

## Open call for tenders to assist EFRAG on analysis of public consultation feedback for ESRS LSME ED and VSME ED

### A. Summary of contract requirements and tendering procedure

#### 1. Contracting entity

##### 1.1 Name and address

EFRAG 35 Square de Meeûs, B-1000 Brussels Belgium

Email box: [call.for.tender@EFRAG.ORG](mailto:call.for.tender@EFRAG.ORG)

##### Contact persons:

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##### 1.2 Internet address

[www.efrag.org](http://www.efrag.org)

##### 1.3 Date of publication of this notice

22 March 2024.

##### 1.4 Time limit to answer to the call for tender

Tenders must be sent by 5 April 2024 by close of business to the email address: [call.for.tender@EFRAG.ORG](mailto:call.for.tender@EFRAG.ORG). Tenderers are advised to keep proof of the sending time.

##### 1.5 Communication

Additional information can be obtained from the above-mentioned address.

##### 1.6 EFRAG's mission statement

EFRAG's mission is to serve the European public interest in both financial reporting and sustainability reporting by developing and promoting European views in the field of corporate reporting. EFRAG builds on and contributes to the progress in corporate reporting.

*In its financial reporting activities*, EFRAG ensures that the European views are properly considered in the IASB's standard-setting process and in related international debates. EFRAG



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ultimately provides advice to the European Commission on whether newly issued or amended IFRS Standards meet the criteria of the IAS Regulation for endorsement for use in the EU, including whether endorsement would be conducive to the European public good.

*In its sustainability reporting activities*, EFRAG provides technical advice to the European Commission in the form of Draft European Sustainability Reporting Standards (ESRS) elaborated under a robust due process and supports the effective implementation of ESRS.

EFRAG seeks input from all stakeholders, and obtains evidence about specific European circumstances, throughout the standard-setting process. Its legitimacy is built on excellence, transparency, governance, due process, public accountability and thought leadership. This enables EFRAG to speak convincingly, clearly, and consistently, and be recognised as the European voice in corporate reporting and a contributor to global progress in corporate reporting.

### **2. Description of the contract**

The present call for tenders concerns the sustainability reporting standard -setting activities, in particular:

1. the Exposure Draft ESRS for listed SMEs, small non-complex credit institutions and captive insurance/re-insurances (ESRS LSME ED)<sup>1</sup>; and
2. the Exposure Draft Voluntary Sustainability Reporting Standard for micro-undertakings and non-listed SMEs (VSME ED).

The two standards are developed to serve two very different purposes and have been issued with the approval of the EFRAG SRB for public consultation. Please check Chapter C for more details or for a full overview of the two standards, click on the following [link](#).

The public consultation on the two EDs is organised to receive feedback from constituents on key aspects of the EDs, including:

- (i) the proposed architecture;
- (ii) the implementation of the CSRD requirements (for ESRS LSME ED), including the role of the LSME ED in setting the value chain cap for information to be reported by large undertakings;
- (iii) the relevance of the proposed disclosures;
- (iv) the simplifications achieved; and
- (v) the market acceptance (only for VSME ED). The questionnaires aim to capture users' and preparers' perspectives. Feedback from all interested constituents is welcome.

In parallel with the public consultation, EFRAG is conducting a field test for preparers and users of ESRS LSME and for preparers and users of VSME, and intends to complement the outcome of the consultation, with additional fact-based evidence.

The Field Test focuses on the following key elements:

- i) The costs and challenges associated with each of the disclosures;
- ii) The expected benefits of the disclosures;
- iii) The understandability of the guidance provided in the VSME ED and its ability to support the implementation of the disclosure requirements.

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<sup>1</sup> For further information see section D. Background Information.



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The feedback from the public consultation and the field test will serve as input to EFRAG's Technical Advice to the EC in the form of draft ESRS LSME and VSME.

The questionnaires are designed around multiple-choice style questions, however, respondents have the ability in most of the cases to provide additional comments.

Stakeholders may selectively choose which questions they would like to respond to and comment<sup>2</sup>.

The public consultation aims to collect the views of stakeholders primarily on the specific questions contained in the consultation documents.

Respondents should provide their response to the public consultation questions by using the online survey in order for these responses to be analysed and included in the report summarising the responses and to allow EFRAG to meet the ambitious timetable. In this way, a fair and transparent consultation process can be ensured.

Although the use of the survey is the preferred way to answer to the consultation, comments that do not address the specific aspects covered by the questions listed in the online survey, such as general comments, may be sent in the form of comment letters, preferably by uploading the letters on the survey tool. Although discouraged, EFRAG may receive letters responding to the survey outside the survey tool.

The consultation is open for comments for a 120-day period ending 21 May 2024.

In parallel to the consultation EFRAG is also conducting field tests through “field test questionnaires” that are open for response until 21 April 2024. The participants in the field tests are required to preliminary respond to the public consultation questionnaire. Hence for these respondents the deadline to answer the public consultation is 21 April 2024. In this case the analysis of the contractor(s) should cover the combined answers to both the field test and the public consultation questionnaires.

### *2.1 Objective and content of the contract*

EFRAG expects to receive a significant number of responses from the stakeholders responding to the ESRS LSME ED and the VSME ED public consultations and field tests, some in a structured and others in an unstructured way. The purpose of this contract is to assist EFRAG in analysing the feedback received from stakeholders in response to the public consultation and from the field test (in the first phase) and public consultation only (in the second phase).

Phase 1 (15 April – 2 May)	Analysis of feedback stemming from the field tests + analysis of public consultation survey questions from those who completed the field test (public consultation survey as a prerequisite)
Phase 2 (21 May – 22 June)	Analysis of rest of the public consultation survey questions and comment letters outside the survey tool

The contractor<sup>3</sup>(s) will have to present the comments received in a structured way, following the description detailed templates that will be defined by the EFRAG Secretariat and shared with the contractor(s). The contractor(s) should also provide supporting documentation allowing

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<sup>2</sup> Preparers and users that participate to the field test are required to fill in the public consultation questionnaire (as a pre-requisite).

<sup>3</sup> We refer throughout this document as contractor, however, there is the possibility to have multiple contractors under this tender.



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EFRAG to understand how the individual input in the responses has been consolidated into the summary reports. The work should encompass the feedback provided by respondents through the consultation survey as well as through separate comment letters submitted to EFRAG.

### *2.2 Delivery deadlines*

The public consultation was launched on 22 January 2024 and is open for comments for a 120-day period ending 21 May 2024.

A kick-off meeting will be organised in the week of the 15 April 2024, to share the template and agree on the working method. The participants to the field test will have to submit their complete consultation feedback on by 21 April 2024. This will allow to start the analysis of the consultation and field test feedback already in April. The experts of the contractor(s) that will perform the work on the field test may be involved in this analysis from 22 April.

Because of the tight timeline for EFRAG to submit the two standards for SMEs (draft ESRS LSME and VSME) to the European Commission, the contractor(s) are asked to start their review of the input received as soon as the consultation closes, i.e. on 22 April for the field test participants and on 22 May for the rest of the respondents.

Contractor(s) will collaborate closely with and operate under the direct instructions and supervision of the EFRAG Secretariat. Each contractor will analyse the responses received for a specified list of questions to be indicated by the EFRAG Secretariat. Each contractor will report to EFRAG on the consolidated analysis of the questions allocated that contractor, using the template provided by the EFRAG Secretariat.

During the first kick-off meeting, EFRAG will provide instructions and discuss with the selected contractor(s) which questions to focus on in the analysis. Contractors are expected to at least cover a full analysis of 4-5 questions of the consultation surveys and the field test for LSME or VSME across the two phases described in 2.1.

The table below provides the envisaged projected timeline for the project:

<b>Activity</b>	<b>Period</b>
Award of the contract to the selected contractor(s)	Week of the 15 April
Kick-off meeting with the selected contractor(s) - EFRAG to deliver the templates and list of questions to be covered	Week of the 15 April
Regular communication / Progress calls	Weekly online meetings, more frequent contact with individual analysts when needed
Deliverables on LSME and VSME (phase 1)	2 May 2024
Deliverables on LSME (phase 2)	Mid-June 2024
Deliverables on VSME (phase 2)	22 June 2024



### 3. Formal requirements and description of the procurement process

#### 3.1 Duration of the contract

The contract will expire upon delivery by the contractor(s) in collaboration with EFRAG of the final analysis reports of the public consultations on ESRS LSME ED and VSME ED in June 2024.

Specific terms and conditions applicable to the mission (including penalties for late delivery) are included in the accompanying draft contract that form an integral part of the call for tenders.

#### Factors to estimate the price of the service

The contractor(s) is required to provide its proposed fee in the format of the following table, considering a group of 5 questions. The quote is made on batches of 5 questions and EFRAG may decide to ask one or more batches in each phase (public consultation only, field test only or both).

<b>Fee estimate (Euro) per 5 questions in the consultation's survey<sup>4</sup></b>	<b>First 200 responses (including surveys, comment letters and attachments)</b>	<b>Additional 300 responses (including surveys, comment letters and attachments)</b>
Man-days (breakdown per level of seniority)		
Fees (breakdown per seniority level per day)		

The same contractor(s) may be asked to analyse one or more than one block of 5 questions as part of the same contract.

The proposals must be estimated including VAT<sup>5</sup>.

#### 3.2 Deliverables

As previously mentioned, the contractor(s) will be operating under the instructions of the EFRAG Secretariat, delivering the analysis of the responses (surveys and field tests feedback, comment

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<sup>4</sup> Each question may be split into sub-questions and/or tables in which the respondent can fill in with explanations/suggestions. As an example, the contractor(s) can refer to part 2 of the public consultation questionnaire in pdf form for VSME (link [here](#)). In this part of the questionnaire a significant number of questions are split into sub-questions, some only asked to preparers, others only asked to users and some others to all types of respondents, providing the respondent with the opportunity to provide detailed feedback per DR for each question. When calculating the fees, the contractor(s) should consider this characteristic of the questionnaires, as 1 question may be split into further sub-questions, each of them extracting even more answers.

<sup>5</sup> EFRAG has no VAT status and should therefore be invoiced VAT included for all provisions of services including those received from abroad.



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letters and attachments in the surveys) using the template developed by the EFRAG Secretariat that will be shared in the kick off meeting.

Per each question, the contractor(s) will have to:

1. identify (list and describe) the recurring positions and respective supporting arguments provided by the respondents;
2. provide the number of respondents per each position and when relevant per each supporting argument in a way that EFRAG can retrospectively identify the source of each position and supporting argument (name of respondent/organisation and/or unique response id number);
3. identify (list and describe) less recurring positions;
4. identify trends (trend analysis) in the positions and arguments of the different categories of respondents (investors as users, lenders as users, corporates as users, SME preparers, proxies of SME preparers, academics, National Standard Setters, Civil society organizations, individual citizens, etc.), including on the basis of their geographic origin (by country), for VSME on the basis of the size of the SME involved (micro/small/medium) and on the basis of the sector, where relevant. Trends are to be reported using % of the number of responses from a certain category in the total respondents that have expressed a given position.

The reports should differentiate between replies by stakeholder groups, individual answer as opposed to collective answers (e.g., association of multiple stakeholders or individual citizen or business).

The contractor(s) will have to prepare three deliverables for each question:

- **Executive summary:** summary of the main messages from the consultation, aggregating the positions using the conventions “most”/“majority”/“some”/“few”. More details on the Executive summary are provided in Chapter B below;
- **Detailed report:** per each question, list of the recurring positions, with indication of the names of the respondents that share the same position and when relevant the same arguments supporting the same position; list of the less recurring positions, with indications of the names of the respondents.
- **Trend analysis** (as described above), per each recurring position.
- **Statistical analysis for letters outside the online survey:** for the questions allocated to the contractor(s), limited to the responses provided outside the online survey, develop the statistics on level of agreement/disagreement by category of respondent, following the template to be delivered

The reports will be prepared following the templates that the EFRAG Secretariat will deliver in the kick off meeting.

All the aforementioned deliverables should include the following standard disclaimers:

*“Funded by the European Union through the Single Market Programme in which the EEA-EFTA countries (Norway, Iceland and Liechtenstein), as well as Kosovo participate. Any views and opinions expressed are however those of the author(s) only and do not necessarily reflect those of the European Union, the European Commission or of countries that participate in the Single Market Programme. Neither the European Union, the European Commission nor countries participating in the Single market Programme can be held responsible for them.”*

The EFRAG Secretariat may publish the reports as part of the supporting material for EFRAG SR TEG and EFRAG SRB public meetings.

### **4. Copyrights**

EFRAG acquires ownership of the results of the work carried out under the contract ('the results'). EFRAG may use the results for the following purposes:



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- Use for its own purposes;
- Make the report publicly available;
- Communication through press information services;
- Inclusion in databases, indexes and portals as EFRAG would see appropriate;
- Modification by or in the name of EFRAG; and
- Quote from and/or incorporate extracts from the report in its conclusions on the cost-benefit analysis submitted as part of EFRAG's Technical Advice to the EC and in any other reports, presentations and technical papers that EFRAG might prepare in connection with this project.

The contractor(s) cannot publish or otherwise use the report commissioned by the EFRAG.

## **5. Exclusion, selection and award criteria**

### *5.1 Exclusion criteria*

Tenderers must meet the exclusion criteria as laid down in the Information Form and sign the Information Form as part of the tender in this respect.

### *5.2 Selection criteria*

Tenderers must prove their economic, financial, technical and professional capacity to carry out the work subject to this call for tenders.

A key element of the selection will be the CVs of the proposed resources that will perform the fieldwork. The preferred profiles have 5+ years of experience, with the following backgrounds:

- Sustainability reporting;
- Assurance of sustainability information (particularly narrative information);
- Academic and research;
- Financial reporting/ financial statements audit.

Language quality check: all members of the team should have proficient written English.

The tenderers must be based in an EEA country.





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*5.3 Award criteria*

The tenderer will be awarded according to the best-value-for-money procedure. The maximum total of quality score is 100 points divided as follows:

<b>Criteria</b>	<b>Max points</b>
a) Proven experience in successfully conducting similar tasks. Experience in the field of ESG reporting	30 points
b) Seniority and skills of the team based on the CVs	50 points
c) Price based on the total cost <sup>6</sup> of covering and analysing the first 200 questions (Comparison of prices will be made on the basis of the stated, all-inclusive fixed price using a formula i.e., the lowest quoted price will receive the maximum number of 10 points; all other offers will receive a number of price points in relation to the lowest offered price: Price points = (lowest price / price of the respective tender) x 10	10 points
d) Price based on average efforts and costs of covering and analysing additional 300 questions (Comparison of prices will be made on the basis of the stated, all-inclusive fixed price using a formula i.e., the lowest quoted price will receive the maximum number of 10 points; all other offers will receive a number of price points in relation to the lowest offered price: Price points = (lowest price / price of the respective tender) x 10	10 points

*5.4 Other information*

The tenderer should complete and sign the Information Form that is part of the tender documents. This form includes a confirmation in relation to the EFRAG's EC grant agreement as well as a confirmation that your organisation has no potential conflicts of interest.

*5.5 EFRAG's EC grant agreement*

Part of EFRAG's financing comes from the European Union in the form of a grant (the EC grant). Articles 11 (proper implementation), 12 (conflict of interest), 13 (confidentiality and security), 14 (ethics and values), 17.2 (visibility), 18 (specific rules for carrying out action), 19 (general information obligations) and 20 (record-keeping) as laid down in the Single Market Programme (SMP) General Model Grant Agreement ([SMP MGA – Multi & Mono version 1.0 August 2021](#)) also apply to the subcontractors are applicable to contractor but also applicable to the subcontractor. A condition for inclusion as a valid tender is that the prospective contractor confirms that it has been made aware of these Articles and agrees to be bound by them if the contract is awarded to them.

The tender is only open to organisations established/domiciled in the European Economic Area and EFTA countries.

*5.6 Time limit for receipt of tenders*

Tenders must be sent by **5 April 2024**, close of business to the email address: [call.for.tender@EFRAG.ORG](mailto:call.for.tender@EFRAG.ORG). Tenderers are advised to keep proof of the sending time.

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<sup>6</sup> Total cost would be the fee per day per seniority X the total man-days needed.





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### *5.7 Language in which tenders must be drawn up*

Tenders must be submitted in English.

## **6. Notification of the results and award of the contract**

### *6.1 Notification of the results*

EFRAG has the intention to notify the successful tenderer in the week of 15 April 2024. As part of the evaluation process, EFRAG has the right to request an online meeting. Please note that the notification at this stage does not constitute a commitment on the part of EFRAG.

Prior to signing the Draft Contract, EFRAG may decide to prolong the period to respond to the call for tender or either abandon or cancel this procurement procedure without entitling any tenderer to any compensation. Notification of the results will also be sent to the unsuccessful candidates.

### *6.2 Award of the contract*

The contract will be awarded, through the signature of a Contract (the Draft Contract is part of the tender documents), to the candidate who has made the most advantageous offer in terms of quality and price (see selection and award criteria above). At the time of signature of the Contract, signed originals, forming an integral part of the contract, shall be submitted. The signature of the Contract will set the start for the period of execution of the contract. There can be no provision of services without such a Contract.

## **7. Components of this call for tenders**

This call for tenders consists of:

- Open call for tenders to assist EFRAG on comment letter analysis for ESRS LSME ED and VSME ED
- The Information Form; and
- The Draft Contract.

## **B. Executive summary**

This report should allow to identify recurring criticisms, suggestions for improvements and expressions of support.

The report should encompass the comments included by respondents directly in the online survey but also, the comments provided in separate comment letters, either uploaded to the online questionnaires or directly received by EFRAG.

**EFRAG will provide instructions to the selected contractor(s) and discuss with the contractor(s) which questions to cover in the analysis at the kick-off meeting.**

The comments would need to be analysed and grouped according to their nature with a granularity that would allow the EFRAG Secretariat/ EFRAG SR TEG/ EFRAG SRB to identify possible changes to the draft ESRS LSME and the VSME. The contractor(s) will have to carefully aggregate the comments in recurring common criticisms/suggestions for improvements/expressions of support, in order not to lose any well-funded argument.

The report will include a detailed list of comments, differentiating between criticisms (splitting the comments according to the nature of the criticism) and suggestions for improvements—splitting the comments according to the nature of the suggestion for improvement:



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- Issues where there are conflicting points of view between stakeholder groups. digging deeper into the information available, for example to identify specific relations between replies, linking replies with the types of respondents (e.g., users, preparers, NGOs...), their geography in the different Member States, the business sector they belong to (if applicable);
- the contractor(s) will have to report whether and to what extent individual replies by businesses are aligned with collective replies sent by business associations, where applicable looking also at the business sector;
- similarly, individual EU citizens may have opinions that differ from organizations.

In the aggregation of detailed comments into a list of criticisms or suggestions for improvement, the following terminology conventions will be adopted:

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

## C. Background information

### About the Corporate Sustainability Reporting Directive Provisions on LSME

In December 2022, the Corporate Sustainability Reporting Directive (CSRD) was published in the European Official Journal. The objective of the CSRD is to improve sustainability reporting to better exploit the potential of the European single market and to contribute to the transition to a fully sustainable and inclusive economic and financial system in line with the European Green Deal and the UN Sustainable Development Goals.

The CSRD introduces simplified sustainability reporting standards for listed SMEs, small non-complex credit institutions and captive insurances and reinsurances (LSME ESRS) as derogation to the ESRS for large undertakings. Micro, small and medium sized companies that are not listed are not in the scope of CSRD. Listed micro enterprises are explicitly excluded from the CSRD scope.

### **ESRS LSME**

Small and medium sized undertakings with securities listed in EU regulated markets (ESRS LSME), except micro-undertakings, are included in the scope of CSRD, however, they are allowed to report in accordance with ESRS LSME to be issued as Delegated Act on the basis of a Draft proposed by EFRAG. The Draft ESRS LSME to be developed by EFRAG shall be proportionate and relevant to the capacities and the characteristics of small and medium-sized undertakings and to the scale and complexity of their activities (Art. 29c). The scope of the ESRS LSME includes the following undertakings:

- i) small and medium-sized undertakings as defined in the Accounting Directive that are public interest entities (securities listed in regulated markets); EFRAG secretariat has



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estimated the number of those companies to be about 700 in EU<sup>7</sup>. Additionally, according to Art. 4(5) of the Transparency Directive (as amended by the CSRD), the scope includes third country listed SMEs that, according to the Article 40a of the CSRD are in scope of LSME, whose number has not yet been estimated by EFRAG secretariat.

- ii) small and non-complex credit institutions defined in point (145) of Article 4(1) of Regulation (EU) No 575/2013; According to EBA figures the number of SNCIs in Europe is 2.300<sup>8</sup>.
- iii) captive insurance undertakings defined in point (2) of Article 13 of Directive 2009/138/EC of the European Parliament and of the Council and
- iv) reinsurance undertakings defined in point (5) of Article 13 of that Directive. (art 19a 6). Estimation of 300 captive insurance/reinsurances in EU (based on EIOPA).

The reporting areas for LSME are defined in art.19a6 of the CSRD as a sub-set of the reporting areas for large undertakings.

The sustainability reporting standards for large undertakings shall not specify disclosures that would require undertakings to obtain information from small and medium-sized undertakings in their value chain that exceeds the information to be disclosed pursuant to the ESRS LSME (art 29b 4). EFRAG refers to this as the '*value chain cap*', i.e., the disclosures in ESRS LSME determine what is the maximum detail of information that large undertakings can collect from SMEs in their value chain to prepare their ESRS sustainability statement.

ESRS LSME ED is the result of a drafting exercise aimed at covering the minimum content identified in the CSRD for LSME while significantly simplifying the corresponding DRs and datapoints in ESRS Set 1. The general purpose has been to achieve the appropriate balance between proportionality and users' needs, including the necessity to also cover, as required by the CSRD, the SFDR<sup>9</sup> (Sustainable Finance Disclosure Regulation) and other EU Law datapoints. This exercise led to a shortlist of 'value chain' datapoints that are considered necessary to meet the users' needs, i.e., these are the datapoints that undertakings applying ESRS Set 1 are expected to demand from partners in their value chain that fall within the scope of LSME.

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<sup>7</sup> For the identification of the listed SMEs which fall into the scope of the [draft] LSME ESRS, EFRAG Secretariat extracted undertakings from Orbis database that are based in Europe and are listed in on a European regulated market. To also note that the EC and CEPS have published their own studies on SMEs and the CSRD ((Study on the non-financial reporting directive - Publications Office of the EU (europa.eu), / EUR-Lex - 52021SC0150 - EN - EUR-Lex (europa.eu)). The studies indicate a total number of about 1.000 listed SMEs in Europe, that is different from the data that the EFRAG Secretariat has estimated. To note that the secretariat estimations do not cover the figures on third country SMEs listed in a EU regulated market at the moment.

Small and medium-sized undertakings (SMEs) Breakdown by size – Source: Orbis elaborated by EFRAG secretariat. Methodological approach: i) extract listed companies in the 27 member states, ii) manually identify listed SMEs based on accounting directive criteria, iii) double check with the regulated markets of Europe. Total 699 companies (523 medium, 176 small). To note that the estimated figure only considers the number of European listed SMEs listed in EU regulated markets, it does not differentiate listed SMEs that are parents of a large group (art. 29 a would apply) nor it includes the third –countries SMEs listed in EU regulated markets or listed SMEs that are subsidiaries of third-countries parent companies (both in scope of LSME ESRS).

<sup>8</sup> Based on EBA data, the EFRAG Secretariat has identified 2361 Small and Non-Complex Credit Institutions in the EU, with almost 50% representation in Germany, 20% in Poland and 16% in Austria.

<sup>9</sup> Regulation (EU) 2019/2088.



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The effective date for the obligation to issue ESRS sustainability statements by LSMEs is 1 January 2026, but entities in scope have an option to delay the first application to 1 January 2028 (except for Small and Non-Complex Institutions defined in point (145) of Article 4(1) of Regulation (EU) No 575/2013 and captive insurance and reinsurance undertakings defined in point (2) of Article 13 of Directive 2009/138/EC of the European Parliament and of the Council).

In this context, EFRAG has developed the Exposure Draft of ESRS LSME (the ESRS LSME ED) and launched a public consultation in Q1 2024 for 120 days until 21 May 2024. All the information related to the Exposure Draft ESRS LSME, the accompanying documents of the ED as well as the LSME public consultation and LSME the field test can be found [here](#). After the public consultation period on the ESRS LSME ED, EFRAG expects to finalise the Draft ESRS LSME and submit it in the form of a Technical Advice to the European Commission, accompanied by the final cost-benefit analysis by the first half of November 2024.

The ESRS LSME will be adopted by the European Commission by means of a Delegated Act.

### **VSME**

The [Q&A issued by the European Commission accompanying the ESRS Delegated Act](#) indicates that some non-listed SMEs, which are not subject to any sustainability reporting requirements under the Accounting Directive (Directive 2013/34/EU) as amended by the CSRD may nevertheless receive requests for sustainability information from customers, banks, investors or other stakeholders. EFRAG is therefore also developing a simpler, voluntary standard for use by micro-undertakings and non-listed SMEs (VSME). VSME intends to enable micro-undertakings and non-listed SMEs to respond to requests for sustainability information in an efficient and proportionate manner, and so facilitate their participation in the transition to a sustainable economy.

In addition, the [EC SME Relief Package of September 2023](#) refers to VSME as a measure to support SMEs in accessing sustainable finance.

As a result of this mandate, the objective of VSME ED is to provide non-listed micro-, small- and medium-sized undertakings (SMEs) with a simple reporting tool to start their sustainability journey and monitor their sustainability performance, and to respond to the growing requests of sustainability data from business partners (which includes financial institutions) that are triggered either by ESRS Set 1 reporting obligations or to manage their sustainability risks and pledges in the lending and investment portfolios (financial institutions) or in the supply chain (other business partners).

The ambition is that VSME becomes a common point of reference for lenders, investors and corporate counterparts in the value chain when they define their ESG data requests to SMEs. Concretely this means that, based on market acceptance, VSME is expected to de facto limit current multiple ESG data requests that would represent an important burden for SMEs, by replacing the various, multiple and uncoordinated ESG questionnaires.

This market need was highlighted in the EC impact assessment accompanying the CSRD proposal and confirmed by EFRAG European Corporate Reporting Lab (Final Report 2021<sup>10</sup>) and by the former EFRAG PTF cluster in charge of SMEs that was composed by representatives of SMEs and banks. Commissioner McGuinness and the European Commission have recommended EFRAG to work on such a voluntary standard<sup>11</sup>.

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<sup>10</sup> Please refer to the Final Report [here](#)

<sup>11</sup> European Commission – Questions and Answers on the Adoption of the European Sustainability Reporting Standards (31 July 2023)



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VSME will not have legal status and will not be issued as Delegated Act, however it aims at becoming the market accepted standard to serve the information needs of lenders, other investors and large companies that have business relationships of SMEs in their value chains.

Being a voluntary tool and being addressed to a category of less resourced companies, the value and benefits of VSME will crucially depend on the level of market acceptance and recognition that VSME will ultimately achieve as 'the' standard for data collection requests by lenders, other investors and large companies.

Micro, small and medium companies (which are the intended scope of VSME) are the vast majority of companies in Europe. They are in total 23.2 million<sup>12</sup>.

EFRAG plans to make available VSME for use at the same effective date of LSMEs (1 January 2026).

In this context, EFRAG has developed the Exposure Draft of VSME (the VSME ED) and launched a public consultation in Q1 2024 for 120 days until 21 May 2024. All the information related to the Exposure Draft ESRS LSME, the accompanying documents of the ED as well as the LSME public consultation and LSME the field test can be found [here](#). After the public consultation on the VSME ED, EFRAG expects to finalise the VSME and submit it for due consideration to the European Commission accompanied by the final cost-benefit analysis.

In December 2022, [Corporate Sustainability Reporting Directive \(CSRD\)](#) was published in the EU Journal establishing a new framework for sustainability reporting in the EU. Undertakings under scope would have to report in compliance with European sustainability reporting standards (ESRS) adopted by the European Commission as Delegated Acts.

### **About EFRAG's role**

In the CSRD, EFRAG provides technical advice to the European Commission in the form of draft European Sustainability Reporting Standards, using proper due process, public oversight and transparency, and with the expertise of relevant stakeholders.

The reporting standards are adopted by the European Commission by means of Delegated Acts. The European Commission is to review the adopted Delegated Acts at least every three years after the date of application, taking into consideration the technical advice of EFRAG, to take account of relevant developments, including developments in international standards.

The first reporting by undertakings using the LSME standard is expected in January 2027 with reference to reporting year 2026, however a 2 years opt-out is established in CSRD to provide flexibility to LSME. When using this opt-out first reporting will take place in January 2029 with reference to reporting year 2028.

### **About the first set of ESRS for large undertakings and the EC Delegated Act**

The European Commission has adopted the Delegated Act on ESRS for large undertakings on 31 July 2023, which can be found [here](#).

Note: the reference to those documents is made because the ESRS LSME ED achieves a significant simplification compared to the Delegated Act ESRS for large undertakings, following a proportionality principle.

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<sup>12</sup> Micro (<10 employees + balance sheet and turnover combined, accounting directive) = 21.7 million (93.3% of total EU companies). Small (<50 employees + balance sheet and turnover combined, accounting directive) = 1.3 million (5.6% of total EU companies). Medium (<250 employees + + balance sheet and turnover combined, accounting directive) = 202.000 (0.9% of total EU companies). Source: Eurostat, 2020 + EC impact assessment CSRD)





## **About the objectives of EFRAG’s public consultation on ESRS LSME ED and VSME ED**

In order to ease the survey navigation, the survey questionnaires are split in different parts for both LSME and VSME consultation surveys.

### LSME Survey structure:

- Part A. Key questions about ESRS LSME ED (key questions as prioritised by the respondent):
    - A.1) Methodological approach and general principles (8 questions)
    - A.2) Value chain implications (2 questions)
    - A.3) Sector approach (1 question)
  - Part B. Specific questions for each section of the ESRS LSME ED (detailed questions to respond per LSME section):
    - B.1) Section 1: General requirements (2 questions with additional break-down questions per DR)
    - B.2) Section 2: General disclosures (4 questions with additional break-down questions per DR)
    - B.3) Section 3: Policies, Actions and Targets (2 questions with additional break-down questions per DR)
    - B.4) Section 4: Environment (4 questions with additional break-down questions per DR)
    - B.5) Section 5: Social (2 questions with additional break-down questions per DR)
    - B.6) Section 6: Business conduct (2 questions with additional break-down questions per DR)
- 2 general questions at the end of the survey (additional comments, areas that EFRAG should further cover,

### VSME Survey structure:

- Part 1 includes 7 critical questions that EFRAG encourages to answer in full;
- Part 2 includes 33 additional and more detailed technical questions that EFRAG encourages to answer as much as possible with the following breakdown:
  - 5 questions on principles for preparation
  - 7 questions on the Basic Module
  - 5 questions on the approach to materiality of matters and Principles for preparation (common to Narrative-PAT and Business Partners Module)
  - 4 questions on the Narrative-PAT Module
  - 12 questions on the Business Partners Module
- Part 3 includes 1 question on the value chain cap

The contractor(s) can also refer to the following pdf versions of the consultation surveys for LSME and VSME:

[ESRS LSME ED Public consultation survey in pdf](#)



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[VSME ED Public consultation survey in pdf](#)

For more information on the ESRS LSME and VSME ED, please click on this [link](#).

