure requirements in section 2 for the respondents are SBM-3 (highly challenging costly for majority) and GOV-2 (highly challenging costly for some).
- Split views found on BP-1, BP-2, SBM-1 and SBM-2 as well as Material opportunities and positive impacts, IR-1 and IR-2. However, the majority in these disclosures indicated that they are either feasible and already prepared or possible with efforts.

Analysis of listed SMEs & proxies

Response rate: 10 out of 11 (91%) listed SMEs & proxies responded to Question 2 of Module 1.

Listed SMEs & proxies	Feasible with available means or already prepared	Possible to prepare with some efforts	Highly challenging and costly
DR-1 (BP 1) and DR-2 (BP 2) – General basis for preparation of the sustainability statements and DR-2 (BP 2) – Disclosures in relation to specific circumstances	5	4	1
DR-3 (GOV 1) - The role of the administrative, management and supervisory bodies	7	3	0
DR-4 (GOV 2) – Due diligence	3	3	4
DR-5 (SBM 1) - Strategy, business model and value chain	1	8	1
DR-6 (SBM 2) - Interests and views of stakeholders	2	5	3
DR-7 (SBM-3) - Material impacts and risks and their interaction with strategy and business model	1	4	5
DR-8: Material opportunities and positive impacts as voluntary content	1	6	3
DR-9 (IR 1) - Processes to identify and assess material impacts and risks	1	6	3
DR-10 (IR-2) – Disclosure Requirements in ESRS LSME covered by the	2	7	1

Listed SMEs & proxies	Feasible with available means or already prepared	Possible to prepare with some efforts	Highly challenging and costly
undertaking's sustainability statement			

Table 51: Breakdown of listed SMEs & proxies that selected different levels of difficulty encountered with each relevant disclosure in Section 2

Key messages:

Similarly to the trend of all the responses of preparers, the views of listed SMEs & proxies remain as previously described:

- Most disclosures were found possible to prepare with some efforts or feasible / already prepared
- GOV-1 and IR-2 were identified by most of respondents as either feasible or possible to prepare with efforts
- The two most challenging and costly disclosure requirements in section 2 for the respondents are SBM-3 (highly challenging costly for majority) and GOV-2 (highly challenging costly for some).
- Split views found on BP-1, BP-2, SBM-1 and SBM-2 as well as Material opportunities and positive impacts, IR-1 and IR-2. However, the majority in these disclosures indicated that they are either feasible and already prepared or possible with efforts.

15 additional comments provided by listed SMEs & proxies:

- On BP-1 and BP-2, 2 respondents underlined the need of skills and capacity building to understand and comply with the requirements.
- On Due diligence, 2 respondents mentioned the difficulties in implementing a due diligence process and the need to for more guidance and explanations.
- On Interests and views of stakeholders, 3 respondents mentioned that that the cost and the effort to implement a stakeholders engagement process is too high and 2 respondents required more guidance and the difficulty to understand the implications in the MA process
- On SBM-3, 3 respondents required more guidance while 2 respondents underlined the difficulties to estimate the financial implications of IRs.

- 2 respondents mentioned the difficulties in understanding the requirement and the need for more guidance and examples for Material opportunities and positive impacts.
- On IR-1, the need for more guidance to standardize the process with practical examples was highlighted by 2 respondents.
- 1 respondent suggested that it is very costly to provide explanations for each of the items omitted as a result of the materiality assessment

Analysis of SNCIs

Response rate: 5 out of 7 (71%) SNCIs responded to Question 2 of Module 1.

SNCIs	Feasible with available means or already prepared	Possible to prepare with some efforts	Highly challenging and costly
DR-1 (BP 1) and DR-2 (BP 2) – General basis for preparation of the sustainability statements and DR-2 (BP 2) – Disclosures in relation to specific circumstances	1	1	3
DR-3 (GOV 1) - The role of the administrative, management and supervisory bodies	2	3	0
DR-4 (GOV 2) – Due diligence	1	2	2
DR-5 (SBM 1) - Strategy, business model and value chain	1	1	3
DR-6 (SBM 2) - Interests and views of stakeholders	0	4	1
DR-7 (SBM-3) - Material impacts and risks and their interaction with strategy and business model	0	2	3
DR-8: Material opportunities and positive impacts as voluntary content	0	3	2

SNCIs	Feasible with available means or already prepared	Possible to prepare with some efforts	Highly challenging and costly
DR-9 (IR 1) - Processes to identify and assess material impacts and risks	0	3	2
DR-10 (IR-2) – Disclosure Requirements in ESRS LSME covered by the undertaking’s sustainability statement	0	3	2

Table 6: Breakdown of SNCIs that selected different levels of difficulty encountered with each relevant disclosure in Section 2

Key messages:

- For SNCIs, most disclosures were either found possible to prepare with some efforts or highly challenging and costly.
- Most challenging as indicated by majority of respondents seem to be BP-1, BP-2, SBM-1, and SBM-3.
- The rest of the disclosures were mainly found possible to prepare with some efforts – this is especially the case for GOV-1, SBM-2, DR-8, I-1 and IR-2. The views are split for GOV-2 on due diligence.

23 additional comments provided by SNCIs:

- One SNCI has already defined a so called “non-financial statement” according to the NFRD requirements. Even considering this, SBM3 and DR8 on positive impacts and opportunities were considered as “highly challenging and costly”.
- On BP-1 and BP-2, 2 respondents underlined the need of skills and capacity building to understand and comply with the requirements. Additionally, 2 respondents expressed their concern on the value chain estimation. It requires the collaboration of a very large number of stakeholders and an expensive internal system to verify the quality of the data received (specially for actors not included in CSRD scope).
- On Due diligence, 2 respondents mentioned the difficulties in implementing a due diligence process and the need to for more guidance and explanations while 1 respondent

mentioned the need for an IT tool to structure to manage, aggregate and analyse these information flows.

- On SBM-1 – Strategy, business model and value chain, 2 respondents stated that the effects on strategy and business model are difficult to determine while 2 respondents also underlined the need of more guidance on VC requirements, especially for the bank sector, as it is not easy to understand the “boundaries” of this definition. Furthermore, they expressed concern on the availability of upstream and downstream value chain information.
- On SBM-2 and stakeholder engagement, 2 respondents mentioned that that the cost and the effort to implement a stakeholders engagement process is too high and 1 respondent required more guidance and the difficulty to understand the implications in the MA process.
- 2 respondents on SBM-3 underlined the difficulties to estimate the financial implications of IRs while 1 respondent mentioned that they have already integrated ESG risks in their risk assessment process
- On Material opportunities and positive impacts, 2 respondents commented positively the possibility to assess and disclose opportunities/positive impacts. This can support the implementation of new business areas and to offer additional services beyond the classic financial services.
- Finally on IR-1, the need for more guidance to standardize the process and to understand how to implement the MA (including the definition of thresholds) was recommended by 2 respondents.

Q2 for Users

Question: Considering Section 2 of this ESRS LSME ED, for each disclosure please indicate if “all the datapoints in the ED are needed” or “further simplification can be implemented”. IF “further simplification can be implemented” please explain how and which datapoints may be dropped.

Number of respondents that answered the question

In Question 2 of Module 1, 12 out of 12 (100%) respondents answered this question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents to Question 2

Users overall	All the datapoints in the ED are needed	Further simplification can be implemented
DR-1 (BP 1) and DR-2 (BP 2) – General basis for preparation of the sustainability statements and DR-2 (BP 2) – Disclosures in relation to specific circumstances	92%	8%
DR-3 (GOV 1) - The role of the administrative, management and supervisory bodies	92%	8%
DR-4 (GOV 2) – Due diligence	100%	-
DR-5 (SBM 1) - Strategy, business model and value chain	75%	25%
DR-6 (SBM 2) - Interests and views of stakeholders	83%	17%
DR-7 (SBM-3) - Material impacts and risks and their interaction with strategy and business model	83%	17%
DR-8: Material opportunities and positive impacts as voluntary content	100%	-
DR-9 (IR 1) - Processes to identify and assess material impacts and risks	83%	17%
DR-10 (IR-2) – Disclosure Requirements in ESRS LSME covered by the undertaking’s sustainability statement	92%	8%

Table 7: Overall breakdown of users that selected different levels of relevance for each disclosure in Section 2

Key messages and additional comments received by users:

Overall, the numbers in Table 7 pinpoint that all disclosures seem to be needed in the ED by most users, except for SBM 1 that is needed according to many.

On BP-1 General basis for preparation of the sustainability statements, one user of LMSE SR as a bank or investor suggested that it is not necessary to disclose whether the undertaking has used the option to omit a specific piece of information corresponding to intellectual property (par. 4b¹).

On BP-2 Disclosures in relation to specific circumstances one user of LMSE SR as a bank or investor indicated that:

- These are very prescriptive requirements with high reporting burden. The focus should be on what needs to be presented and not on how the information shall be presented.
- more specific information should be provided in relation to what specific circumstance means.
- in relation to value chain estimation, it should be very clear that LSMEs will not be obliged to buy sector-estimated or proxy data.

On GOV-1 The role of the administrative, management and supervisory bodies, 2 comments were made:

- one respondent (consultant) suggested that there is no need to disclose the number of executive/non-executive members, percentage of independent board members (par. 19a). This information is already available in relation to the general composition of the admin/management bodies.
- one user of LMSE SR as a bank or investor agreed that all datapoints are relevant but further simplifications could be done via creating a questionnaire format questions with pre-set options from which the reporting entity could choose, which would then trigger a next question or not.

On GOV-2 Due diligence, one user of LMSE SR as a bank or investor suggested that a definition of due diligence and examples of due diligence practices could be provided given the fact that while

¹ “(b) whether the undertaking has used the option to omit a specific piece of information corresponding to intellectual property, know-how or the results of innovation (see [draft] Section1 chapter 6.6 Classified and sensitive information, and information on intellectual property, know-how or results of innovation; and”

"due diligence" is a very known concept for financial market participants, it might not be the same case for LSMEs operating in real economy. The "due diligence" can be replaced with "policy/process to identify suppliers" for further clarity.

On SBM-1 Strategy, business model and value chain, the participants left two additional comments:

- revenue by ESRS sector requires time & efforts for limited use. It should be not included (comment from consultant)
- the meaning of "list of significant ESRS sectors" should be further clarified in the ED (user of LMSE SR as a bank or investor)

On SBM-2 Interests and views of stakeholders, a user of LMSE SR as a bank or investor suggested that engaging with stakeholders should not be preventive for the reporting entities. Therefore, if the entity confirms that they have a process or sporadic engagement, the expectation should be to report only (i) type of stakeholders that it engaged via a drop-down menu, (ii) result of the engagement as these are the most important outputs from a user perspective.

On SBM-3 Material impacts and risks and their interaction with strategy and business model, a user of LMSE SR as a bank or investor:

- indicated that the requirement to report current financial effects and anticipated financial effects might be too detailed to ask from the LSMEs (comment also made by rating agency). Therefore, a starting question could be that if the reporting entity foresees any immediate financial impact. If the entity ticks the box as yes, then the same question could be extended for anticipated financial effects.
- Suggested to make a distinctions on EU datapoints can be applicable to all undertakings in scope or only to SNCI (i.e. Pillar 3)
- On AR – it is stated that the entity shall specify if it has sites located or nearby biodiversity-sensitive areas, operations at significant incidents of forced labour, etc. These requirements need to be streamlined in terms of (i) terminology (still the terminology is very complex when it comes to requesting data on desertification, soil sealing, threatened species) for which it could be considered to develop a pre-set list of biodiversity sensitive areas, (ii) this type of information shall only be asked if the country of operation is associated with any risks highlighted here.
- AR-16: EFRAG should publish a guideline with the terminology including what a climate-related physical risk/transition risk is.

- AR 18/19/20: Requiring the types of own workers, sectoral, and geographic distribution should be sufficient data points for users. On a voluntary basis, the reporting undertaking, could be invited to provide information if they have measures to handle risk in certain sectors (e.g., chemicals), countries or employees in a certain age group.
- AR21: A high-level substantial information on workers within the value chain would be sufficient (e.g., percentage of women, geographic and sectoral distribution) and if the LSME considers any risk within its value chain workers. A starting question for disclosure should be that if the reporting undertaking has any workers within its value chain located outside EU? If no, the reporting entity can skip the assessment in this part. If yes, it could provide the high-level substantial information suggested above. "

All respondents agreed to have DR-8 Material opportunities and positive impacts as a voluntary disclosure.

On IR-1 Processes to identify and assess material impacts and risks, one user of LMSE SR as a bank or investor suggested that:

- the process requirements shall be more detailed, and the level of expectation shall be described in the ED, particularly on how to engage with the value chain and to which extent (for instance priority given to CSRD-compliant business relationships or only TIER-1)
- AR 31d) not applicable to SNCIs. It should be necessary to request the preparation of high emission climate scenarios unless the reporting entity is a financial market participant falling under LSME
- AR 41 more guidance is needed. For instance, providing an integrated tool, map or a reference source available to identify biodiversity-sensitive areas

IR-2 Disclosure Requirements in ESRS LSME covered by the undertaking's sustainability statement received a comment from one user of LMSE SR as a bank or investor that for users it is sufficient to know which ESRS topics are material for the LSME and the process behind it as described under IR-1. The explanation on why certain ESRS topics found non-material is not needed.

Q3 for preparers only (Listed SMEs & proxies and SNCIs)

Question: Considering the disclosure requirements covered in Section 2 of ESRS LSME ED, please state the estimated total cost to prepare it.

Number of respondents that answered the question

In this question, 13 out of 18 (73%) preparers answered the question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents to Question 3

Mentioning of higher total costs in the first year / lower in subsequent years	Need for consulting services	Need for spending for IT
12	12	11

Table 82: Number of respondents who suggested lower costs in the following years and costs that are attributed to consulting and IT

Table 8 showcases that almost all respondents indicated lower costs in the following years of reporting, which is also reflected in Table 8 below, however, most of them also indicated the need to invest in consulting and IT.

	Ranges (in EUR)	HR/Personnel costs (12 respondents)	Consultancy costs (1 respondents)	IT costs (11 respondents)
First year (one-off costs)	Below 1,000	0%	0%	0%
	1,000-5,000	8%	0%	9%
	5,000-10,000	17%	9%	27%
	10,001-30,000	25%	36%	36%
	30,001-50,000	8%	18%	9%
	50,001-70,000	0%	9%	0%
	Above 70,000	42%	27%	18%
	Average cost	37,208	49,750	39,000
	Ranges (in EUR)	(11 respondents)	(11 respondents)	(10 respondents)
Subsequent years (recurring costs)	Below 1,000	0%	0%	0%
	1,000-5,000	36%	27%	30%
	5,000-10,000	0%	9%	30%
	10,001-30,000	27%	36%	20%
	30,001-50,000	18%	9%	20%
	50,001-70,000	0%	0%	0%
	Above 70,000	18%	18%	0%
	Average cost	26,000	33,000	23,600

Table 93: Analysis of the Responses to Q3 on costs per category of costs

The table above depicts that the first-year costs are mostly in the range of 10,001 to 30,000 Euros while some respondents estimated possible costs above 70k for all categories. Table 8 also lists average costs above 20,000 euros for all categories while the total for the first year can amount to costs above 120,000 euros. A few respondents additionally indicated some related to training of resources, in the range of 1,000 – 5,000 per year.

Analysis of listed SMEs & proxies

Response rate:

8 out of 11 (73%) listed SMEs & proxies responded to Question 3 of Module 1.

Analysis of listed SMEs & proxies to Question 3

Mentioning of higher total costs in the first year / lower in subsequent years	Need for consulting services	Need for spending for IT
8	8	7

Table 104: Number of listed SMEs who suggested lower costs in the following years and costs that are attributed to consulting and IT

Table 10 showcases that all respondents indicated lower costs in the following years of reporting, which is also reflected in Table 11 below. Most of them also indicated the need to invest in consulting and IT.

	Ranges (in EUR)	HR/Personnel costs (8 respondents)	Consultancy costs (8 respondents)	IT costs (7 respondents)
First year (one-off costs)	Below 1,000	0%	0%	0%
	1,000-5,000	12%	13%	14%
	5,000-10,000	25%	13%	29%
	10,001-30,000	25%	25%	29%
	30,001-50,000	13%	12%	14%
	50,001-70,000	0%	12%	0%
	Above 70,000	25%	25%	14%
	Average cost	20,800	32,000	28,000
	Ranges (in EUR)	(7 respondents)	(7 respondents)	(6 respondents)
Subsequent years (recurring costs)	Below 1,000	0%	0%	0%
	1,000-5,000	43%	29%	33%
	5,000-10,000	0%	14%	33%
	10,001-30,000	43%	29%	17%

	Ranges (in EUR)	HR/Personnel costs (8 respondents)	Consultancy costs (8 respondents)	IT costs (7 respondents)
	30,001-50,000	0%	14%	17%
	50,001-70,000	0%	0%	0%
	Above 70,000	14%	14%	0%
	Average cost	15,000	20,000	21,000

Table 115: Analysis of the Responses to Q3 on costs per category of costs

The table above depicts that the first-year costs are mostly in the range of 5,000 to 10,000 and 10,001 to 30,000 Euros while some respondents estimated possible costs above 70k for all categories. Table 10 also lists average costs above 20,000 euros for all categories.

Analysis of SNCIs

Response rate:

5 out of 7 (71%) SNCIs responded to Question 3 of Module 1.

Analysis of SNCIs to Question 3

Mentioning of higher total costs in the first year / lower in subsequent years	Need for consulting services	Need for spending for IT
4	4	4

Table 126: Number of SNCIs who suggested lower costs in the following years and costs that are attributed to consulting and IT

Table 12 showcases that most respondents indicated lower costs in the following years of reporting, which is also reflected in Table 13 below. All SNCIs answered that major costs are related to HR. The majority also stated that there are no employees fully dedicated to the sustainability reporting. The need of consultants and IT costs are relevant cost drivers for almost all respondents.

	Ranges (in EUR)	HR/Personnel costs (4 respondents)	Consultancy costs (4 respondents)	IT costs (4 respondents)
First year (one-off costs)	Below 1,000	0%	0%	0%
	1,000-5,000	0%	0%	0%
	5,000-10,000	0%	0%	25%
	10,001-30,000	25%	50%	50%
	30,001-50,000	0%	25%	0%

	Ranges (in EUR)	HR/Personnel costs (4 respondents)	Consultancy costs (4 respondents)	IT costs (4 respondents)
	50,001-70,000	0%	0%	0%
	Above 70,000	75%	25%	25%
	Average cost	70,000	85,000	60,000
	Ranges (in EUR)	(4 respondents)	(4 respondents)	(4 respondents)
Subsequent years (recurring costs)	Below 1,000	0%	0%	0%
	1,000-5,000	25%	25%	25%
	5,000-10,000	0%	0%	25%
	10,001-30,000	0%	50%	25%
	30,001-50,000	50%	0%	25%
	50,001-70,000	0%	0%	0%
	Above 70,000	25%	25%	0%
	Average cost	42,500	52,500	27,500

Table 137: Analysis of the Responses to Q3 on costs per category of costs

The small sample in Table 12 indicates that the first-year costs are either in the range of 10,001 to 30,000 Euros or above 70,000. Some respondents estimated possible costs above 70k for all categories (this cost is related to the preparation of the entire report and not only related to the DRs included in this section). Those costs might also appear to be higher because of the costs related to the materiality assessment process (20k-30k for the first year), definition of the SR (approx. 20k for the first year), and training of internal resources.

Q4 for preparers only (listed SMEs & proxies and SNCIs)

Question: Considering the disclosure requirements covered in this section, can you indicate the possible internal and external benefits deriving from reporting the required information

Number of respondents that answered the question

In this question, 13 out of 18 (73%) preparers answered the question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents to Question 4

Potential benefits	Number of responses
<i>Internal benefits</i>	
better understanding of impacts, risks and opportunities that can support decision making processes	10
improving internal management systems and increasing efficiency and reducing internal costs	4
increase transparency in terms of commitment to sustainability and ESG factors	1
<i>External benefits</i>	
reducing reputational risks and improve engagement with stakeholders	7
enabling competitive advantages and new products/services	6
promoting a more sustainable economy - benefits to the society	4
No benefits (increase in bureaucracy/reporting burdens)	2

Table 148: Aggregate Overview of Preparers that selected different benefit categories.

The table above depicts that the majority of respondents suggested better understanding of IROs as an internal benefit of Section 2 and reducing reputational risks and improvement of engagement with stakeholders as an external benefit. Some also indicated the improvement of internal management systems (internal) as well as competitive advantages and promoting a more sustainable economy (external). Finally, a few respondents did not identify any related benefit in this section, suggesting an increase in bureaucracy and the burdens of reporting.

Listed SMEs & proxies analysis

Response rate: 9 out of 11 (82%) listed SMEs & proxies responded to Question 4 of Module 1.

Potential benefits	Number of responses
<i>Internal benefits</i>	
better understanding of impacts, risks and opportunities that can support decision making processes	6
improving internal management systems and increasing efficiency and reducing internal costs	2
<i>External benefits</i>	
reducing reputational risks and improve engagement with stakeholders	4
enabling competitive advantages and new products/services	4
promoting a more sustainable economy - benefits to the society	3
No benefits (increase in bureaucracy/reporting burdens)	2

Table 159: Aggregate Overview of listed SMEs & proxies that selected different benefit categories.

Table 15 showcases that the majority of respondents suggested better understanding of IROs as an internal benefit of Section 2 while some the reduction of reputational risks and improvement of engagement with stakeholders as an external benefit and competitive advantages and new products/services. Few also indicated the improvement of internal management systems (internal) as well as the promotion of a more sustainable economy (external). Finally, a few respondents did not identify any related benefit in this section, suggesting an increase in bureaucracy and the burdens of reporting.

SNCIs

Response rate: 4 out of 7 (57%) SNCIs responded to Question 4 of Module 1.

Potential benefits	Number of responses
<i>Internal benefits</i>	
better understanding of impacts, risks and opportunities that can support decision making processes	4
improving internal management systems and increasing efficiency and reducing internal costs	2
increase transparency in terms of commitment to sustainability and ESG factors	1
<i>External benefits</i>	
reducing reputational risks and improve engagement with stakeholders	3
enabling competitive advantages and new products/services	2
promoting a more sustainable economy - benefits to the society	1

Table 1610: Aggregate Overview of SNCIs that selected different benefit categories.

In the table above it is clear that all respondents suggested better understanding of IROs as an internal benefit of Section 2 while the most recurrent external benefit is the reduction of reputational risks and improvement of engagement with stakeholders. Some also indicated the improvement of internal management systems (internal) as well as potential competitive advantages and new products/services (external). Only few finally suggested increased ESG transparency (internal) and promotion of a more sustainable economy - benefits to the society (external).

Q5 for preparers only (listed SMEs & proxies and SNCIs)

Question: In your assessment, can the disclosure requirements in section 2 of this ESRS LSME ED be verified/assured? Comments / Please include the rationale for your answer.

Number of respondents that answered the question

In this question, 15 out of 18 (83%) preparers answered the question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents to Question 5

Preparers overall (15 responses)	
Answer	%
Yes, DRs in Section 2 can be verified/assured	60%
No, DRs in Section 2 cannot be verified/assured	40%

Analysis of listed SMEs & proxies

Listed SMEs & proxies (10 responses)	
Answer	%
Yes, DRs in Section 2 can be verified/assured	60%
No, DRs in Section 2 cannot be verified/assured	40%

Analysis of SNCIs

SNCIs (5 responses)	
Answer	%
Yes, DRs in Section 2 can be verified/assured	60%
No, DRs in Section 2 cannot be verified/assured	40%

Key takeaways and additional comments received:

Listed SMEs & proxies:

From those suggesting that the DRs cannot be verified/assured in Section 2, three additional comments were added:

- Need of more guidance and explanations for MA, which is the key principle for reporting
- The audit of the information will be difficult because it is highly subjective (i.e. in relation to VC information DR-5 SBM-1)
- Suggestion for a phase-in approach for auditing information, based on the maturity of the reporting environment

From those suggesting that the DRs can be verified/assured in Section 2, two comments were added:

- Even though agreeing, there is a need of management and internal control system to facilitate the process
- There is a certain learning curve to reach a certain level of maturity that can allow the audit activities

SNCIs:

From those suggesting that the DRs cannot be verified/assured in Section 2, two additional comments were added:

- There is a lack of details, explanations and examples with practical relevance for the implementation and presentation of the DRs
- It is really difficult for DRs with value chain implications (i.e. SBM-1). Lack of definition and quality of data

From those suggesting that the DRs can be verified/assured in Section 2, one SNCI recommended, even though agreeing, that there is a need of clarity on the auditing procedures and the related scope

Q6 for preparers only (listed SMEs & proxies and SNCIs)

Question: In your assessment, do the disclosure requirements in this section reach a reasonable cost/benefit balance?

IF YES: Please explain what particular benefit(s) these disclosure requirement offer

IF NO: Please explain why the cost/benefit balance would be unreasonable

Number of respondents that answered the question

In this question, 15 out of 18 (83%) preparers answered the question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents to Question 6

Preparers overall (15 responses)	
Answer	%
Yes, the disclosure requirements in this section reach a reasonable cost/benefit balance	53%
No, the disclosure requirements in this section do not reach a reasonable cost/benefit balance	47%

Analysis of listed SMEs & proxies

Listed SMEs & proxies (10 responses)	
Answer	%
Yes, the disclosure requirements in this section reach a reasonable cost/benefit balance	70%
No, the disclosure requirements in this section do not reach a reasonable cost/benefit balance	30%

Analysis of SNCIs

SNCIs (5 responses)	
Answer	%
Yes, the disclosure requirements in this section reach a reasonable cost/benefit balance	20%

No, the disclosure requirements in this section do not reach a reasonable cost/benefit balance	80%
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Key takeaways and additional comments received:

The split views in the responses of all preparers are mainly because SNCIs mostly disagreed and indicated that the disclosure requirements in this section do not reach a reasonable cost/benefit balance while the majority of listed SMEs & proxies agreed and suggested that the disclosure requirements in this section reach a reasonable cost/benefit balance.

Listed SMEs & proxies:

From those suggesting that the disclosure requirements in this section do not reach a reasonable cost/benefit balance:

- 2 out of 5 LSMEs replied that the associated costs are much higher than possible benefits
- There are no internal benefits for the company; on the contrary, there is a very significant increase in bureaucracy/reporting without significant benefits (3 respondents)

Those suggesting that the disclosure requirements in this section reach a reasonable cost/benefit balance additionally suggested that:

- This section offers a good understanding of material SMs and IROs (4 respondents)
- This section increases awareness and supports engagement with stakeholders (2 respondents)

SNCIs:

From those suggesting that the disclosure requirements in this section do not reach a reasonable cost/benefit balance:

- 3 out of 4 SNCIs replied that the associated costs are much higher than possible benefits
- 3 SNCIs suggested that LSME requirements and the associated reporting costs are disproportionate

The one SNCI agreeing suggested that the stakeholder engagement can increase awareness on the sustainability performance and can support the organisation to provide the most appropriate responses.

Q7 and Q7.1 for preparers only (listed SMEs & proxies and SNCIs)

Question: Are the Application Requirements sufficiently clear and understandable to allow for appropriate and consistent application? If relevant, please detail the topics where additional guidance is required and explain why in your opinion the guidance provided is insufficient or not sufficiently clear.

Number of respondents that answered the question

In this question, 15 out of 18 (83%) preparers answered the question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents to Question 7

Preparers overall (15 responses)	
Answer	%
Yes, the Application Requirements are sufficiently clear and understandable to allow for appropriate and consistent application	53%
No, the Application Requirements are not sufficiently clear and understandable to allow for appropriate and consistent application	47%

Analysis of listed SMEs & proxies

Listed SMEs & proxies (10 responses)	
Answer	%
Yes, the Application Requirements are sufficiently clear and understandable to allow for appropriate and consistent application	60%
No, the Application Requirements are not sufficiently clear and understandable to allow for appropriate and consistent application	40%

Analysis of SNCIs

SNCIs (5 responses)	
Answer	%

Yes, the Application Requirements are sufficiently clear and understandable to allow for appropriate and consistent application	40%
No, the Application Requirements are not sufficiently clear and understandable to allow for appropriate and consistent application	60%

Key takeaways and additional comments received:

Across the three tables above, the responses mostly appear to be split.

Listed SMEs & proxies:

Listed SMEs & proxies that disagreed and indicate that the ARs are not sufficiently clear and understandable additionally suggested:

- need for more guidance, examples and practical tools (3 respondents)
- language/structure too complex and lack of definitions and explanations (2 respondents)
- In particular, there is a need for more guidance and examples/tools for:
 - implementation of the MA process
 - sector implications, more guidance that can support the MA and the reporting process
 - ARs are not enough clear, there should be included more examples that can help the understandability of the requirements

SNCIs:

From those SNCIs disagreeing and indicating that the ARs are not sufficiently clear and understandable, some additional comments emerged:

- lack of definitions and explanations, such as what is meant by a bank's value chain and how the MA should be implemented (3 respondents)
- need for more guidance, examples and practical tools (3 respondents)
- language/structure too complex. A further simplification is needed (2 respondents)
- In particular, there is a need for more guidance and examples/tools for:
 - implementation of the MA process
 - Value chain definition and boundary

Q8 for preparers only (listed SMEs & proxies and SNCIs)

Question: Please provide your comments on the application of the materiality assessment process. What specific challenges did you encounter?

Number of respondents that answered the question

In this question, 12 out of 18 (67%) preparers answered the question.

The main arguments of listed SMEs and proxies (8 responses) are:

- Needs of guidance and examples on MA process (including on how to define materiality thresholds) (5 respondents)
- Difficulties with stakeholder engagement (2 respondents): important to understand how the stakeholder engagement should be performed, the level of engagement (granularity) and the implications in relation to the MA process
- Implementation of the MA process is too costly and often requires the support of a consultant (1 respondent)

The main arguments of SNCIs (4 responses) are:

- Needs of guidance and examples on MA process (including on how to define materiality thresholds) (2 respondents)
- Difficult to understand the value chain implications in relation to the MA (2 respondents)
- Main challenge related to MA is data gap to implement a proper and informed assessment and consequently in understanding the material SMs and DRs to be disclosed (2 respondents)

Q9 for preparers only (listed SMEs & proxies and SNCIs)

Question: What is your expectation on the percentage of data points in the exposure draft that you can omit based on the results of your materiality assessment? What specific challenges did you encounter in assessing the materiality of the specific datapoints (distinguishing between PAT and metrics due to the different treatment)? Please explain.

Number of respondents that answered the question

In this question, 10 out of 18 (56%) preparers answered the question.

The main arguments of listed SMEs and proxies (6 responses) are:

- 3 respondents underlined that it was not possible to estimate the % of datapoints that can be omitted. There is a need of more explanations and guidance on how to apply MA
- From 30% to 50% of data points can be omitted that based on the results of the MA (2 respondents)
- 15% of data points can be omitted that based on the results of the MA (1 respondent)

The main arguments of SNCIs (4 responses) are:

- Different views among the respondents
- 1 respondent estimated that almost 50% of data points can be omitted that based on the results of the MA
- Another respondent stated that based on the results of our materiality assessment, no data points in the exposure draft can be omitted
- 2 respondents pointed out that given the need for more guidance and examples on how to implement the MA it was not possible to estimate the percentage of datapoints that potentially could be omitted)

Q10 for preparers only (listed SMEs & proxies and SNCIs)

Question: Please refer to Disclosure Requirement 9-IR 1 - Processes to identify material impacts and risks. What specific challenges did you encounter in performing the materiality assessment for impacts and risks? And in reporting for its process and outcomes?

Number of respondents that answered the question

In this question, 10 out of 18 (56%) preparers answered the question.

The main arguments of listed SMEs and proxies (6 responses) are:

- It is not clear how MA should be performed therefore there is a need of guidance to implement MA and define the thresholds (5 out of 6 respondents)

- It is difficult to gather relevant, and comprehensive data to make informed decisions (2 respondents)
- The value chain implications when performing the MA are not clear (1 respondent)
- Sector guidance could help the implementation of the MA and could help to standardise the approach (1 respondent)

The main arguments of SNCIs (4 responses) are:

- issue to evaluate the quality of the data/information from external info provider and which is largely based on sector averages (2 out of 4 respondents)
- It is not clear how the MA should be performed therefore there is a need of guidance to implement it and define the thresholds (2 out of 4 respondents)

Module 2 – Policies, Actions and Targets (Section 3 LSME)

Q1 for preparers only (Listed SMEs & proxies and SNCIs)

Question 1: For Preparers, a selection of the most relevant operational challenges was asked to be chosen, if applicable:

- Availability of data, with appropriate quality
- Availability of IT or supporting tool
- Need to upgrade skills and resources
- Understandability of the requirements and/or needs for practical guidance

Number of respondents that answered the question

In this question, 10 out of 13² (77%) preparers answered the question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents (Preparers only) to Question 1

² This number includes only those participants who applied in this section

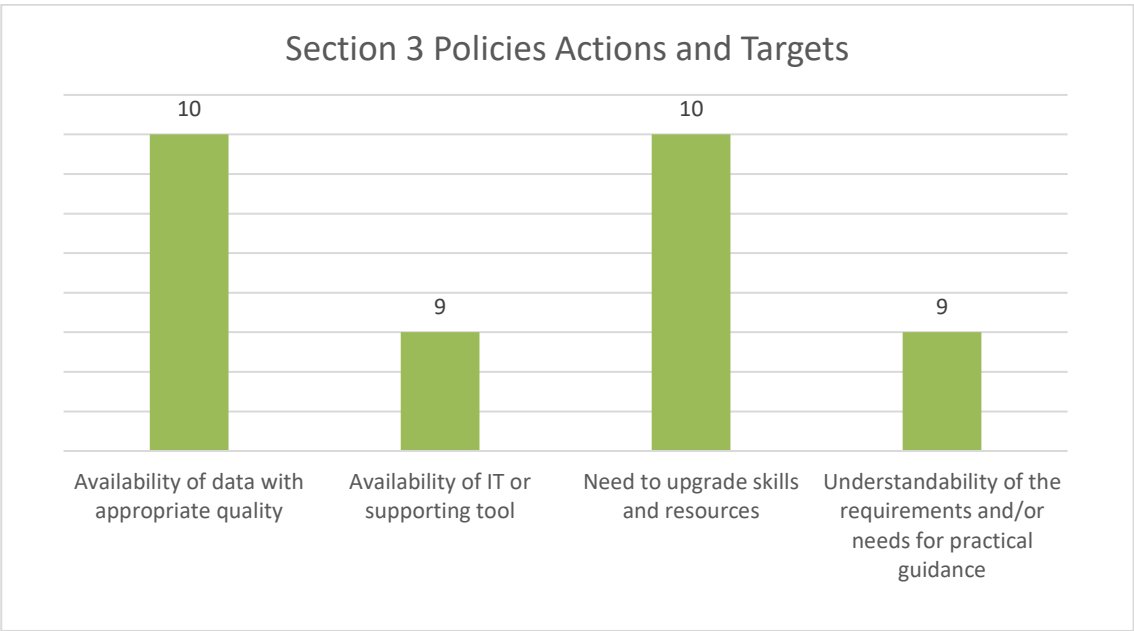


Table 17: Number of overall respondents per Q1 challenge

The bar chart suggests that all operational challenges are relevant for most or majority of respondents.

Analysis of listed SMEs & proxies

Response rate: 7 out of 8 (88%) listed SMEs & proxies responded to Question 1 of Module 2.



Table 18: Number of listed SMEs & proxies per challenge

Analysis:

Majority of listed SMEs & proxies suggested as the most relevant operational challenges the need to upgrade skills and resources as well as availability of data with appropriate quality and availability of IT or supporting tool.

Additional comments provided:

Listed SMEs & proxies further added 3 comments to this question, mainly suggesting that:

- More guidance/ explanations/ examples are needed, and the complicated language poses an operational challenge (1 Respondent)
- Target setting and monitoring poses another challenge for an LSME(1 Respondent)

Analysis of SNCIs

Response rate: 5 out of 5 (100%) SNCIs responded to Question 1 of Module 2.



Table 19: Number of SNCIs per challenge

Analysis:

Availability of data with appropriate quality as well as understandability of the requirements are indicated by all SNCIs as an operational challenge. Most respondents are also considering availability of IT tool and skills and resources as relevant operational challenges in Section 3.

No additional comments provided

Q2 for preparers only (Listed SMEs & proxies and SNCIs)

Question: Considering Section 3 of this ESRS LSME ED, for each disclosure please indicate if the disclosure is “highly challenging and costly”, or “possible to prepare with some efforts”, or “feasible with available means or already prepared”.

Number of respondents that answered the question

In Question 2 of Module 2, 14 out of 14 (100%) respondents answered this question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents to Question 2

Preparers overall	Feasible with available means or already prepared	Possible to prepare with some efforts	Highly challenging and costly
MDR-P, MDR-A	2	9	3
Policies and Actions across E1-E5 and S1-S4	2	6	6
MDR-T	1	8	5
Targets across E1-E5 and S1-S4	1	8	5
Processes for engaging with own workforce, workers in the value chain, affected communities [...]	1	6	7
Processes to remediate negative impacts and channels for own workforce, workers in the value chain, affected communities [...]	1	7	6

Table 20: Overall breakdown of respondents that selected different levels of difficulty encountered with each relevant disclosure in Section 3

Key messages:

Table 20 indicates the following:

- Only few suggested that these DRs in the table are feasible or already prepared

- Majority of respondents found these disclosures possible to prepare with some efforts however some respondents in each item of the table indicate that the respective DR is highly challenging and costly. This is effectively true for Policies and Actions across E1-E5 and S1-S4, Processes for engaging with own workforce, workers in the value chain, affected communities [...] and for Processes to remediate negative impacts and channels for own workforce, workers in the value chain, affected communities [...].

Analysis of listed SMEs & proxies

Response rate: 9 out of 9 (100%) listed SMEs & proxies responded to Question 2 of Module 2.

Listed SMEs & proxies	Feasible with available means or already prepared	Possible to prepare with some efforts	Highly challenging and costly
MDR-P, MDR-A	2	6	1
Policies and Actions across E1-E5 and S1-S4	2	3	4
MDR-T	1	6	2
Targets across E1-E5 and S1-S4	1	6	2
Processes for engaging with own workforce, workers in the value chain, affected communities [...]	1	5	3
Processes to remediate negative impacts and channels for own workforce, workers in the value chain, affected communities [...]	1	6	2

Table 2111: Breakdown of listed SMEs & proxies that selected different levels of difficulty encountered with each relevant disclosure in Section 3

Key messages:

Similarly to the trend of all the responses of preparers, the views of listed SMEs & proxies remain as previously described:

- Only few suggested that these DRs in the table are feasible or already prepared

- Most disclosures were found possible to prepare with some efforts by the majority of listed SMEs & proxies while some/few indicated the respective DRs are highly challenging and costly (most pertinent to Policies and Actions across E1-E5 and S1-S4)

10 additional comments provided by listed SMEs & proxies:

- 7 of them clearly indicated the need for more guidance which includes explanations, and examples, especially considering the complicated language of this section.
- 2 respondents also mentioned the limited skills and resources (human and financial) of LSMEs which makes this section challenging and costly to comply with.

Analysis of SNCIs

Response rate: 5 out of 5 (100%) SNCIs responded to Question 2 of Module 2.

SNCIs	Feasible with available means or already prepared	Possible to prepare with some efforts	Highly challenging and costly
MDR-P, MDR-A	0	3	2
Policies and Actions across E1-E5 and S1-S4	0	3	2
MDR-T	0	2	3
Targets across E1-E5 and S1-S4	0	2	3
Processes for engaging with own workforce, workers in the value chain, affected communities [...]	0	1	4
Processes to remediate negative impacts and channels for own workforce, workers in the value chain, affected communities [...]	0	1	4

Table 22: Breakdown of SNCIs that selected different levels of difficulty encountered with each relevant disclosure in Section 2

Key messages:

- None of the SNCIs responding found a DR of this section feasible or already prepared.
- Most [...].

- The rest of the disclosures got split views between possible to prepare with efforts or highly challenging and costly.

No additional comments provided by SNCIs

Q2 for Users

Question: Considering Section 3 of this ESRS LSME ED, for each disclosure please indicate if “all the datapoints in the ED are needed” or “further simplification can be implemented”. IF “further simplification can be implemented” please explain how and which datapoints may be dropped.

Number of respondents that answered the question

In Question 2 of Module 2, 10 out of 10 (100%) respondents answered this question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents to Question 2

Users overall	All the datapoints in the ED are needed	Further simplification can be implemented
MDR-P, MDR-A	80%	20%
Policies and Actions across E1-E5 and S1-S4	88%	12%
Targets across E1-E5 and S1-S4	90%	10%
Processes for engaging with own workforce, workers in the value chain, affected communities [...]	90%	10%
Processes to remediate negative impacts and channels for own workforce, workers in the value chain, affected communities [...]	90%	10%

Table 23: Overall breakdown of users that selected different levels of relevance for each disclosure in Section 3

Key messages and additional comments received from users:

Overall, Table 23 pinpoints that all disclosures seem to be needed in the ED by most users.

On MDR-P and MDR-A, two users suggested to add more guidance with explanations & examples that would deal with the complicated language of the section.

On Policies and Actions across E1-E5 and S1-S4, two additional comments emerged:

- One rating agency mentioned the limited skills and resources (human and financial) for these types of undertakings.
- A comment from an accountant as user was that, instead of breaking down the actions by type and between achieved or expected, instead, only one open question can be asked "Describe all the policies and actions carried out or expected to be carried out, the corresponding timeframe, the type of action and whether results have already been observed or when it is expected to bring results".

Targets across E1-E5 and S1-S4 received two comments, namely:

- one rating agency suggested that there are difficulties in setting and monitoring targets for environmental and social performance for LSMEs
- one accountant as user recommended a simplification by only asking one open question: whether targets have been set, how, who was involved in setting the targets, intended outcomes to be achieved and timeframe.

Regarding the Processes for engaging with own Workforce, in the Value Chain and in Communities, one rating agency mentioned LSMEs' limited skills and resources (human and financial) and one accountant suggested to delete the processes for workers in the value chain.

On Processes to remediate negative impacts and channels for own workforce, workers in the value chain, affected communities [...], one accountant as user recommended to:

- Add more guidance with explanations & examples that would deal with the complicated language of the section
- Delete the processes for workers in the value chain as a simplification

Q3 for preparers only (Listed SMEs & proxies and SNCIs)

Question: Considering the disclosure requirements covered in Section 3 of ESRS LSME ED, please state the estimated total cost to prepare it.

Number of respondents that answered the question

In this question, 11 out of 18 (61%) preparers answered the question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents to Question 3

Mentioning of higher total costs in the first year / lower in subsequent years	Need for consulting services	Need for spending for IT
11	10	10

Table 2412: Number of respondents who suggested lower costs in the following years and costs that are attributed to consulting and IT

Table 24 showcases that all respondents indicated lower costs in the following years of reporting, which is also reflected in Table 25 below, however, most of them also indicated the need to invest in consulting and IT.

	Ranges (in EUR)	HR/Personnel costs (10 respondents)	Consultancy costs (6 respondents)	IT costs (10 respondents)
First year (one-off costs)	Below 1,000	10%	11%	12%
	1,000-5,000	20%	0%	12%
	5,000-10,000	0%	19%	50%
	10,001-30,000	40%	50%	25%
	30,001-50,000	20%	0%	0%
	50,001-70,000	0%	0%	0%
	Above 70,000	10%	20%	0%
	Average cost	10,600	16,000	12,500
	Ranges (in EUR)	(10 respondents)	(10 respondents)	(11 respondents)
Subsequent years (recurring costs)	Below 1,000	8%	10%	9%
	1,000-5,000	46%	23%	27%
	5,000-10,000	8%	47%	33%
	10,001-30,000	20%	0%	21%
	30,001-50,000	0%	0%	0%
	50,001-70,000	0%	0%	0%
	Above 70,000	17%	20%	9%
	Average cost	4,600	6,800	4,400

Table 2513: Analysis of the Responses to Q3 on costs per category of costs

The table above depicts that the first-year costs are mostly in the range of 10,001 to 30,000 Euros while only a few respondents estimated possible costs above 70k for all categories. Notable, all related costs as estimated by the respondents in the first year of reporting as well

as the following years are much lower compared to the costs occurring in Section 2 (materiality included). On top of that, there is a clear drop of average cost per category of more than 50%. This verifies the indication of participants in Table 24 that the costs are lower in the following years of reporting.

Analysis of listed SMEs & proxies

Response rate:

7 out of 11 (64%) listed SMEs & proxies responded to Question 3 of Module 2.

Analysis of listed SMEs & proxies to Question 3

Mentioning of higher total costs in the first year / lower in subsequent years	Need for consulting services	Need for spending for IT
7	6	6

Table 2614: Number of listed SMEs who suggested lower costs in the following years and costs that are attributed to consulting and IT

Table 26 showcases that all LSMEs and proxies indicated lower costs in the following years of reporting, which is also reflected in Table 27 below, however, most of them also indicated the need to invest in consulting and IT.

	Ranges (in EUR)	HR/Personnel costs (6 respondents)	Consultancy costs (7 respondents)	IT costs (7 respondents)
First year (one-off costs)	Below 1,000	17%	34%	17%
	1,000-5,000	33%	0%	17%
	5,000-10,000	0%	34%	33%
	10,001-30,000	33%	0%	17%
	30,001-50,000	0%	0%	0%
	50,001-70,000	0%	0%	0%
	Above 70,000	17%	34%	0%
	Average cost	9,000	14,000	7,500
	Ranges (in EUR)	(6 respondents)	(7 respondents)	(7 respondents)
Subsequent years (recurring costs)	Below 1,000	14%	14%	14%
	1,000-5,000	43%	14%	43%
	5,000-10,000	14%	29%	14%
	10,001-30,000	0%	0%	14%
	30,001-50,000	0%	0%	0%

	Ranges (in EUR)	HR/Personnel costs (6 respondents)	Consultancy costs (7 respondents)	IT costs (7 respondents)
	50,001-70,000	0%	0%	0%
	Above 70,000	29%	29%	14%
	Average cost	5,000	8,000	4,000

Table 2715: Analysis of the Responses to Q3 on costs per category of costs

The table above depicts that the first-year costs are mostly in the range of 5,000 to 10,000 and 10,001 to 30,000 Euros while some respondents estimated possible costs above 70k for all categories. The costs witness a significant drop in the following years, following the trend of the aggregated responses of all preparers.

Analysis of SNCIs

Response rate:

5 out of 7 (71%) SNCIs responded to Question 3 of Module 2.

Analysis of SNCIs to Question 3

Mentioning of higher total costs in the first year / lower in subsequent years	Need for consulting services	Need for spending for IT
4	4	4

Table 2816: Number of SNCIs who suggested lower costs in the following years and costs that are attributed to consulting and IT

Table 28 suggests that while all SNCIs indicated lower costs in the following years of reporting, there is also the need to invest in consultants and IT. Table 29 illustrates the ranges and average costs for SNCIs that verifies these indications.

	Ranges (in EUR)	HR/Personnel costs (4 respondents)	Consultancy costs (4 respondents)	IT costs (4 respondents)
First year (one-off costs)	Below 1,000	0%	0%	0%
	1,000-5,000	0%	0%	0%
	5,000-10,000	0%	12%	67%
	10,001-30,000	50%	75%	33%
	30,001-50,000	50%	0%	0%
	50,001-70,000	0%	0%	0%
	Above 70,000	0%	13%	0%

	Ranges (in EUR)	HR/Personnel costs (4 respondents)	Consultancy costs (4 respondents)	IT costs (4 respondents)
	Average cost	13,000	20,000	20,000
	Ranges (in EUR)	(4 respondents)	(4 respondents)	(4 respondents)
Subsequent years (recurring costs)	Below 1,000	0%	0%	0%
	1,000-5,000	50%	33%	0%
	5,000-10,000	0%	67%	67%
	10,001-30,000	50%	0%	33%
	30,001-50,000	0%	0%	0%
	50,001-70,000	0%	0%	0%
	Above 70,000	0%	0%	0%
	Average cost	4,000	5,000	5,000

Table 2917: Analysis of the Responses to Q3 on costs per category of costs

As illustrated above, the first-year costs are mostly in the range of 10,001 to 30,000 Euros. In the following years, each cost category witnesses a very significant drop as it is also showcased in the average costs of the subsequent years of reporting.

Q4 for preparers only (listed SMEs & proxies and SNCIs)

Question: Considering the disclosure requirements covered in this section, can you indicate the possible internal and external benefits deriving from reporting the required information

Number of respondents that answered the question

In this question, 10 out of 13 (77%) preparers answered the question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents to Question 4

Potential benefits	Number of responses
<i>Internal benefits</i>	
better understanding of impacts, risks and opportunities that can support decision making processes	5
improving internal management systems and increasing efficiency and reducing internal costs	5
<i>External benefits</i>	

reducing reputational risks and improve engagement with stakeholders	8
enabling competitive advantages and new products/services	2
promoting a more sustainable economy - benefits to the society	3
reducing cost of capital and improving access to capital	3

Table 3018: Aggregate Overview of Preparers that selected different benefit categories.

Table 30 illustrates that most relevant external benefit, as indicated by most respondents is reducing reputational risks and improved engagement with stakeholders. The table also depicts that half of the preparers responding suggested better understanding of IROs and improving internal management systems and increasing efficiency and reducing internal costs as internal benefits of Section 3.

Listed SMEs & proxies analysis

Response rate: 6 out of 8 (75%) listed SMEs & proxies responded to Question 4 of Module 2.

Potential benefits	Number of responses
<i>Internal benefits</i>	
improving internal management systems and increasing efficiency and avoid double reporting	2
better understanding of impacts, risks and opportunities that can support decision making processes	1
<i>External benefits</i>	
reducing reputational risks and improve engagement with stakeholders	2
reducing cost of capital and improving access to capital	2
promoting a more sustainable economy - benefits to the society	2
enabling competitive advantages and new products/services	1

Table 3119: Aggregate Overview of listed SMEs & proxies that selected different benefit categories.

Only a few indications by listed SMEs & proxies of internal and external benefits.

SNCIs

Response rate: 4 out of 5 (80%) SNCIs responded to Question 4 of Module 2.

Potential benefits	Number of responses
<i>Internal benefits</i>	
better understanding of impacts, risks and opportunities that can support decision making processes	4
improving internal management systems and increasing efficiency and avoid double reporting	3
<i>External benefits</i>	
reducing reputational risks	3
improved engagement with stakeholders	3
Reduced cost of capital	1
Competitive advantages	1
promoting a more sustainable economy - benefits to the society	1

Table 3220: Aggregate Overview of SNCIs that selected different benefit categories.

It is clear from the table above that all SNCIs suggested better understanding of IROs as an internal benefit of Section 3 while the majority also indicated improving internal management systems and increasing efficiency and avoiding double reporting as well as reducing reputational risks and improved engagement with stakeholders. Only few suggested reduced cost of capital and competitive advantages.

Q5 for preparers only (listed SMEs & proxies and SNCIs)

Question: In your assessment, can the disclosure requirements in section 3 of this ESRS LSME ED be verified/assured? Comments / Please include the rationale for your answer.

Number of respondents that answered the question

In this question, 12 out of 13 (92%) preparers answered the question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents to Question 5

Preparers overall (12 responses)	
Answer	%

Yes, DRs in Section 3 can be verified/assured	61%
No, DRs in Section 3 cannot be verified/assured	39%

Analysis of listed SMEs & proxies

Listed SMEs & proxies (7 responses)	
Answer	%
Yes, DRs in Section 3 can be verified/assured	57%
No, DRs in Section 3 cannot be verified/assured	43%

Analysis of SNCIs

SNCIs (5 responses)	
Answer	%
Yes, DRs in Section 3 can be verified/assured	60%
No, DRs in Section 3 cannot be verified/assured	40%

Key takeaways and additional comments received:

Listed SMEs & proxies:

From those suggesting that the DRs cannot be verified/assured in Section 3, one additional comment was added, specifically the lack of details & examples for implementation & presentation of DRs. The disagreement mostly came from proxies rather than LSMEs, specifically accountants. Most of the agreements suggesting that the DRs in Section 3 can be verified/assured came on the other hand from listed SMEs.

SNCIs:

From the 40% of SNCIs suggesting that the DRs cannot be verified/assured in Section 3, a few additional comments were added:

- There is a lack of details and examples for the implementation and presentation of the disclosure requirements
- Some disclosure requirements may be difficult to be verified/assured
- Dependence on data provided by external providers or on estimates

Q6 for preparers only (listed SMEs & proxies and SNCIs)

Question: In your assessment, do the disclosure requirements in this section reach a reasonable cost/benefit balance?

IF YES: Please explain what particular benefit(s) these disclosure requirements offer

IF NO: Please explain why the cost/benefit balance would be unreasonable

Number of respondents that answered the question

In this question, 12 out of 13 (92%) preparers answered the question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents to Question 6

Preparers overall (12 responses)	
Answer	%
Yes, the disclosure requirements in this section reach a reasonable cost/benefit balance	59%
No, the disclosure requirements in this section do not reach a reasonable cost/benefit balance	41%

Analysis of listed SMEs & proxies

Listed SMEs & proxies (7 responses)	
Answer	%
Yes, the disclosure requirements in this section reach a reasonable cost/benefit balance	70%
No, the disclosure requirements in this section do not reach a reasonable cost/benefit balance	30%

Analysis of SNCIs

SNCIs (5 responses)

Answer	%
Yes, the disclosure requirements in this section reach a reasonable cost/benefit balance	20%
No, the disclosure requirements in this section do not reach a reasonable cost/benefit balance	80%

Key takeaways and additional comments received:

Listed SMEs & proxies seem to have opposite views from SNCIs. The latter mostly suggest that the disclosure requirements in this section do not reach a reasonable cost/benefit balance while the majority of listed SMEs & proxies suggest the opposite. Consequently, the views of all preparers appear to be split.

Listed SMEs & proxies:

From those supporting that the disclosure requirements in this section reach a reasonable cost/benefit balance, one respondent additionally suggested that this section brings benefits to the undertaking that are related to:

- Stronger understanding of environmental matters or disclosures
- Incentive to formalise policies and targets
- enhanced transparency and accountability

SNCIs:

From those suggesting that the disclosure requirements in this section do not reach a reasonable cost/benefit balance:

4 out of 5 SNCIs replied that the associated costs are much higher than possible benefits

One SNCI further added that there are no internal benefits for the company; on the contrary, there is a very significant increase in bureaucracy/reporting without significant benefits

The one SNCI agreeing suggested that there might be concrete benefits related to better understanding environmental matters and disclosures.

Q7 and Q7.1 for preparers only (listed SMEs & proxies and SNCIs)

Question: Are the Application Requirements sufficiently clear and understandable to allow for appropriate and consistent application? If relevant, please detail the topics where additional guidance is required and explain why in your opinion the guidance provided is insufficient or not sufficiently clear.

Number of respondents that answered the question

In this question, 12 out of 13 (92%) preparers answered the question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents to Question 7

Preparers overall (12 responses)	
Answer	%
Yes, the Application Requirements are sufficiently clear and understandable to allow for appropriate and consistent application	60%
No, the Application Requirements are not sufficiently clear and understandable to allow for appropriate and consistent application	40%

Analysis of listed SMEs & proxies

Listed SMEs & proxies (7 responses)	
Answer	%
Yes, the Application Requirements are sufficiently clear and understandable to allow for appropriate and consistent application	75%
No, the Application Requirements are not sufficiently clear and understandable to allow for appropriate and consistent application	25%

Analysis of SNCIs

SNCIs (5 responses)	
Answer	%

Yes, the Application Requirements are sufficiently clear and understandable to allow for appropriate and consistent application	40%
No, the Application Requirements are not sufficiently clear and understandable to allow for appropriate and consistent application	60%

Key takeaways and additional comments received:

The majority of preparers overall agreed that the ARs in Section 3 are sufficiently clear and understandable. The views between listed SMEs & proxies and SNCIs appear to be split as the majority of SNCIs does not agree while the majority of listed SMEs & proxies does.

From those SNCIs disagreeing and indicating that the ARs are not sufficiently clear and understandable, an additional comment also emerged that there is a need of more examples, guidance and practical tools (3 respondents).

Module 3 – Environment (Section 4 LSME)

Q1 for preparers only (Listed SMEs & proxies and SNCIs)

Question 1: For Preparers, a selection of the most relevant operational challenges was asked to be chosen, if applicable:

- a) Availability of data, with appropriate quality
- b) Availability of IT or supporting tool
- c) Need to upgrade skills and resources
- d) Understandability of the requirements and/or needs for practical guidance

Number of respondents that answered the question

In this question, 13 out of 18 (72%) preparers answered the question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents (Preparers only) to Question 1

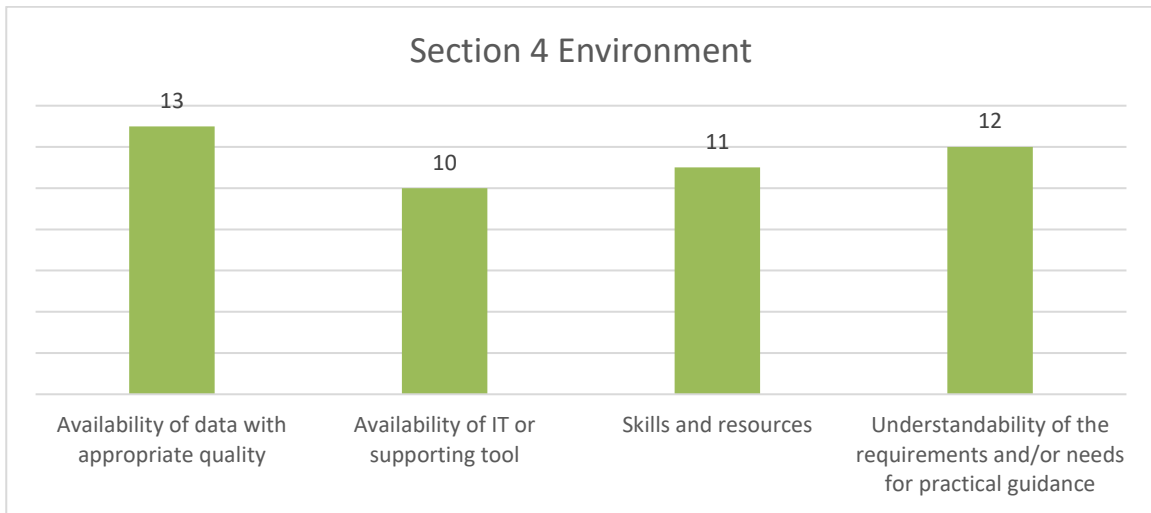


Table 33: Number of overall respondents per Q1 challenge

The bar chart suggests that all operational challenges are relevant for most or majority of respondents. Availability of data with appropriate quality and understandability of the requirements was mentioned by all or most preparers in this question as the two most relevant operational challenges in Section 4.

Analysis of listed SMEs & proxies

Response rate: 7 out of 11 (64%) listed SMEs & proxies responded to Question 1 of Module 3.

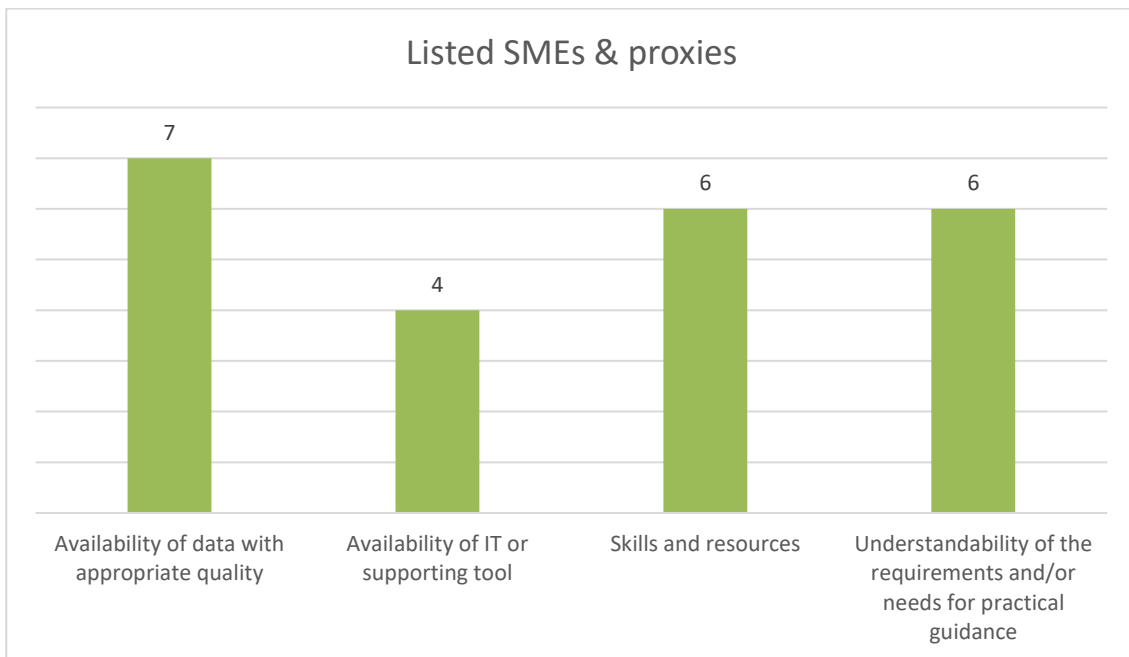


Table 34: Number of listed SMEs & proxies per challenge

Analysis:

All listed SMEs & proxies suggested as the most relevant operational challenge the availability of data with appropriate quality while most indicated the challenge of not having proper skills and resources as well as the understandability of the requirements.

Additional comments provided:

Listed SMEs & proxies further added four comments, mainly suggesting that:

- There is a need for more guidance and guidelines, including practical examples and calculation tools (1 comment)
- Lack of human and financial resources make the disclosures challenging (1 comment)
- Complex language also creates challenges (1 comment)
- Scope 1, 2, and 3 data may not be available as energy providers may not have issued the green certificates in time for the publication (1 comment from LSME preparer)
- Challenging section for low impact sectors (1 comment from LSME preparer)

Analysis of SNCIs

Response rate: 6 out of 7 (86%) SNCIs responded to Question 1 of Module 3.

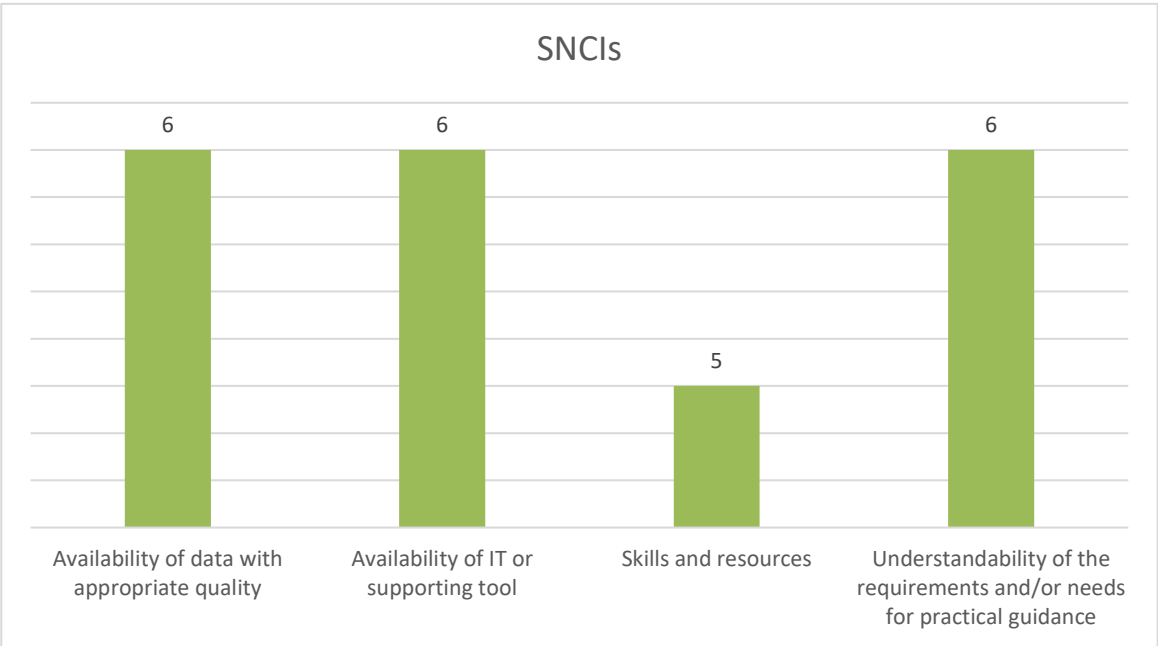


Table 35: Number of SNCIs per challenge

Analysis and additional comment provided

All SNCIs responding to the question found all the operational challenges relevant.

The three comments added by SNCIs in Q1 indicate the:

- Need for more guidance and guidelines, including practical examples and calculation tools (3 respondents)
- Lack of human and financial resources make the disclosures challenging (2 respondents)
- Scope 3 is challenging and associated with disproportionately high costs (2 respondents)
- Guidance needed on GHG removals (2 respondents)
- Biodiversity impact metrics difficult to determine and collect (2 respondents)
- LSME should have a more simplified language and provide translations (1 respondent)
- LSME should add value to the reporting undertaking and how it manages sustainability (1 respondent)

Q2 for preparers only (Listed SMEs & proxies and SNCIs)

Question: Considering Section 4 of this ESRs LSME ED, for each disclosure please indicate if the disclosure is “highly challenging and costly”, or “possible to prepare with some efforts”, or “feasible with available means or already prepared”.

Number of respondents that answered the question

In Question 2 of Module 3, 13 out of 14 (93%) respondents answered this question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents to Question 2

Preparers overall	Feasible with available means or already prepared	Possible to prepare with some efforts	Highly challenging and costly
E1-1 Energy consumption and mix	6	4	2
E1-1 Energy intensity based on net revenue	2	8	3
E1-2 Gross Scopes 1, 2, 3 and Total GHG emissions	0	1	12
E1-2 GHG intensity based on net revenue	1	1	11

E1-3 GHG removals and GHG mitigation projects financed through carbon credits	0	5	8
E1-4 Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	0	5	8
E2-1 Pollution of air, water and soil	2	6	4
E2-2 Substances of concern and substances of very high concern	3	3	6
E3-1 Water consumption	7	5	0
E4-1 Impact metrics related to biodiversity and ecosystems change	2	4	6
E5-1 Resources inflows	2	7	2
E5-2 Resources outflows	2	9	0
E6 – Anticipated financial effects from material environmental-related matters other than climate	1	5	6

Table 36: Overall breakdown of respondents that selected different levels of difficulty encountered with each relevant disclosure in Section 4

Key messages:

Table 36 indicates the following:

- The most highly challenging and costly DRs as indicated by most (or majority of) preparers are E1-2 Gross Scopes 1, 2, 3 and Total GHG emissions, E1-2 GHG intensity based on net revenue, E1-3 GHG removals and GHG mitigation projects financed through carbon credits and E1-4 Anticipated financial effects from material physical and transition risks and potential climate-related opportunities.

- For most of the disclosures respondents mostly indicated that the respective DR is either possible to prepare with efforts or highly challenging and costly – only E1-1 Energy consumption and mix and E3-1 Water consumption appear to be mentioned by the majority of preparers as feasible or already prepared DRs.

Analysis of listed SMEs & proxies

Response rate: 7 out of 8 (88%) listed SMEs & proxies responded to Question 2 of Module 3.

Listed SMEs & proxies	Feasible with available means or already prepared	Possible to prepare with some efforts	Highly challenging and costly
E1-1 Energy consumption and mix	3	1	2
E1-1 Energy intensity based on net revenue	2	2	3
E1-2 Gross Scopes 1, 2, 3 and Total GHG emissions	0	1	6
E1-2 GHG intensity based on net revenue	1	0	6
E1-3 GHG removals and GHG mitigation projects financed through carbon credits	0	3	4
E1-4 Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	0	3	4
E2-1 Pollution of air, water and soil	2	2	3
E2-2 Substances of concern and substances of very high concern	2	3	2
E3-1 Water consumption	5	2	0

E4-1 Impact metrics related to biodiversity and ecosystems change	1	2	4
E5-1 Resources inflows	2	5	0
E5-2 Resources outflows	2	5	0
E6 – Anticipated financial effects from material environmental-related matters other than climate	0	4	3

Table 3721: Breakdown of listed SMEs & proxies that selected different levels of difficulty encountered with each relevant disclosure in Section 4

Key messages:

The views of listed SMEs & proxies remain similar to the trend of all the responses of preparers, specifically:

- The most highly challenging and costly DRs as indicated by most (or majority of) preparers are E1-2 Gross Scopes 1, 2, 3 and Total GHG emissions, E1-2 GHG intensity based on net revenue, E1-3 GHG removals and GHG mitigation projects financed through carbon credits, E1-4 Anticipated financial effects from material physical and transition risks and potential climate-related opportunities and E4-1 Impact metrics related to biodiversity and ecosystems change.
- The rest of the disclosures mostly received split views (either feasible/already prepared or possible with efforts or highly challenging and costly) except for E3-1 Water consumption as indicated by the majority as feasible.

31 additional comments provided by listed SMEs & proxies:

On E1-1 Energy consumption and mix, three comments were added, namely:

- The DR was never calculated before and may not be relevant for certain sectors such as R&D (1 respondent)
- Information is already available (1 respondent)
- Challenging and costly due to data availability issues and need for consultants to calculate it (1 respondent)

On E1-1 Energy intensity based on net revenue listed SMEs & proxies provided with the following comments:

- Not relevant for certain sectors such as R&D (1 respondent)
- Information is already available (1 respondent)
- Challenging and costly due to data availability issues and the need for consultants to calculate it (1 respondent)

On E1-2 Gross Scopes 1, 2, 3 and Total GHG emissions, respondents further added that:

- The DR is challenging to calculate as there is lack of (high quality) information, especially on value chain (3 respondents)
- LSMEs need internal resources and consulting services to report this DR (3 respondents)
- GHG disclosures, especially Scope 3, are challenging (2 respondents)
- Tools are needed to calculate DR E1-2 (2 respondents)
- This DR is not relevant for certain sectors such as R&D (1 respondent)

On E1-2 GHG intensity based on net revenue, listed SMEs & proxies added the following:

- Calculation is complex (3 respondents), need guidance on net revenues (1 comment)
- Lack of (high quality) information in the value chain (2 respondents)
- GHG disclosures, especially Scope 3, are challenging (1 respondent), external consulting needed (1 respondent)
- Not relevant for certain sectors such as R&D (1 respondent)

The comments made by listed SMEs & proxies on E1-3 GHG removals and GHG mitigation projects financed through carbon credits are the following:

- The DR is not relevant for certain sectors such as R&D (1 respondent)
- This DR needs to be accompanied by more guidance and software/tool to calculate (1 respondent)
- Value chain data missing, doubts on "if applicable" (1 respondent)

On E1-4 Anticipated financial effects from material physical and transition risks and potential climate-related opportunities, listed SMEs & proxies suggested that:

- The DR is not relevant for certain sectors such as R&D (1 respondent)
- This DR should be complemented with more guidance and software/tool to calculate, especially on scenario development (3 respondents)
- The DR needs to be simplified (1 respondent)

On E2-1 Pollution of air, water and soil, listed SMEs & proxies suggested that:

- This is not relevant for certain sectors such as R&D (1 respondent)
- The level of difficulty depends on the sector/industry (1 respondent)
- There are data availability issues for this DR (1 respondent)

On E2-2 Substances of concern and substances of very high concern as well as E3-1 Water consumption, one listed SME indicated that these DRs are not relevant for certain sectors such as R&D.

Regarding E4-1 Impact metrics related to biodiversity and ecosystems change, three comments from respondents were added:

- Impact materiality in this DR is challenging (1 respondent)
- Suggestion to include more guidance including calculation support and templates (1 respondent); External consultants are needed for this DR (1 respondent)
- Not relevant for certain sectors such as R&D (1 respondent)

On E6 – Anticipated financial effects from material environmental-related matters other than climate, listed SMEs & proxies suggested that:

- This is not relevant for certain sectors such as R&D (1 respondent)
- Materiality is challenging for topics not related to climate (1 respondent)

Analysis of SNCIs

Response rate: 6 out of 6 (100%) SNCIs responded to Question 2 of Module 3.

SNCIs	Feasible with available means or already prepared	Possible to prepare with some efforts	Highly challenging and costly
E1-1 Energy consumption and mix	3	3	0
E1-1 Energy intensity based on net revenue	0	6	0
E1-2 Gross Scopes 1, 2, 3 and Total GHG emissions	0	0	6
E1-2 GHG intensity based on net revenue	0	1	5

SNCIs	Feasible with available means or already prepared	Possible to prepare with some efforts	Highly challenging and costly
E1-3 GHG removals and GHG mitigation projects financed through carbon credits	0	2	4
E1-4 Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	0	2	4
E2-1 Pollution of air, water and soil	0	4	1
E2-2 Substances of concern and substances of very high concern	1	0	4
E3-1 Water consumption	2	3	0
E4-1 Impact metrics related to biodiversity and ecosystems change	1	2	2
E5-1 Resources inflows	0	2	2
E5-2 Resources outflows	0	4	0
E6 – Anticipated financial effects from material environmental-related matters other than climate	1	1	3

Table 38: Breakdown of SNCIs that selected different levels of difficulty encountered with each relevant disclosure in Section 4

Key messages:

- Except for E1-1 Energy consumption and mix (3 out of 6), SNCIs did not indicate that the DRs in Section 4 are feasible to prepare or already prepared.

- Most challenging and costly DRs as indicated by most or majority of SNCIs seem to be E1-2 Gross Scopes 1, 2, 3 and Total GHG emissions, E1-2 GHG intensity based on net revenue, E1-3 GHG removals and GHG mitigation projects financed through carbon credits, E1-4 Anticipated financial effects from material physical and transition risks and potential climate-related opportunities and E2-2 Substances of concern and substances of very high concern.
- E1-1 Energy intensity based on net revenue, E2-1 Pollution of air, water and soil and E5-2 Resources outflows were mostly indicated as possible to prepare with efforts.
- Split views were found on E1-1 Energy consumption and mix (either feasible or possible with effort), E3-1 Water consumption (either feasible or possible with effort), E4-1 Impact metrics related to biodiversity and ecosystems change (highly challenging for some while more feasible for others), E5-1 Resources inflows (highly challenging or possible with efforts) and E6 – Anticipated financial effects from material environmental-related matters other than climate (for majority highly challenging, more feasible for few)

Additional comments provided by SNCIs

On E1-1 Energy intensity based on net revenue SNCIs provided with the following comments:

- An SNCI mentioned that further information on calculating net revenues is required thus there is need for some further guidance
- Remaining comments suggested marginal impact or non-applicability (6 respondents).

On E1-2 Gross Scopes 1, 2, 3 and Total GHG emissions, respondents further added that:

- Challenges linked to the lack of information on value chain (2 respondents)
- GHG disclosures, especially Scope 3, are challenging (2 respondents)
- External consulting is needed for disclosing the requested information (2 respondents)
- There is lack of (good quality) information to calculate Scope 3 (1 respondent)
- Tools are needed to calculate CO2 footprint, especially PCAF “financed emissions” (1 respondent)

On E1-2 GHG intensity based on net revenue, SNCIs added the following:

- GHG disclosures and related data, especially Scope 3, often lack in quality while the value chain aspect in this DR also poses a challenge (4 respondents)
- External consulting is needed (3 comments)

- Guidance is needed on net revenues calculations (1 comment)

The comments made by SNCIs on E1-3 GHG removals and GHG mitigation projects financed through carbon credits are the following:

- Lack of information on value chain (2 respondents)
- what "if applicable" means should be better explained in the ED (2 respondents)
- Need for more guidance and software/tool to calculate (2 respondents)

On E1-4 Anticipated financial effects from material physical and transition risks and potential climate-related opportunities, SNCIs suggested that:

- There is a need for guidance and software/tool to calculate, e.g. supporting scenario development (3 respondents)
- Data availability issues might appear and the DR overall is challenging therefore it should be simplified to "report if it can be done with reasonable effort" (1 comment)

On E2-1 Pollution of air, water and soil, 2 SNCIs recommended to include more guidance, including precise reporting definitions, thresholds and examples.

On E2-2 Substances of concern and substances of very high concern 3 SNCIs suggested to better specify the requested information by providing undertakings with the lists (REACH Reg.), reporting thresholds and examples.

On E3-1 Water consumption 2 SNCIs suggested to include more guidance, including precise reporting definitions, thresholds and examples.

Regarding E4-1 Impact metrics related to biodiversity and ecosystems change, three comments from SNCIs were added:

- The value chain coverage should be better clarified, especially for paragraph 53 of the ED and AR 58³ (own operations vs operational control)

³ 53. 'If the undertaking has concluded that it directly contributes to the impact drivers of land-use change, water-use change and/ or sea-use change, the undertaking shall report relevant metrics. The undertaking shall consider its own operations and may disclose metrics that measure: [...]'

AR 58. 'When preparing the information required under this [draft] Disclosure Requirement, the undertaking shall briefly describe the metrics and methodologies used including:

- More guidance is needed including calculation support and templates (1 respondent).

On E5-1 Resources inflows SNCIs suggested that:

- More guidance is needed including definitions, calculation support and templates (4 respondents)
- This DR is not clear for a small bank (1comment)

On E5-2 Resources outflows SNCIs suggested that:

- More guidance including definitions, calculation support and templates is needed (2 respondents)
- More clarity needed on if it is related to own operations or operational control / it would be manageable if it is only for own operations (1 comment)
- This DR is not clear for a small bank (1comment)

On E6 – Anticipated financial effects from material environmental-related matters other than climate, SNCIs suggested that:

- More guidance is needed including definitions, calculation support and templates (3 respondents)
- This DR comes with data availability issues which poses challenges to SNCIs (1 comment)

Q2 for Users

Question: Considering Section 4 of this ESRS LSME ED, for each disclosure please indicate if “all the datapoints in the ED are needed” or “further simplification can be implemented”. IF “further simplification can be implemented” please explain how and which datapoints may be dropped.

Number of respondents that answered the question

In Question 2 of Module 3, 12 out of 12 (100%) respondents answered this question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents to Question 2

(b) their organizational scope (undertaking, site, brand, commodity, corporate business unit, activity), operational scope (entire value chain, upstream or downstream value chain, or own operations and leased assets) and geographical scope (geographies covered by the metrics;[...]

Users overall	All the datapoints in the ED are needed	Further simplification can be implemented
E1-1 Energy consumption and mix	83%	17%
E1-1 Energy intensity based on net revenue	83%	17%
E1-2 Gross Scopes 1, 2, 3 and Total GHG emissions	67%	33%
E1-2 GHG intensity based on net revenue	67%	33%
E1-3 GHG removals and GHG mitigation projects financed through carbon credits	83%	17%
E1-4 Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	83%	17%
E2-1 Pollution of air, water and soil	92%	8%
E2-2 Substances of concern and substances of very high concern	92%	8%
E3-1 Water consumption	75%	25%
E4-1 Impact metrics related to biodiversity and ecosystems change	75%	25%
E5-1 Resources inflows	92%	8%
E5-2 Resources outflows	83%	17%

E6 – Anticipated financial effects from material environmental-related matters other than climate	92%	8%
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Table 39: Overall breakdown of users that selected different levels of relevance for each disclosure in Section 4

Key messages and additional comments received from users:

Overall, Table 39 pinpoints that users find all the disclosure requirements useful and needed, however some of them indicated that further simplifications can be implemented, particularly on E1-2 Gross Scopes 1, 2, 3 and Total GHG emissions, E1-2 GHG intensity based on net revenue, E3-1 Water consumption and E4-1 Impact metrics related to biodiversity and ecosystems change. These suggestions and comments per DR are listed below.

On E1-1 Energy consumption and mix, three comments were added by users, namely:

- Agreement with necessity of DR but also request the total amount of energy production if the undertaking operates in energy production (split, if applicable, between renewable and non-renewable) (comment from bank as user of LSME report)
- Agreement with necessity of DR but it could be useful/helpful to add estimation models tailored to sectors and geographies (1 comment from a rating agency)
- Suggestion to simplify by keeping only SFDR and the ones related to energy consumption (1 comment from a consultant as user)

On E1-1 Energy intensity based on net revenue users suggested the following:

- Agreement with DR but provide more guidance including a list of high impact sectors (comment from bank as user of LSME report)
- Agreement with necessity of DR but it could be useful/helpful to add estimation models tailored to sectors and geographies (1 comment from a rating agency)

On E1-2 Gross Scopes 1, 2, 3 and Total GHG emissions, respondents further added:

- Keep only Scope 1 and 2 (1 comment from accountant)
- Align with SFRD: only keep Gross Scope 1, 2, and 3 (1 comment from a consultant as user)
- Agreement with necessity of DR but allow a phase-in (e.g. 5 years) for Scope 3 (comment from bank as user of LSME report)
- Agreement with necessity of DR but it could be useful/helpful to add estimation models tailored to sectors and geographies (1 comment from a rating agency)

On E1-2 GHG intensity based on net revenue, users added the following:

- Keep only Scope 1 and 2 (1 comment from accountant)
- Align with SFRD: only keep Gross Scope 1, 2, and 3 (1 comment from a consultant as user)
- This should be also a phase-in as it depends on Scope 3 data as well (S3 should be a phase-in) (comment from bank as user of LSME report)
- Need for clearer guidance with examples and guide on how to reconcile the data (comment from bank as user of LSME report)
- Data should be available however this could be supported by estimation tools/methods (1 comment from a rating agency)

The comments made by users on E1-3 GHG removals and GHG mitigation projects financed through carbon credits are the following:

- Only keep use of carbon credits (1 comment from accountant)
- Note that removals and carbon credits should always be reported separately from the total GHG amounts (comment from bank as user of LSME report)
- The design of carbon offsetting projects should be validated with a DR that mentions the use of several standards and mechanisms (1 comment from a rating agency)

On E1-4 Anticipated financial effects from material physical and transition risks and potential climate-related opportunities, users suggested that:

- Even though useful information it should only be voluntary and if the LSME identifies negative financial effects due to physical and transition risks (comment from bank as user of LSME report) An alternative would be to only require the financial effect on physical risks (EBA Pillar 3 Template 5) / The financial effect of the transitional risk should be requested if the undertaking discloses that it has a transition plan (comment from bank as user of LSME report)
- Challenging: guidance needed to support risk assessment by SMEs (1 comment from a rating agency)

On E2-1 Pollution of air, water and soil, users suggested:

- Provide further guidance on the required (or best practice) methodology for undertakings not mandated by law to report this (comment from bank as user of LSME report)

- Challenging for SMEs to gather: suggestion to use sector and geography-tailored estimation models that require minimum input information (1 comment from a rating agency)

On E2-2 Substances of concern and substances of very high concern one rating agency indicated that this is challenging for SMEs to gather. The suggestion again would be to use sector and geography-tailored estimation models that require minimum input information.

On E3-1 Water consumption, users recommended:

- Only keep water consumption by segment, water recycled & reused and water storage (1 comment from accountant)
- Keep this DR only for water-intensive specific sectors where there is indeed water consumption rather than only water usage and give more guidance for water-intensive sectors (comment from bank as user of LSME report)
- Relatively accessible for SMEs to gather: suggestion to use sector and geography-tailored estimation models that require minimum input information (1 comment from a rating agency)

Regarding E4-1 Impact metrics related to biodiversity and ecosystems change, three comments from respondents were added:

- Include in guidance definition and list of global sensitive biodiversity areas (comment from bank as user of LSME report)
- Challenging for most SMEs / could be estimated with operational footprint through estimating model regarding sensitive areas (1 comment from a rating agency)
- This DR will only be relevant to specific sectors and not relevant for very small companies (1 comment from accountant)

On E5-1 Resources as well as E5-2 Resources outflows, one rating agency indicated that this is challenging for SMEs to gather. The suggestion again would be to use sector and geography-tailored estimation models that require minimum input information.

Furthermore, on E5-2 Resources outflows, one accountant as user suggested to only keep total waste generated and add the type of waste and the way it is managed

Finally, for E6 – Anticipated financial effects from material environmental-related matters other than climate, a bank as user of LSME report suggested that the information can indeed be useful but practically burdensome for LSMEs

Q3 for preparers only (Listed SMEs & proxies and SNCIs)

Question: Considering the disclosure requirements covered in Section 4 of ESRS LSME ED, please state the estimated total cost to prepare it.

Number of respondents that answered the question

In this question, 10 out of 14 (71%) preparers answered the question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents to Question 3

Mentioning of higher total costs in the first year / lower in subsequent years	Need for consulting services	Need for spending for IT
10	10	10

Table 4022: Number of respondents who suggested lower costs in the following years and costs that are attributed to consulting and IT

The information in Table 40 clearly showcases that all respondents indicated lower costs in the following years of reporting, which is also reflected in Table 41 below, however, all of the respondents also indicated the need to invest in consulting and IT.

Preparers overall	Ranges (in EUR)	HR/Personnel costs (9 respondents)	Consultancy costs (9 respondents)	IT costs (9 respondents)
First year (one-off costs)	Below 1,000	0%	0%	0%
	1,000-5,000	11%	0%	0%
	5,000-10,000	0%	0%	0%
	10,001-30,000	33%	67%	67%
	Above 30000	56%	33%	33%
	Average cost	50,250	36,200	21,800
	Ranges (in EUR)	(10 respondents)	(10 respondents)	(11 respondents)
	Below 1,000	0%	0%	11%
	1,000-5,000	50%	44%	33%

Preparers overall	Ranges (in EUR)	HR/Personnel costs (9 respondents)	Consultancy costs (9 respondents)	IT costs (9 respondents)
Subsequent years (recurring costs)	5,000-10,000	10%	22%	11%
	10,001-30,000	10%	11%	22%
	Above 30000	30%	22%	22%
	Average cost	22,600	14,600	16,111

Table 4123: Analysis of the Responses to Q3 on costs per category of costs

The table above depicts that the first-year costs are mostly in the range of 10,001 to 30,000 Euros or above 30k for all categories. Comparing to the other sections (except for Section 2), Section 4 can be considered much costlier on average. It is notable though that for some respondents the costs in the following years of reporting witness a significant drop across all types of costs, especially in cases of HR and Consulting costs seeing a reduction of more than 50%.

Analysis of listed SMEs & proxies

Response rate:

5 out of 8 (63%) listed SMEs & proxies responded to Question 3 of Module 3.

Analysis of listed SMEs & proxies to Question 3

Mentioning of higher total costs in the first year / lower in subsequent years	Need for consulting services	Need for spending for IT
5	5	5

Table 4224: Number of listed SMEs who suggested lower costs in the following years and costs that are attributed to consulting and IT

Table 42 showcases that all LSMEs and proxies responding indicated lower costs in the following years of reporting, which is also reflected in Table 43 below, however, all of them also indicated the need to invest in consulting and IT.

Listed SMEs & proxies	Ranges (in EUR)	HR/Personnel costs (5 respondents)	Consultancy costs (5 respondents)	IT costs (5 respondents)
First year (one-off costs)	Below 1,000	0%	0%	0%
	1,000-5,000	40%	20%	40%
	5,000-10,000	0%	0%	20%
	10,001-30,000	20%	60%	40%

Listed SMEs & proxies	Ranges (in EUR)	HR/Personnel costs (5 respondents)	Consultancy costs (5 respondents)	IT costs (5 respondents)
	Above 30000	40%	20%	0%
	Average cost	31,400	25,400	11,400
	Ranges (in EUR)	(5 respondents)	(4 respondents)	(4 respondents)
Subsequent years (recurring costs)	Below 1,000	0%	0%	25%
	1,000-5,000	60%	50%	50%
	5,000-10,000	20%	0%	0%
	10,001-30,000	0%	25%	25%
	Above 30000	20%	25%	0%
	Average cost	13,800	13,200	4,800

Table 4325: Analysis of the Responses to Q3 on costs per category of costs

The table above depicts that the first-year costs are for the majority of listed SMEs in the range of 10,001 to 30,000 or above 30,000 Euros. The costs however witness a significant drop (50% more or less in all categories) in the following years, following the trend of the aggregated responses of all preparers.

Analysis of SNCIs

Response rate:

5 out of 7 (71%) SNCIs responded to Question 3 of Module 3.

Analysis of SNCIs to Question 3

Mentioning of higher total costs in the first year / lower in subsequent years	Need for consulting services	Need for spending for IT
5	5	5

Table 4426: Number of SNCIs who suggested lower costs in the following years and costs that are attributed to consulting and IT

Table 44 suggests that while all SNCIs indicated lower costs in the following years of reporting, there is also the need to invest in consultants and IT. Table 45 illustrates the ranges and average costs for SNCIs and verifies these indications above.

SNCIs	Ranges (in EUR)	HR/Personnel costs (5 respondents)	Consultancy costs (5 respondents)	IT costs (5 respondents)
First year (one-off costs)	Below 1,000	0%	0%	0%
	1,000-5,000	0%	0%	0%
	5,000-10,000	0%	0%	20%
	10,001-30,000	40%	60%	40%
	Above 30000	60%	40%	40%
	Average cost	59,450	40,200	28,200
	Ranges (in EUR)	(5 respondents)	(5 respondents)	(5 respondents)
Subsequent years (recurring costs)	Below 1,000	0%	0%	0%
	1,000-5,000	40%	40%	40%
	5,000-10,000	0%	40%	20%
	10,001-30,000	20%	0%	20%
	Above 30000	40%	20%	20%
	Average cost	31,300	15,600	25,200

Table 4527: Analysis of the Responses to Q3 on costs per category of costs

As illustrated above, the first-year costs for SNCIs are mostly in the range of 10,001 to 30,000 or above 30,000 Euros. In general, SNCIs indicated considerably higher amounts in Section 4, especially for the first year of reporting. Nonetheless, the costs in each category witness significant drops (50% or more) for HR and consulting. For SNCIs that responded, IT seems to be a major cost driver even for the following years of reporting.

Q4 for preparers only (listed SMEs & proxies and SNCIs)

Question: Considering the disclosure requirements covered in this section, can you indicate the possible internal and external benefits deriving from reporting the required information

Number of respondents that answered the question

In this question, 13 out of 14 (93%) preparers answered the question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents to Question 4

Potential benefits	Number of responses
<i>Internal benefits</i>	

better understanding of impacts, risks and opportunities that can support decision making processes	12
improving internal management systems and increasing efficiency and reducing internal costs	8
avoid double reporting	2
<i>External benefits</i>	
reduced reputational risks	10
improved engagement with stakeholders	8
improved access to capital	7
increased competitiveness	7
promoting a more sustainable economy (in Europe)	5
Other	
no benefits foreseen, as this is a costly and compliance exercise	1

Table 4628: Aggregate Overview of Preparers that selected different benefit categories.

Table 46 illustrates that:

- The most relevant internal benefit for most preparers is better understanding of impacts, risks and opportunities that can support decision making processes. The majority also recommended the improvement of internal management systems and increased efficiency / reduction of internal costs as a relevant internal benefit.
- The most relevant external benefits as indicated by the majority of respondents are reducing reputational risks, improved engagement with stakeholders, access to capital and increased competitiveness. Some preparers also indicated promoting a more sustainable economy as a relevant external benefit.

Listed SMEs & proxies analysis

Response rate: 8 out of 8 (100%) listed SMEs & proxies responded to Question 4 of Module 3.

Potential benefits	Number of responses
<i>Internal benefits</i>	

improving internal management systems and increasing efficiency and avoid double reporting	5
better understanding of impacts, risks and opportunities that can support decision making processes	7
avoid double reporting	1
<i>External benefits</i>	
reducing reputational risks	5
improved engagement with stakeholders	5
improved access to capital	4
competitive advantages	4
promoting a more sustainable economy - benefits to the society	3
Other	
no benefits foreseen, as this is a costly and compliance exercise	1

Table 4729: Aggregate Overview of listed SMEs & proxies that selected different benefit categories.

For listed SMEs & proxies, the most relevant internal benefit appears to be the better understanding of impacts, risks and opportunities that can support decision making processes while as external benefits the most relevant indicated by the majority are reduced reputational risks and improved engagement with stakeholders.

SNCIs

Response rate: 5 out of 6 (83%) SNCIs responded to Question 4 of Module 3.

Potential benefits	Number of responses
<i>Internal benefits</i>	
better understanding of impacts, risks and opportunities that can support decision making processes	5
improving internal management systems and increasing efficiency and reducing internal costs	3
avoid double reporting	1
<i>External benefits</i>	

reduced reputational risks	5
improved access to capital	3
improved engagement with stakeholders	3
increased competitiveness	3
promoting a more sustainable economy (in Europe)	2

Table 4830: Aggregate Overview of SNCIs that selected different benefit categories.

Similarly, for SNCIs, the most relevant internal benefit appears to be the better understanding of impacts, risks and opportunities that can support decision making processes while as external benefits the most relevant indicated by all respondents in Section 4 is the reduced reputational risks.

Q5 for preparers only (listed SMEs & proxies and SNCIs)

Question: In your assessment, can the disclosure requirements in section 4 of this ESRS LSME ED be verified/assured? Comments / Please include the rationale for your answer.

Number of respondents that answered the question

In this question, **13 out of 14 (93%)** preparers answered the question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents to Question 5

Preparers overall (13 responses)	
Answer	%
Yes, DRs in Section 4 can be verified/assured	69%
No, DRs in Section 4 cannot be verified/assured	31%

Analysis of listed SMEs & proxies

Listed SMEs & proxies (7 responses)	
Answer	%
Yes, DRs in Section 4 can be verified/assured	57%

No, DRs in Section 4 cannot be verified/assured	43%
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Analysis of SNCIs

SNCIs (6 responses)	
Answer	%
Yes, DRs in Section 4 can be verified/assured	67%
No, DRs in Section 4 cannot be verified/assured	33%

Key takeaways and additional comments received:

Listed SMEs & proxies:

From the ones suggesting that the DRs cannot be verified/assured in Section 4, one additional comment was added, specifically that it is very difficult to determine a range to ensure proper verification.

Two respondents suggesting the DRs in Section 4 can be verified/assured further suggested to:

- Add more templates and practical examples on how to fill in the sustainability report
- the level of assurance should be the same as financial statements

SNCIs:

From the SNCIs suggesting that the DRs cannot be verified/assured in Section 4, two of them additionally recommended that there is a lack of templates and practical examples on how to fill in the sustainability report.

From the 67% of SNCIs suggesting that the DRs can be verified/assured in Section 4, two additional comments were added:

- Agreement but this is something more so related to the respective auditing company
- Agreement but there is a need for templates and practical examples on how to fill in the sustainability report

Q6 for preparers only (listed SMEs & proxies and SNCIs)

Question: In your assessment, do the disclosure requirements in this section reach a reasonable cost/benefit balance?

IF YES: Please explain what particular benefit(s) these disclosure requirements offer

IF NO: Please explain why the cost/benefit balance would be unreasonable

Number of respondents that answered the question

In this question, 13 out of 14 (93%) preparers answered the question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents to Question 6

Preparers overall (13 responses)	
Answer	%
Yes, the disclosure requirements in this section reach a reasonable cost/benefit balance	31%
No, the disclosure requirements in this section do not reach a reasonable cost/benefit balance	69%

Analysis of listed SMEs & proxies

Listed SMEs & proxies (7 responses)	
Answer	%
Yes, the disclosure requirements in this section reach a reasonable cost/benefit balance	43%
No, the disclosure requirements in this section do not reach a reasonable cost/benefit balance	57%

Analysis of SNCIs

SNCIs (6 responses)	
Answer	%

Yes, the disclosure requirements in this section reach a reasonable cost/benefit balance	17%
No, the disclosure requirements in this section do not reach a reasonable cost/benefit balance	83%

Key takeaways and additional comments received:

Both Listed SMEs & proxies and SNCIs seem to mostly have negative views on the cost/benefit balance. Especially on the SNCIs side, only one agreed on the reasonable cost/benefit balance. The views (as additional comments) of both listed SMEs & proxies and SNCIs are listed below.

Listed SMEs & proxies:

From those supporting that there is not a reasonable cost/benefit balance:

- Four respondents indicated that cost of preparation vastly exceeds potential benefits
- One suggested:
 - Collecting data is too time consuming for the SME and it is not clear what the benefits might be
 - Structures and processes must be adapted to a high degree
 - Consulting services and IT costs are too burdensome and overcome any potential benefits
 - High Compliance Costs Technical and Operational Costs: The requirements in Section 4 are technically demanding
 - One size fits all approach does not account for sectorial and regional needs

From those supporting that the disclosure requirements in this section reach a reasonable cost/benefit balance:

- 2 respondents recommended that this section can help the reporting undertaking to familiarise with environmental matters and take action
- 1 respondent suggested that this section can offer better standing and image in the market and new products/Customers and a better employer branding

SNCIs:

From those SNCIs suggesting that the disclosure requirements in this section do not reach a reasonable cost/benefit balance:

- 3 SNCIs replied that collecting data is too time consuming for the SME and it is not clear what the benefits might be
- 2 SNCIs suggested that structures and processes must be adapted to a high degree to respond to this section
- 2 SNCIs indicated that consulting services and IT costs are too burdensome and overcome any potential benefits
- 2 SNCIs also indicated that cost of preparation vastly exceeds potential benefits
- 1 SNCI finds no short-term benefits but long term can on the other hand be foreseen

The one SNCI agreeing suggested that E1-1 Energy consumption and mix and E1-2 GHG emissions most relevant in terms of benefits.

Q7 and Q7.1 for preparers only (listed SMEs & proxies and SNCIs)

Question: Are the Application Requirements sufficiently clear and understandable to allow for appropriate and consistent application? If relevant, please detail the topics where additional guidance is required and explain why in your opinion the guidance provided is insufficient or not sufficiently clear.

Number of respondents that answered the question

In this question, 13 out of 14 (93%) preparers answered the question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents to Question 7

Preparers overall (13 responses)	
Answer	%
Yes, the Application Requirements are sufficiently clear and understandable to allow for appropriate and consistent application	46%
No, the Application Requirements are not sufficiently clear and understandable to allow for appropriate and consistent application	54%

Analysis of listed SMEs & proxies

Listed SMEs & proxies (7 responses)	
Answer	%
Yes, the Application Requirements are sufficiently clear and understandable to allow for appropriate and consistent application	71%
No, the Application Requirements are not sufficiently clear and understandable to allow for appropriate and consistent application	29%

Analysis of SNCIs

SNCIs (6 responses)	
Answer	%
Yes, the Application Requirements are sufficiently clear and understandable to allow for appropriate and consistent application	17%
No, the Application Requirements are not sufficiently clear and understandable to allow for appropriate and consistent application	83%

Key takeaways and additional comments received:

The views between listed SMEs & proxies and SNCIs are split. The majority of listed SMEs & proxies agreed that the ARs in Section 4 are sufficiently clear and understandable. On the other side, SNCIs mostly suggest that the ARs in Section 4 are not sufficiently clear and understandable. The views of those categories (as additional comments) are provided below.

Listed SMEs & proxies

From those listed SMEs & proxies disagreeing, the following comments emerged:

- Need for more detailed specifications including definitions and examples (2 respondents)
- Reporting undertakings with no expertise are not able to comply, hence the need to do it externally (1 respondent)
- 1 respondent on Q7.1) further added that the ED should reflect more the need of a step-by-step process that undertakings can follow (to avoid paying consulting services)

SNCIs

From those SNCIs disagreeing and indicating that the ARs are not sufficiently clear and understandable:

- Need for more detailed specifications including definitions and examples (2 respondents)
- Reporting undertakings with no expertise are not able to comply, hence the need to do it externally (1 respondent)
- 1 SNCI further commented:
 - The requirements and measurements are too technical for the size of the firm
 - Lack of guidance on how to approach estimates and assumptions
 - Some application requirements may not adequately address sector-specific issues
 - Need for more guidance on targets and how to measure progress
 - Materiality process should be clearer to avoid omitting important info and/or reporting irrelevant information
- 1 SNCI on Q7.1) further added that the ED should reflect more the need of a step-by-step process that undertakings can follow (to avoid paying consulting services)

Module 4 – Social (Section 5 LSME)

Q1 for preparers only (Listed SMEs & proxies and SNCIs)

Question 1: For Preparers, a selection of the most relevant operational challenges was asked to be chosen, if applicable:

- a) Availability of data, with appropriate quality
- b) Availability of IT or supporting tool
- c) Need to upgrade skills and resources
- d) Understandability of the requirements and/or needs for practical guidance

Number of respondents that answered the question

In this question, 12 out of 18 (67%) preparers answered the question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents (Preparers only) to Question 1

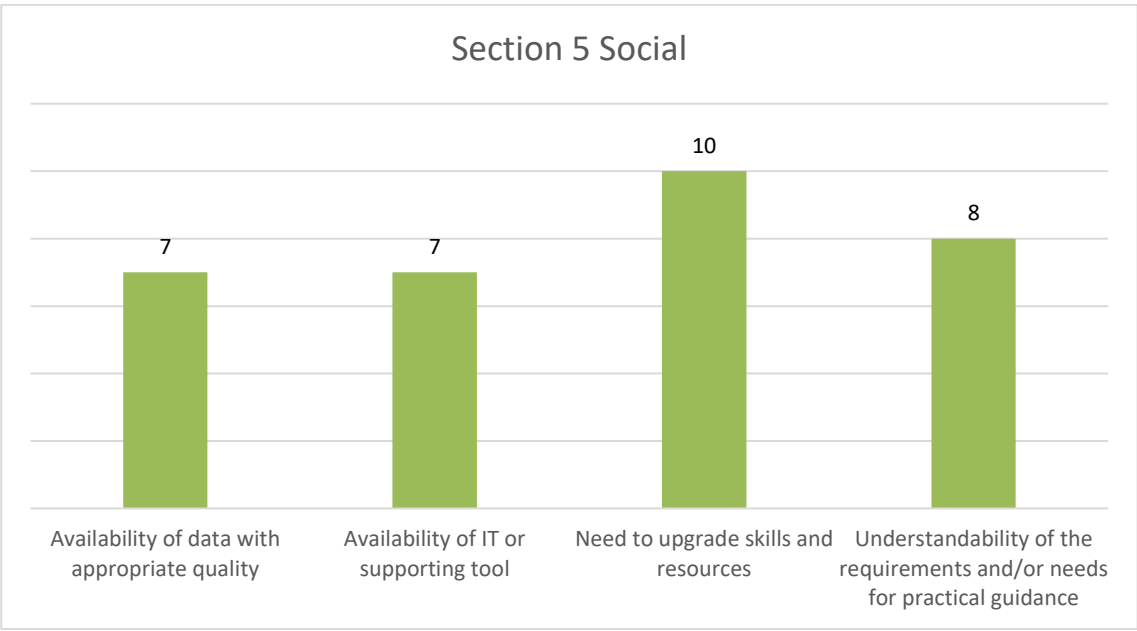


Table 49: Number of overall respondents per Q1 challenge

The bar chart suggests of Table 49 illustrates that most preparers found the need to upgrade in skills and resources as the most relevant operational challenge of this section. The majority also indicated the rest of the operational challenges as listed in the table.

Analysis of listed SMEs & proxies

Response rate: 7 out of 11 (64%) listed SMEs & proxies responded to Question 1 of Module 4.

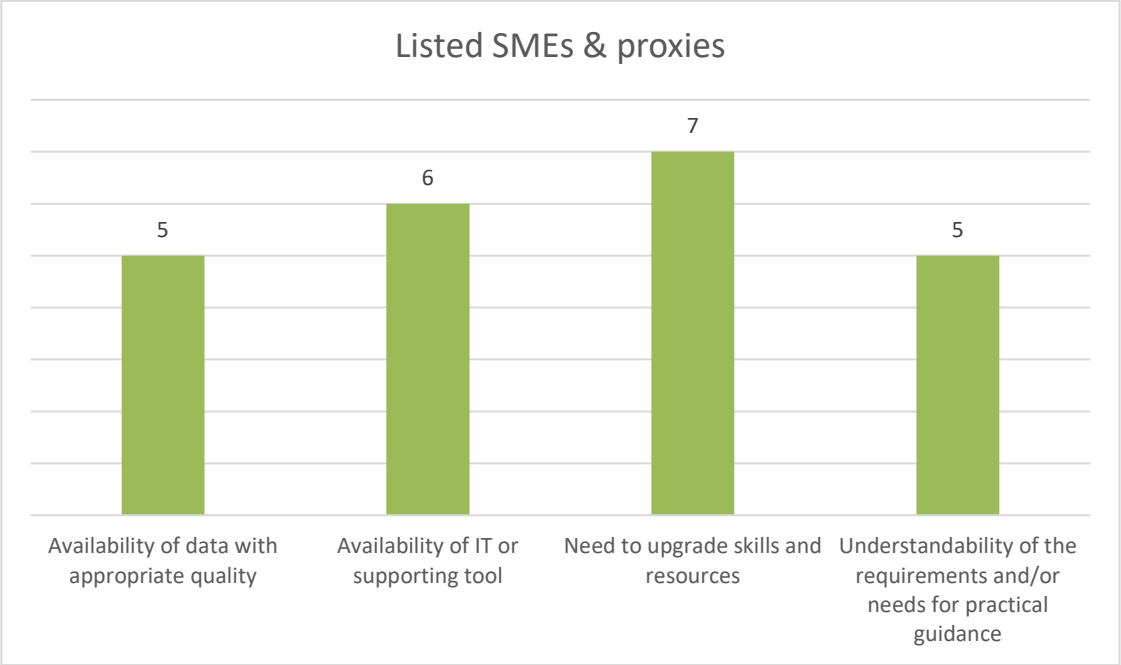


Table 50: Number of listed SMEs & proxies per challenge

Analysis:

Following the overall trend of preparers, all listed SMEs & proxies responding suggested the need to upgrade in skills and resources as the most relevant operational challenge. The majority also indicated the rest of the operational challenges listed in the table as relevant in Section 5, especially the availability of IT or a supporting tool.

Additional comments provided:

Listed SMEs & proxies further added two comments, mainly suggesting the following:

- There is a lack of internal ‘know how’ for those who have not reported on Section 5
- Need for more guidance and a standard calculation tool
- Availability of IT & Tech tools very important for calculation of certain KPIs, namely S1-4, S1-6 and S1-8⁴.

Analysis of SNCIs

Response rate: 5 out of 7 (86%) SNCIs responded to Question 1 of Module 4.

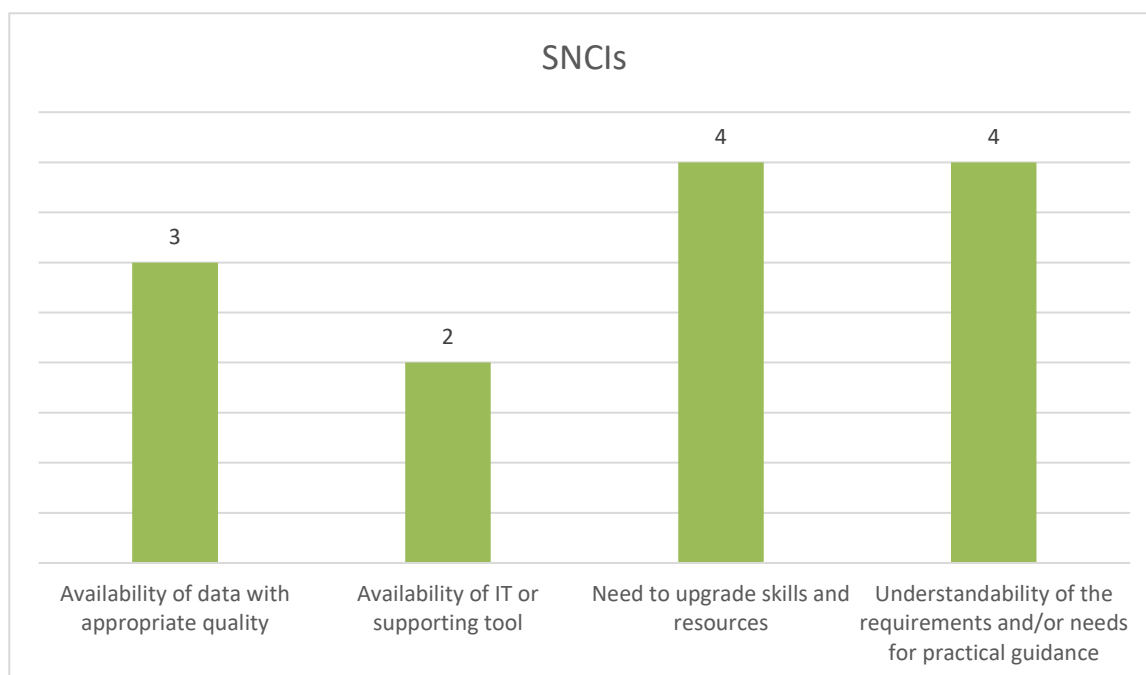


Table 51: Number of SNCIs per challenge

Analysis

The biggest operational challenge as indicated by most SNCIs are the need to upgrade skills and resources as well as the understandability of the requirements and/or the needs for practical

⁴ S1-4 – Adequate Wages, S1-6 – Training metrics, S1-8 – Remuneration metrics (pay gap and total remuneration)

guidance. The majority also found the availability of data with appropriate quality as a relevant operational challenge while only some indicated the availability of IT as an operational challenge.

Additional comment provided

The three comments added by SNCIs in Q1 indicate the following:

- Unclear definition of ‘S1-2 - Characteristics of Non-Employees’ for the undertaking's own workforce (2 Respondents)
- Need to adhere to data protection legislation - the standard should refer to national and/or European legislations only (1 Respondent)
- Accounting for lack of in-house skills by using clearer case studies & guidance. 1 Respondent)
- Reporting must be reasonable in time and cost long-term to overcome challenges (1 Respondent)

Q2 for preparers only (Listed SMEs & proxies and SNCIs)

Question: Considering Section 4 of this ESRS LSME ED, for each disclosure please indicate if the disclosure is “highly challenging and costly”, or “possible to prepare with some efforts”, or “feasible with available means or already prepared”.

Number of respondents that answered the question

In Question 2 of Module 4, 14 out of 18 (78%) respondents answered this question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents to Question 2

Preparers overall	Feasible with available means or already prepared	Possible to prepare with some efforts	Highly challenging and costly
S1-1 Characteristics of employees	7	6	1
S1-2 Characteristics of non-employees	2	10	1
S1-3 Collective bargaining coverage and social dialogue	8	2	1
S1-4 Adequate wages	9	3	0

S1-5 Social protection	7	4	0
S1-6 Training metrics	8	3	1
S1-7 Health and safety metrics	7	1	3
S1-8 Remuneration metrics	4	5	3
S1-9 Incidents and severe human rights impacts and incidents	5	7	0
S1-10 Diversity	8	4	0
S1-11 Work-life balance metrics	7	5	0

Table 52: Overall breakdown of respondents that selected different levels of difficulty encountered with each relevant disclosure in Section 5

Key messages:

Table 52 indicates that preparers overall mostly indicated that the DRs in Section 5 are either feasible/already prepared or possible to prepare with efforts. Only a few indications on certain DRs, mainly S1-7 Health and safety metrics and S1-8 Remuneration metrics, that these are highly challenging and costly.

Analysis of listed SMEs & proxies

Response rate: 7 out of 11 (64%) listed SMEs & proxies responded to Question 2 of Module 4.

Listed SMEs & proxies	Feasible with available means or already prepared	Possible to prepare with some efforts	Highly challenging and costly
S1-1 Characteristics of employees	3	4	0
S1-2 Characteristics of non-employees	1	5	1
S1-3 Collective bargaining coverage and social dialogue	3	2	1
S1-4 Adequate wages	4	3	0
S1-5 Social protection	2	4	0
S1-6 Training metrics	4	2	1
S1-7 Health and safety metrics	5	0	1

S1-8 Remuneration metrics	2	4	1
S1-9 Incidents and severe human rights impacts and incidents	2	5	0
S1-10 Diversity	3	4	0
S1-11 Work-life balance metrics	3	4	0

Table 5331: Breakdown of listed SMEs & proxies that selected different levels of difficulty encountered with each relevant disclosure in Section 5

Key messages:

The views of listed SMEs & proxies are mostly similar to the trend of all the responses of preparers, specifically:

- Most listed SMEs & proxies find the DRs in Section 5 either feasible/already prepared or feasible to prepare with some efforts.
- A few listed SMEs & proxies gave indications that the DRs are highly challenging and costly, namely for S1-2 Characteristics of non-employees, S1-3 Collective bargaining coverage and social dialogue, S1-6 Training metrics, S1-7 Health and safety metrics and S1-8 Remuneration metrics (only 1 indication per DR)

Additional comments provided by listed SMEs & proxies:

On S1-2 Characteristics of non-employees (indicated as highly challenging by one respondent) 1 listed SME suggested that collecting data on ‘non-employees’ is very challenging.

Challenges also appear in S1-3 Collective bargaining coverage and social dialogue (indicated as highly challenging by one respondent) as there aren’t any established processes that would help the undertaking disclose the requested information.

On S1-6 Training metrics (indicated as highly challenging by one respondent) an additional comment was made that collecting training information requires a lot of manual processing.

On S1-7 Health and safety metrics (indicated as highly challenging by one respondent), one listed SME suggested that illness and sick day data collection are restricted due to Data Protection laws.

One listed SME on S1-8 Remuneration metrics (indicated as highly challenging by one respondent) expressed concerns about contexts for gender pay gap and that it is not considering specific roles and responsibilities which might lead to misconceptions.

Analysis of SNCIs

Response rate: 6 out of 7 (86%) SNCIs responded to Question 2 of Module 4.

SNCIs	Feasible with available means or already prepared	Possible to prepare with some efforts	Highly challenging and costly
S1-1 Characteristics of employees	4	2	1
S1-2 Characteristics of non-employees	1	5	0
S1-3 Collective bargaining coverage and social dialogue	5	0	0
S1-4 Adequate wages	5	0	0
S1-5 Social protection	5	0	0
S1-6 Training metrics	4	1	0
S1-7 Health and safety metrics	2	1	2
S1-8 Remuneration metrics	2	1	2
S1-9 Incidents and severe human rights impacts and incidents	3	2	0
S1-10 Diversity	5	0	0
S1-11 Work-life balance metrics	4	1	0

Table 54: Breakdown of SNCIs that selected different levels of difficulty encountered with each relevant disclosure in Section 5

Key messages:

Based on the numbers of Table 54, these are the main findings and indications of SNCIs in Section 5:

- Most DRs in Section 5 are either found feasible/already prepared or feasible to prepare with some efforts.
- The only DRs with more split views are S1-7 Health and safety metrics and S1-8 Remuneration metrics (two SNCIs in each case indicating the DR is highly challenging and costly)

Additional comments provided by SNCIs

On S1-1 Characteristics of employees, one SNCI suggested to better define the terms “employee” & “own workforce”.

On S1-2 Characteristics of non-employees (indicated as highly challenging by one respondent) 2 suggested that there are difficulties in collecting the data internally and externally – there is heavy reliance on manual data processing because of the lack of automated systems

On S1-4 Adequate wages one respondent recommended that clarity on adequate salaries is needed.

One respondent on S1-5 Social protection added that national legal requirements for social protection are highly challenging for an SNCI.

On S1-6 Training metrics (indicated as highly challenging by one respondent) an additional comment was made that collecting training information requires a lot of manual processing.

On S1-7 Health and safety metrics (indicated as highly challenging by one respondent), one SNCI suggested that data protection prevents data collection on e.g. illness type. Furthermore, there are not any comparable metrics known and the data evaluation internally is challenging.

One SNCI on S1-8 Remuneration metrics (indicated as highly challenging by one respondent) commented that there are issues on comparability of jobs & salaries e.g. lowest wage in a bank. Furthermore, it is challenging to evaluate the data internally.

On S1-9 Incidents and severe human rights impacts and incidents, one respondent suggested that the data source for this DR could be the "whistleblower system", the complaints or reported cases of discrimination. It could be more useful to reference to European and national law instead of international references.

On S1-10 Diversity, one SNCI suggested that the annual report of severely disabled persons⁵ for German undertakings is a potential data source.

One respondent on S1-11 Work-life balance metrics commented that this DR Assumes knowledge of the family related circumstances which company does not have / does not request (data protection laws).

⁵ Schwerbehindertenmeldung

Q2 for Users

Question: Considering Section 5 of this ESRS LSME ED, for each disclosure please indicate if “all the datapoints in the ED are needed” or “further simplification can be implemented”. If “further simplification can be implemented” please explain how and which datapoints may be dropped.

Number of respondents that answered the question

In Question 2 of Module 4, 12 out of 12 (100%) respondents answered this question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents to Question 2

Users overall	All the datapoints in the ED are needed	Further simplification can be implemented
S1-1 Characteristics of employees	92%	8%
S1-2 Characteristics of non-employees	83%	17%
S1-3 Collective bargaining coverage and social dialogue	83%	17%
S1-4 Adequate wages	83%	17%
S1-5 Social protection	92%	8%
S1-6 Training metrics	83%	17%
S1-7 Health and safety metrics	92%	8%
S1-8 Remuneration metrics	92%	8%
S1-9 Incidents and severe human rights impacts and incidents	92%	8%
S1-10 Diversity	92%	8%
S1-11 Work-life balance metrics	92%	8%

Table 55: Overall breakdown of users that selected different levels of relevance for each disclosure in Section 5

Key messages and additional comments received from users:

Overall, Table 55 pinpoints that most users find all the disclosure requirements useful and needed. The statistics indicate only few users suggested that further simplifications can be

achieved, however, few respondents further suggested simplifications through additional comments. These additional comments and suggestions are listed below:

On S1-1 Characteristics of employees one User of LSME Sustainability Reporting (bank or investor) suggested that non-guaranteed hours employees would not be needed as it might be interpreted the same way as temporary employees.

For S1-2 Characteristics of non-employees, one User of LSME Sustainability Reporting (bank or investor) and a Rating agency specified that SMEs usually struggle to collect comprehensive data on non-employees, including contractors, suppliers, and temporary workers, especially if they lack direct oversight or control over these individuals.

On S1-3 Collective bargaining coverage and social dialogue, two additional comments were made:

- SMEs struggle to gather data on wage levels, salary structures, and compliance with minimum wage regulation. Regular audits can help to identify discrepancies in non-compliance. (comment from Rating Agency)
- The benchmark required to decide "adequate wage" needs to be clarified. (comment from user of LSME SR (bank or investor))

On S1-5 Social protection, a suggestion to drop data points due to challenges in comprehensive social protection benefits such as healthcare, retirement plans, and insurance due to financial constraints or regulatory requirements was made by one rating agency.

On S1-6 Training metrics, two additional comments were made:

- Data is nice to have but not necessary from a user perspective. (comment from user of LSME SR (bank or investor))
- Lack of dedicated training programs or budgets for employee development, resulting in sparse data on training metrics (comment from Rating Agency)

The rating agency further commented on:

- S1-7 Health and safety metrics: Lack of specialized health and safety personnel or expertise to effectively monitor and report on health and safety metrics.
- S1-8 Remuneration metrics: Lack of SME access to industry benchmarking/ standards for comparing remuneration metrics, makes it difficult to assess the competitiveness of their compensation practices.
- S1-9 Incidents and severe human rights impacts and incidents: Hesitancy to disclose due to current lack of established processes for this metric, leading to reputational risk

- S1-10 Diversity: Risk of inadequate data disclosure due to culturally conservative environments around e.g. diversity & inclusion
- S1-11 Work-life balance metrics: Lack of formalized policies or practices to support work-life balance for employees, lead to lack of data

Q3 for preparers only (Listed SMEs & proxies and SNCIs)

Question: Considering the disclosure requirements covered in Section 5 of ESRS LSME ED, please state the estimated total cost to prepare it.

Number of respondents that answered the question

In this question, 10 out of 18 (56%) preparers answered the question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents to Question 3

Mentioning of higher total costs in the first year / lower in subsequent years	Need for consulting services	Need for spending for IT	No need for consulting	No need for increased IT spending	Costs remain the same	Difficult to estimate figures
6	5	5	2	1	1	2

Table 5632: Number of respondents who suggested lower costs in the following years and costs that are attributed to consulting and IT

The table above indicates that the majority of respondents mentioned higher total costs in the first year but lower in subsequent years. At the same time, half of the preparers recognise the need to invest in consulting and IT.

Preparers overall	Ranges (in EUR)	HR/Personnel costs (6 respondents)	Consultancy costs (5 respondents)	IT costs (5 respondents)
First year (one-off costs)	Below 1,000	0%	0%	20%
	1,000-5,000	67%	20%	40%
	5,000-10,000	0%	20%	0%
	10,001-30,000	17%	40%	40%
	Above 30000	17%	20%	0%
	Average cost	16,200	16,000	8,400
	Ranges (in EUR)	(6 respondents)	(5 respondents)	(5 respondents)
	Below 1,000	33%	20%	20%

Preparers overall	Ranges (in EUR)	HR/Personnel costs (6 respondents)	Consultancy costs (5 respondents)	IT costs (5 respondents)
Subsequent years (recurring costs)	1,000-5,000	33%	20%	60%
	5,000-10,000	0%	60%	20%
	10,001-30,000	17%	0%	0%
	Above 30000	17%	0%	0%
	Average cost	9,250	12,000	7,000

Table 5733: Analysis of the Responses to Q3 on costs per category of costs

Table 57 depicts that the first-year costs for preparers are split between lower and higher ranges per category. The following analysis on listed SMEs & proxies and SNCIs showcases that the higher ranges overall came from SNCIs while, in comparison, the listed SMEs & proxies that answered indicated lower costs. Finally in the following years the costs in most cases see a drop compared to first year, as it is also suggested by comparing the respective average costs for each category (HR / Consulting /IT).

Analysis of listed SMEs & proxies

Response rate:

4 out of 11 (37%) listed SMEs & proxies responded to Question 3 of Module 4.

Analysis of listed SMEs & proxies to Question 3

Mentioning of higher total costs in the first year / lower in subsequent years	Need for consulting services	Need for spending for IT	No need for consulting	Difficult to estimate figures
3	3	3	1	1

Table 5834: Number of listed SMEs who suggested lower costs in the following years and costs that are attributed to consulting and IT

Table 58 showcases that most LSMEs and proxies responding indicated lower costs in the following years of reporting, however, most of them also indicated the need to invest in consulting and IT.

Listed SMEs & proxies	Ranges (in EUR)	HR/Personnel costs (3 respondents)	Consultancy costs (3 respondents)	IT costs (3 respondents)
First year (one-off costs)	Below 1,000	0%	0%	33%
	1,000-5,000	67%	33%	67%
	5,000-10,000	0%	33%	0%

Listed SMEs & proxies	Ranges (in EUR)	HR/Personnel costs (3 respondents)	Consultancy costs (3 respondents)	IT costs (3 respondents)
	10,001-30,000	33%	33%	0%
	Above 30000	0%	0%	0%
	Average cost	8,600	6,700	3,700
	Ranges (in EUR)	(3 respondents)	(3 respondents)	(3 respondents)
Subsequent years (recurring costs)	Below 1,000	33%	33%	33%
	1,000-5,000	33%	0%	67%
	5,000-10,000	0%	67%	0%
	10,001-30,000	33%	0%	0%
	Above 30000	0%	0%	0%
	Average cost	4,900	5,000	3,000

Table 5935: Analysis of the Responses to Q3 on costs per category of costs

The table above depicts that in both the first-year and the subsequent years, the majority indicated costs that do not go beyond 10,000. This is also clearly evident when looking at the average cost per category, making this section for LSMEs relatively cheaper (in comparison to the costs in Section 2, 3 and 4)

Analysis of SNCIs

Response rate:

6 out of 7 (86%) SNCIs responded to Question 3 of Module 4.

Analysis of SNCIs to Question 3

Mentioning of higher total costs in the first year / lower in subsequent years	Need for consulting services	Need for spending for IT	No need for consulting	No need for increased IT spending	Difficult to estimate figures	Costs remain the same
3	2	2	1	1	1	1

Table 6036: Number of SNCIs who suggested lower costs in the following years and costs that are attributed to consulting and IT

Table 60 suggests that for majority of SNCIs the costs drop in the following years of reporting compared to the costs occurring in the first year of reporting. The majority also indicated the need invest for consulting services and IT.

SNCIs	Ranges (in EUR)	HR/Personnel costs (3 respondents)	Consultancy costs (2 respondents)	IT costs (2 respondents)
First year (one-off costs)	Below 1,000	0%	0%	0%
	1,000-5,000	67%	0%	0%
	5,000-10,000	0%	0%	0%
	10,001-30,000	0%	50%	100%
	Above 30000	33%	50%	0%
	Average cost	23,750	30,000	15,500
	Ranges (in EUR)	(3 respondents)	(2 respondents)	(2 respondents)
Subsequent years (recurring costs)	Below 1,000	33%	0%	0%
	1,000-5,000	33%	50%	50%
	5,000-10,000	0%	50%	50%
	10,001-30,000	0%	0%	0%
	Above 30000	33%	0%	0%
	Average cost	13,600	22,500	€ 13,000

Table 6137: Analysis of the Responses to Q3 on costs per category of costs

Unlike listed SMEs & proxies, the costs of SNCIs seem higher in comparison per respective cost-category. When compared to LSMEs and the drop of costs in the following years in other sections, the responses received indicate a cost that remains high even in the following years.

Q4 for preparers only (listed SMEs & proxies and SNCIs)

Question: Considering the disclosure requirements covered in this section, can you indicate the possible internal and external benefits deriving from reporting the required information

Number of respondents that answered the question

In this question, 11 out of 18 (61%) preparers answered the question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents to Question 4

Potential benefits	Number of responses
<i>Internal benefits</i>	

improving internal management systems and increasing efficiency and reducing internal costs	7
Enhanced compliance	4
Enhanced decision-making	6
Attracting talent	4
Motivating workforce	4
<i>External benefits</i>	
improved engagement with stakeholders	6
increased competitiveness	6
reduced reputational risks	6
improved access to capital	3
Other	
Enhancing social wellbeing	5
promoting a more sustainable economy (in Europe)	2

Table 6238: Aggregate Overview of Preparers that selected different benefit categories.

Table 62 illustrates that:

- The most relevant internal benefit for majority of preparers that responded is improving internal management systems and increasing efficiency and reducing internal costs. Enhanced decision-making is also mentioned by the majority of all preparers as a relevant benefit of section 5. Some then indicated attracting talent and motivating the workforce as relevant internal benefits too.
- As external benefits, the ones mentioned the most by the majority of respondents are improved engagement with stakeholders, increased competitiveness and reduced reputational risks.
- Some also mentioned enhancing social well-being as relevant benefit of Section 5.

Listed SMEs & proxies analysis

Response rate: 6 out of 11 (55%) listed SMEs & proxies responded to Question 4 of Module 4.

Potential benefits	Number of responses
<i>Internal benefits</i>	

improving internal management systems and increasing efficiency and reducing internal costs	3
Enhanced compliance	3
Enhanced decision-making	3
Attracting talent	3
Motivating workforce	3
<i>External benefits</i>	
improved engagement with stakeholders	3
increased competitiveness	3
reduced reputational risks	2
improved access to capital	2
Other	
Enhancing social wellbeing	3
promoting a more sustainable economy (in Europe)	1

Table 6339: Aggregate Overview of listed SMEs & proxies that selected different benefit categories.

From the listed SMEs & proxies that responded, the majority indicated several benefits, either internal or external, or other with no clear indication on what is mentioned most.

SNCIs

Response rate: 5 out of 7 (71%) SNCIs responded to Question 4 of Module 4.

Potential benefits	Number of responses
<i>Internal benefits</i>	
improving internal management systems and increasing efficiency and reducing internal costs	4
Enhanced compliance	1
Enhanced decision-making	3
Attracting talent	1
Motivating workforce	1
<i>External benefits</i>	

improved engagement with stakeholders	3
increased competitiveness	3
reduced reputational risks	4
improved access to capital	1
Other	
Enhancing social wellbeing	2
promoting a more sustainable economy (in Europe)	1

Table 6440: Aggregate Overview of SNCIs that selected different benefit categories.

For SNCIs the most relevant internal benefit appears to be the improving internal management systems and increasing efficiency and reducing internal costs while as external benefits the most relevant indicated by most of respondents in Section 5 is the reduced reputational risks. The majority also indicated the enhanced decision making (internal), the improved stakeholder engagement as well as increased competitiveness (both external).

Q5 for preparers only (listed SMEs & proxies and SNCIs)

Question: In your assessment, can the disclosure requirements in section 5 of this ESRS LSME ED be verified/assured? Comments / Please include the rationale for your answer.

Number of respondents that answered the question

In this question, 10 out of 18 (56%) preparers answered the question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents to Question 5

Preparers overall (10 responses)	
Answer	%
Yes, DRs in Section 5 can be verified/assured	67%
No, DRs in Section 5 cannot be verified/assured	33%

Analysis of listed SMEs & proxies

Listed SMEs & proxies (6 responses)	
Answer	%

Yes, DRs in Section 5 can be verified/assured	67%
No, DRs in Section 5 cannot be verified/assured	33%

Analysis of SNCIs

SNCIs (4 responses)	
Answer	%
Yes, DRs in Section 5 can be verified/assured	67%
No, DRs in Section 5 cannot be verified/assured	33%

Key takeaways and additional comments received:

Listed SMEs & proxies:

From the ones suggesting that the DRs cannot be verified/assured in Section 5, one additional comment was added, specifically that some of the requirements indicated in this section do not have comparable metrics to be correctly assessed.

Those listed SMEs & proxies suggesting the DRs in Section 5 can be verified/assured further added:

- Specific metrics like S1-1, S1-4, and S1-8 are identified as potentially more challenging to verify due to their qualitative nature (1 respondent).
- However, one LSME commented that no benefit in “additional reporting as a lot of the required information is already part of the existing disclosure requirements”, despite predominantly positive benefit feedback in Q4.
- Of most concern in feedback was Understanding Requirements & Auditing Process, followed by Collectability of Data and Need for Clarity & Guidance (1 respondent).

SNCIs:

From the 67% of SNCIs suggesting that the DRs can be verified/assured in Section 5, additional comments were added:

- Lack of Detail and Examples: Respondents express a need for more detailed explanations and practical examples within the disclosure requirements to guide data collection and reporting. (3 Respondents)

- Respondents were concerned about the ‘collectability of data’ for the SNCIs, rather than the question of “assurance, as would be evaluated by an auditor” (3 respondents), which indicates a certain disassociation from the auditing processes.
- Much of the social data (Section 5) is already available and can be reported with minimal effort. However, those related to health information are viewed critically due to data protection laws. (1 Respondent)

Q6 for preparers only (listed SMEs & proxies and SNCIs)

Question: In your assessment, do the disclosure requirements in this section reach a reasonable cost/benefit balance?

IF YES: Please explain what particular benefit(s) these disclosure requirements offer

IF NO: Please explain why the cost/benefit balance would be unreasonable

Number of respondents that answered the question

In this question, 13 out of 18 (72%) preparers answered the question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents to Question 6

Preparers overall (13 responses)	
Answer	%
Yes, the disclosure requirements in this section reach a reasonable cost/benefit balance	86%
No, the disclosure requirements in this section do not reach a reasonable cost/benefit balance	14%

Analysis of listed SMEs & proxies

Listed SMEs & proxies (7 responses)	
Answer	%

Yes, the disclosure requirements in this section reach a reasonable cost/benefit balance	86%
No, the disclosure requirements in this section do not reach a reasonable cost/benefit balance	14%

Analysis of SNCIs

SNCIs (6 responses)	
Answer	%
Yes, the disclosure requirements in this section reach a reasonable cost/benefit balance	86%
No, the disclosure requirements in this section do not reach a reasonable cost/benefit balance	14%

Key takeaways and additional comments received:

Both Listed SMEs & proxies and SNCIs seem to mostly have positive views on the cost/benefit balance in this section as most of respondents suggested that the disclosure requirements in this section reach a reasonable cost/benefit balance. The views (as additional comments) of both listed SMEs & proxies and SNCIs are listed below.

Listed SMEs & proxies:

From the respondent supporting that there is not a reasonable cost/benefit balance, it was further suggested that no benefits to this cost was felt as this section “generates conflicts due to the subjective perception of the same by different people”.

From those supporting that the disclosure requirements in this section reach a reasonable cost/benefit balance:

- Monitoring non-employees (S1-2) and establishing better internal processes such as ‘adequate wages;’ (S1-4) & ‘remuneration’ (S1-8) were felt to be of benefit (1 respondent)
- However, one LSME commented that there is no benefit in “additional reporting as much required information is already part of the existing disclosure requirements”, despite predominantly positive benefit feedback in Q4.

- For another respondent, of most concern in feedback was understanding the requirements & auditing Process, followed by the collectability of data and need for clarity & guidance.

SNCIs:

From the SNCI suggesting that the disclosure requirements in this section do not reach a reasonable cost/benefit balance, it was further recommended that the level of detail is too high, especially in disclosure requirements such as S1-2 Characteristics of non-employees in the undertaking’s own workforce and S1-3 Collective bargaining coverage and social dialogue.

The ones agreeing added:

- Creating transparency for our stakeholders, potential customers and employees were important benefits for SNCIs (2 respondents)
- A lot of data is already available but needs to be processed or presented differently (1 Respondent)
- Raising awareness of ESG reporting was felt would improve internal processes and management systems. It would also reduce reputational risk for SNCIs (1 Respondent).

Q7 and Q7.1 for preparers only (listed SMEs & proxies and SNCIs)

Question: Are the Application Requirements sufficiently clear and understandable to allow for appropriate and consistent application? If relevant, please detail the topics where additional guidance is required and explain why in your opinion the guidance provided is insufficient or not sufficiently clear.

Number of respondents that answered the question

In this question, 9 out of 18 (50%) preparers answered the question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents to Question 7

Preparers overall (13 responses)	
Answer	%
Yes, the Application Requirements are sufficiently clear and understandable to allow for appropriate and consistent application	67%

No, the Application Requirements are not sufficiently clear and understandable to allow for appropriate and consistent application	33%
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Analysis of listed SMEs & proxies

Listed SMEs & proxies (7 responses)	
Answer	%
Yes, the Application Requirements are sufficiently clear and understandable to allow for appropriate and consistent application	75%
No, the Application Requirements are not sufficiently clear and understandable to allow for appropriate and consistent application	25%

Analysis of SNCIs

SNCIs (6 responses)	
Answer	%
Yes, the Application Requirements are sufficiently clear and understandable to allow for appropriate and consistent application	60%
No, the Application Requirements are not sufficiently clear and understandable to allow for appropriate and consistent application	40%

Key takeaways and additional comments received:

The views between listed SMEs & proxies and SNCIs are similar. The majority agreed that the ARs in Section 5 are sufficiently clear and understandable. On the other side, some suggest that the ARs are not sufficiently clear and understandable. The views of those categories (as additional comments) are provided below.

Listed SMEs & proxies

From those listed SMEs & proxies disagreeing, the following comments emerged:

- Clear Guidance Needed on DRs and ARs especially on S1-1, S1-3, S1-4 and S1-8 specific to SMEs.

- The main arguments of topics where additional guidance is required were:
 - Certain topics can't be reported due to GDPR (including disability, union relations & ethnicity) (1 respondent)
 - ARs are not procedure or real model-based so there is a continued need for external consultants. (1 respondent)
 - National/ Regional/ Sectoral guidance on metrics & benchmarks necessary. (1 respondent)
 - Data Requirements Should be Described in More Detail. (1 respondent)

SNCIs

The main arguments of topics where additional guidance is required were:

- Attention should be drawn to the fact that Section 5 is subject to GDPR and there is information which cannot be reported e.g. disability, union relations and ethnicity (1 respondent)
- National/ Regional/ Sectoral guidance on metrics & benchmarks is necessary. The data requirements for reporting should be described in more detail and/or also take into account national or sector-specific requirements (1 respondent).
- The language used is too technical (1 respondent)

Module 5 – Business conduct (Section 6 LSME)

Q1 for preparers only (Listed SMEs & proxies and SNCIs)

Question 1: For Preparers, a selection of the most relevant operational challenges was asked to be chosen, if applicable:

- a) Availability of data, with appropriate quality
- b) Availability of IT or supporting tool
- c) Need to upgrade skills and resources
- d) Understandability of the requirements and/or needs for practical guidance

Number of respondents that answered the question

In this question, 11 out of 18 (61%) preparers answered the question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents (Preparers only) to Question 1



Table 65: Number of overall respondents per Q1 challenge

The bar chart suggests of Table 65 illustrates that all preparers responding found the understandability of the requirements and/or needs for practical guidance as the most relevant operational challenge of this section. The majority also indicated the rest of the operational challenges as listed in the table.

Analysis of listed SMEs & proxies

Response rate: 7 out of 11 (64%) listed SMEs & proxies responded to Question 1 of Module 5.

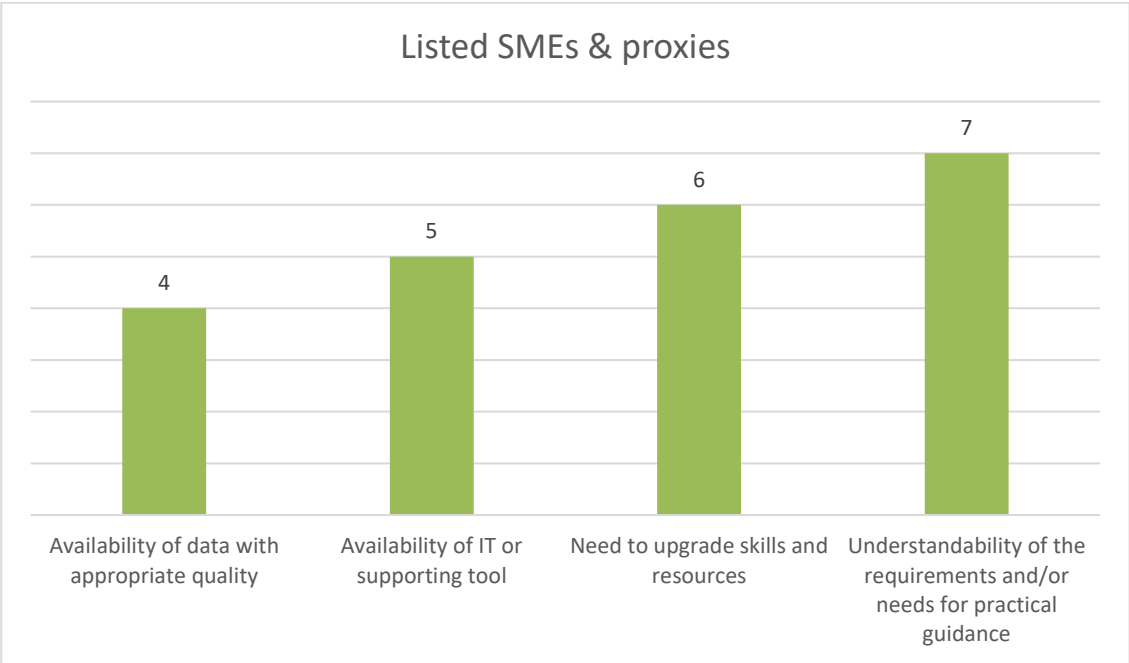


Table 66: Number of listed SMEs & proxies per challenge

Analysis:

Following the overall trend of preparers, all listed SMEs & proxies responding suggested the understandability of the requirements and/or needs for practical guidance as the most relevant operational challenge. Furthermore, the majority also indicated the rest of the operational challenges as listed in the table.

Additional comments provided:

Listed SMEs & proxies further added two comments, mainly suggesting the following:

- The absence of standardized metrics
- Expectation regarding specific industry guidelines

Analysis of SNCIs

Response rate: 5 out of 7 (86%) SNCIs responded to Question 1 of Module 3.

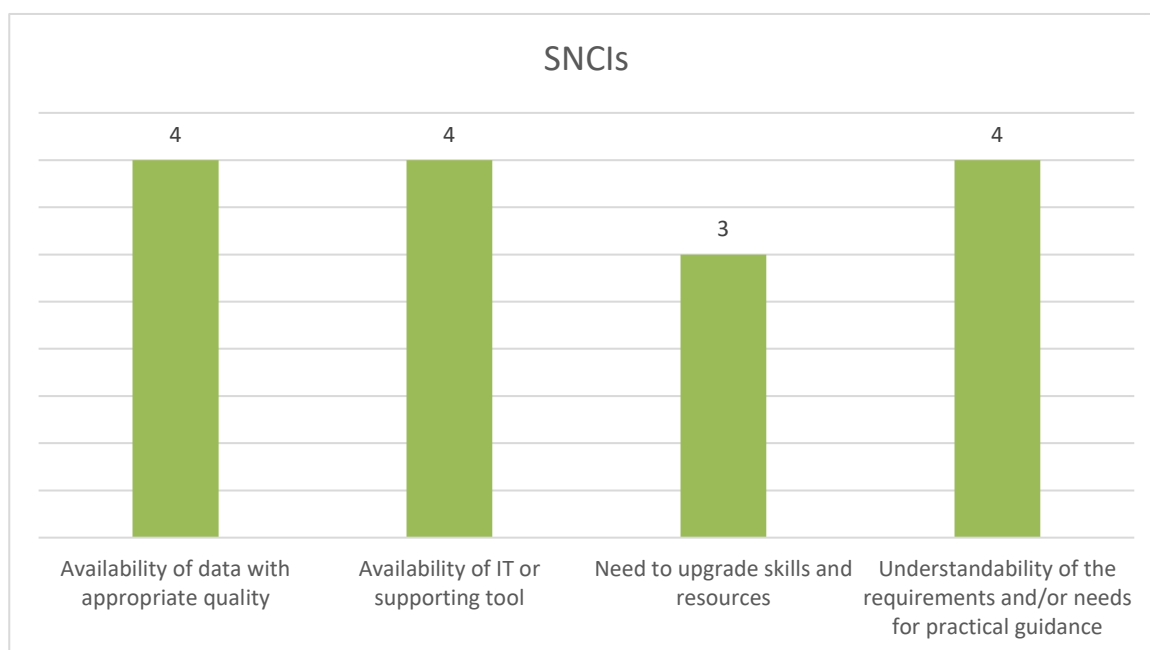


Table 67: Number of SNCIs per challenge

Analysis

All operational challenges seem relevant from the SNCIs that responded, as indicated by most of them.

Additional comment provided

An additional comment was made by one SNCI, asking for more details with practical examples:

- "The DRs should be easy to understand and be able to be developed within a reasonable timeframe and budget [...]. This is not the case with the current ESRS LSME ED. The human

and financial resources of an SNCI are limited [...]. Furthermore, there needs to be a recognisable added value of the collection of data for the SNCI. The data should not only be collected for statistical purposes. [...] The aim could be, for example, that the SNCIs can be compared with each other using a maximum of 10 KPI / measures.

Q2 for preparers only (Listed SMEs & proxies and SNCIs)

Question: Considering Section 6 of this ESRS LSME ED, for each disclosure please indicate if the disclosure is “highly challenging and costly”, or “possible to prepare with some efforts”, or “feasible with available means or already prepared”.

Number of respondents that answered the question

In Question 2 of Module 5, 14 out of 18 (78%) respondents answered this question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents to Question 2

Preparers overall	Feasible with available means or already prepared	Possible to prepare with some efforts	Highly challenging and costly	
G1-1 – Management of relationships with suppliers	2	7	3	12
G1-2 – Anti-corruption and bribery	7	4	1	12
G1-3 – Political influence and lobbying activities	3	5	4	12

Table 68: Overall breakdown of respondents that selected different levels of difficulty encountered with each relevant disclosure in Section 6

Key messages:

Table 68 indicates that preparers overall mostly indicated that the DRs in Section 6 are either feasible/already prepared or possible to prepare with efforts. Only some indications on G1-1 – Management of relationships with suppliers as well as G1-3 – Political influence and lobbying activities that these are highly challenging and costly.

Analysis of listed SMEs & proxies

Response rate: 7 out of 11 (64%) listed SMEs & proxies responded to Question 2 of Module 5.

Listed SMEs & proxies	Feasible with available means or already prepared	Possible to prepare with some efforts	Highly challenging and costly	
G1-1 – Management of relationships with suppliers	1	4	2	7
G1-2 – Anti-corruption and bribery	3	3	1	7
G1-3 – Political influence and lobbying activities	2	3	2	7

Table 6941: Breakdown of listed SMEs & proxies that selected different levels of difficulty encountered with each relevant disclosure in Section 6

Key messages:

The views of listed SMEs & proxies are mostly similar to the trend of all the responses of preparers, specifically:

- Most listed SMEs & proxies find the DRs in Section 6 either feasible/already prepared or feasible to prepare with some efforts.
- A few listed SMEs & proxies gave indications that G1-1 – Management of relationships with suppliers as well as G1-3 – Political influence and lobbying activities that these are highly challenging and costly (2 per each DR)

Two additional comments provided by listed SMEs & proxies:

- One LSME explained that the challenge relies on the lack of relationship with the supply chain
- Another LSME asked for a framework to involve the supply chain

Analysis of SNCIs

Response rate: 5 out of 7 (71%) SNCIs responded to Question 2 of Module 5.

SNCIs	Feasible with available means or already prepared	Possible to prepare with some efforts	Highly challenging and costly
G1-1 – Management of relationships with suppliers	1	3	1
G1-2 – Anti-corruption and bribery	4	1	0

G1-3 – Political influence and lobbying activities	1	2	2
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Table 70: Breakdown of SNCIs that selected different levels of difficulty encountered with each relevant disclosure in Section 6

Key messages:

Based on the numbers of Table 70, these are the main findings and indications of SNCIs in Section 5:

- Most DRs in Section 6 are either found feasible/already prepared or feasible to prepare with some efforts.
- A few SNCIs indicated that G1-1 – Management of relationships with suppliers as well as G1-3 – Political influence and lobbying activities that these are highly challenging and costly

Additional comments provided by SNCIs

2 comments were made by SNCIs to explain the rationale of “highly challenging and costly”:

DR G1-1: 2 SNCIs reported that it is a new area which requires to work on the concept and processes

DR G1-3: For 2 SNCIs, the challenge relies on an unclear definition of 'lobbying'. Another SNCI mentioned difficulties as "organisations are sometimes strategic partners and lobbyists at the same time”

Q2 for Users

Question: Considering Section 6 of this ESRS LSME ED, for each disclosure please indicate if “all the datapoints in the ED are needed” or “further simplification can be implemented”. IF “further simplification can be implemented” please explain how and which datapoints may be dropped.

Number of respondents that answered the question

In Question 2 of Module 5, 12 out of 12 (100%) respondents answered this question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents to Question 2

Users overall	All the datapoints in the ED are needed	Further simplification can be implemented
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G1-1 – Management of relationships with suppliers	92%	8%
G1-2 – Anti-corruption and bribery	83%	17%
G1-3 – Political influence and lobbying activities	83%	17%

Table 71: Overall breakdown of users that selected different levels of relevance for each disclosure in Section 5

Key messages and additional comments received from users:

Overall, most users find all the disclosure requirements useful and needed. The additional comments and suggestions are listed below:

- 1 comment to explain the rationale of “further simplification” for G1-1 Management of relationships with suppliers:
 - One user stated that "SMEs lack the resources and systems to effectively monitor and manage relationships with suppliers, resulting in challenges in collecting data on supplier governance practices such as ethical sourcing, labor standards, and environmental impact."
- 2 comments to explain the rationale of “further simplification” for G1-2 Anti-corruption and bribery:
 - One user suggested to drop datapoint 21 a,b and c.
 - The user explained that due to limited awareness, resources, or perceived exposure to corruption risks, SME’s do not have robust anti-corruption and anti-bribery policies in place.
- 2 comments to explain the rationale of “further simplification” for G1-3 Political influence and lobbying activities:
 - One user suggested to drop the datapoint and disclose on a voluntary basis
 - Another user pointed again to the lack the resources and expertise resulting in incomplete or inaccurate disclosure of relevant data.

Q3 for preparers only (Listed SMEs & proxies and SNCIs)

Question: Considering the disclosure requirements covered in Section 6 of ESRS LSME ED, please state the estimated total cost to prepare it.

Number of respondents that answered the question

In this question, 8 out of 18 (44%) preparers answered the question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents to Question 3

Mentioning of higher total costs in the first year / lower in subsequent years	Need for consulting services	Need for spending for IT	Costs remain the same
4	3	2	2

Table 7242: Number of respondents who suggested lower costs in the following years and costs that are attributed to consulting and IT

Preparers overall	Ranges (in EUR)	HR/Personnel costs (6 respondents)	Consultancy costs (5 respondents)	IT costs (5 respondents)
First year (one-off costs)	LSME 1	5 FTE	5 FTE	1 FTE
	LSME 2	5 FTE	50,000	
	LSME 3	2,000	1,000	1,000
	SNCI 1	6 Days	10,000	5,000
	SNCI 2	12,000		
	SNCI 3	15,000	5,000	5,000
	SNCI 4	75,000	10,000	10,000
	SNCI 5	20,000		
	Ranges (in EUR)	(6 respondents)	(5 respondents)	(5 respondents)
Subsequent years (recurring costs)	LSME 1	5 FTE	5 FTE	1 FTE
	LSME 2			
	LSME 3	2,000	1,000	1,000
	SNCI 1	2 Days	5,000	5,000
	SNCI 2	6,000		
	SNCI 3	5,000		5,000
	SNCI 4	10,000	0	1,000
	SNCI 5	20,000		

Table 7343: Analysis of the Responses to Q3 on costs per category of costs

Analysis of listed SMEs & proxies

Response rate:

3 out of 11 (27%) listed SMEs & proxies responded to Question 3 of Module 5.

Analysis of listed SMEs & proxies to Question 3

Mentioning of higher total costs in the first year / lower in subsequent years	Need for consulting services	Need for spending for IT	Costs remain the same
0	3	2	2

Table 7444: Number of listed SMEs who suggested lower costs in the following years and costs that are attributed to consulting and IT

All LSMEs and proxies responding did not indicate lower costs in the following years of reporting, furthermore, all or most of them also indicated the need to invest in consulting and IT.

Listed SMEs & proxies		HR/Personnel costs (3 respondents)	Consultancy costs (3 respondents)	IT costs (2 respondents)
First year (one-off costs)	LSME 1	5 FTE	5 FTE	1 FTE
	LSME 2	5 FTE	50,000	
	LSME 3	2,000	1,000	1,000
		(2 respondents)	(2 respondents)	(2 respondents)
Subsequent years (recurring costs)	LSME 1	5 FTE	5 FTE	1 FTE
	LSME 2			
	LSME 3	2,000	1,000	1,000

Table 7545: Analysis of the Responses to Q3 on costs per category of costs

Analysis of SNCIs

Response rate:

5 out of 7 (71%) SNCIs responded to Question 3 of Module 5.

Analysis of SNCIs to Question 3

Mentioning of higher total costs in the first year / lower in subsequent years	Need for consulting services	Need for spending for IT
4	3	3

Table 7646: Number of SNCIs who suggested lower costs in the following years and costs that are attributed to consulting and IT

SNCIs		HR/Personnel costs (5 respondents)	Consultancy costs (3 respondents)	IT costs (3 respondents)
First year (one-off costs)	SNCI 1	6 Days	10,000	5,000
	SNCI 2	12,000		
	SNCI 3	15,000	5,000	5,000
	SNCI 4	75,000	10,000	10,000
	SNCI 5	20,000		
		(5 respondents)	(3 respondents)	(2 respondents)
Subsequent years (recurring costs)	SNCI 1	2 Days	5,000	5,000
	SNCI 2	6,000		
	SNCI 3	5,000		5,000
	SNCI 4	10,000	0	1,000
	SNCI 5	20,000		

Table 7747: Analysis of the Responses to Q3 on costs per category of costs

Q4 for preparers only (listed SMEs & proxies and SNCIs)

Question: Considering the disclosure requirements covered in this section, can you indicate the possible internal and external benefits deriving from reporting the required information

Number of respondents that answered the question

In this question, 8 out of 18 (44%) preparers answered the question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents to Question 4

Potential benefits	Number of responses
<i>Internal benefits</i>	
improving internal management systems and increasing efficiency and reducing internal costs	8
Understanding of IROs that can support decision making processes	6
Avoiding double reporting	2
Avoiding possible losses due to corruption	1
<i>External benefits</i>	

improved engagement with stakeholders	7
increased competitiveness	5
reduced reputational risks	7
improved access to capital	4
Other	
promoting a more sustainable economy (in Europe)	3

Table 7848: Aggregate Overview of Preparers that selected different benefit categories.

Table 78 illustrates that:

- The most relevant internal benefit for all preparers that responded is improving internal management systems and increasing efficiency and reducing internal costs. The majority also indicated Understanding of IROs that can support decision making processes as a relevant internal benefit.
- As external benefits, the ones mentioned the most by most of respondents are improved engagement with stakeholders and reduced reputational risks.

Listed SMEs & proxies analysis

Response rate: 5 out of 11 (45%) listed SMEs & proxies responded to Question 4 of Module 5.

Potential benefits	Number of responses
<i>Internal benefits</i>	
improving internal management systems and increasing efficiency and reducing internal costs	5
Understanding of IROs that can support decision making processes	3
Avoiding double reporting	1
Avoiding possible losses due to corruption	1
<i>External benefits</i>	
improved engagement with stakeholders	4
increased competitiveness	3
reduced reputational risks	4
improved access to capital	3

Other	
promoting a more sustainable economy (in Europe)	2

Table 7949: Aggregate Overview of listed SMEs & proxies that selected different benefit categories.

From the listed SMEs & proxies that responded, all indicated improving internal management systems and increasing efficiency and reducing internal costs as an internal benefit, while the majority also suggested understanding of IROs that can support decision making processes as relevant.

As external benefit, the ones mentioned the most were improved engagement with stakeholders and reduced reputational risks.

SNCIs

Response rate: 3 out of 7 (43%) SNCIs responded to Question 4 of Module 5.

Potential benefits	Number of responses
<i>Internal benefits</i>	
improving internal management systems and increasing efficiency and reducing internal costs	3
Understanding of IROs that can support decision making processes	3
Avoiding double reporting	1
<i>External benefits</i>	
improved engagement with stakeholders	3
increased competitiveness	2
reduced reputational risks	3
improved access to capital	1
Other	
promoting a more sustainable economy (in Europe)	1

Table 8050: Aggregate Overview of SNCIs that selected different benefit categories.

All SNCIs that responded suggested the most relevant internal benefits are the improvement of internal management systems and increased efficiency and reduced internal costs as well as better understanding of IROs that can support decision making processes.

As external benefits the most relevant ones as indicated by all respondents in Section 6 are the improved engagement with stakeholders and reduced reputational risks.

Q5 for preparers only (listed SMEs & proxies and SNCIs)

Question: In your assessment, can the disclosure requirements in section 6 of this ESRS LSME ED be verified/assured? Comments / Please include the rationale for your answer.

Number of respondents that answered the question

In this question, 12 out of 18 (67%) preparers answered the question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents to Question 5

Preparers overall (12 responses)	
Answer	%
Yes, DRs in Section 6 can be verified/assured	67%
No, DRs in Section 6 cannot be verified/assured	33%

Analysis of listed SMEs & proxies

Listed SMEs & proxies (7 responses)	
Answer	%
Yes, DRs in Section 4 can be verified/assured	71%
No, DRs in Section 4 cannot be verified/assured	29%

Analysis of SNCIs

SNCIs (5 responses)	
Answer	%
Yes, DRs in Section 4 can be verified/assured	60%
No, DRs in Section 4 cannot be verified/assured	40%

Key takeaways and additional comments received:

Listed SMEs & proxies:

An LSME pointed out the absence of established and verifiable blueprint for involving suppliers.

SNCl:

- Three SNCl expected this question to address the collectability of data from the point of view of the SNCl, not the question of "assurance" as would be evaluated by an auditor
- Three SNCl highlighted a lack of explanations, definitions and "examples with practical relevance for the implementation and presentation"

Q6 for preparers only (listed SMEs & proxies and SNCl)

Question: In your assessment, do the disclosure requirements in this section reach a reasonable cost/benefit balance?

IF YES: Please explain what particular benefit(s) these disclosure requirements offer

IF NO: Please explain why the cost/benefit balance would be unreasonable

Number of respondents that answered the question

In this question, 12 out of 18 (67%) preparers answered the question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents to Question 6

Preparers overall (12 responses)	
Answer	%
Yes, the disclosure requirements in this section reach a reasonable cost/benefit balance	67%
No, the disclosure requirements in this section do not reach a reasonable cost/benefit balance	33%

Analysis of listed SMEs & proxies

Listed SMEs & proxies (7 responses)	
Answer	%

Yes, the disclosure requirements in this section reach a reasonable cost/benefit balance	86%
No, the disclosure requirements in this section do not reach a reasonable cost/benefit balance	14%

Analysis of SNCIs

SNCIs (5 responses)	
Answer	%
Yes, the disclosure requirements in this section reach a reasonable cost/benefit balance	40%
No, the disclosure requirements in this section do not reach a reasonable cost/benefit balance	60%

Key takeaways and additional comments received:

Both Listed SMEs & proxies and SNCIs seem to mostly have positive views on the cost/benefit balance in this section as most of respondents suggested that the disclosure requirements in this section reach a reasonable cost/benefit balance. The views (as additional comments) of both listed SMEs & proxies and SNCIs are listed below.

Listed SMEs & proxies:

From the respondent supporting that there is not a reasonable cost/benefit balance, it was further explained that the reporting is time-consuming with uncertain benefits.

From those supporting that the disclosure requirements in this section reach a reasonable cost/benefit balance, two further added:

- An LSME quotes the internal control and avoiding losses from corruption as benefits;
- Another LSME appreciates the control over supply chain

SNCIs:

SNCIs expressed mixed views whether the DRs in this section reach a reasonable cost/benefit balance:

- The ones disagreeing: two SNClS explained that the reporting is time-consuming with uncertain benefits.
- The ones agreeing: an SNCl quoted the reputation as a benefit (1 comment)

Q7 and Q7.1 for preparers only (listed SMEs & proxies and SNClS)

Question: Are the Application Requirements sufficiently clear and understandable to allow for appropriate and consistent application? If relevant, please detail the topics where additional guidance is required and explain why in your opinion the guidance provided is insufficient or not sufficiently clear.

Number of respondents that answered the question

In this question, 12 out of 18 (67%) preparers answered the question. This is taken into account for the following statistics and breakdowns.

Aggregate analysis of respondents to Question 7

Preparers overall (12 responses)	
Answer	%
Yes, the Application Requirements are sufficiently clear and understandable to allow for appropriate and consistent application	67%
No, the Application Requirements are not sufficiently clear and understandable to allow for appropriate and consistent application	33%

Analysis of listed SMEs & proxies

Listed SMEs & proxies (7 responses)	
Answer	%
Yes, the Application Requirements are sufficiently clear and understandable to allow for appropriate and consistent application	100%
No, the Application Requirements are not sufficiently clear and understandable to allow for appropriate and consistent application	0%

Analysis of SNCIs

SNCIs (5 responses)	
Answer	%
Yes, the Application Requirements are sufficiently clear and understandable to allow for appropriate and consistent application	20%
No, the Application Requirements are not sufficiently clear and understandable to allow for appropriate and consistent application	80%

Key takeaways and additional comments received:

The views between listed SMEs & proxies and SNCIs are opposite All listed SMEs & proxies agreed that the ARs in Section 6 are sufficiently clear and understandable. On the other side, most SNCIs suggest that the ARs in Section 6 are not sufficiently clear and understandable.

For three SNCIs, the justification is the lack of detail and examples: "It is often not clear what the practical implementation might look like."