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Revised LSME Cover Note

Objective

- 1 The objective of this SR Board session is to start the approval process, with the initiation, i.e. the Secretariat presents to the SRB LSME as approved by EFRAG SR TEG on 7 November, together with a comprehensive package with the main points covered in the consultation and in the discussions since July including the workshops with various stakeholders. The EFRAG SRB will be asked for his vote on the 27 November 2024 on the package uploaded for the meeting today.**
- 2 On 7 November the EFRAG Secretariat uploaded in the folder for this meeting the LSME submitted to EFRAG SR TEG for approval. Compared to this version, there are only editorial changes which have been uploaded for the meeting today (Agenda Papers 05-15 and 05-16 for Sections 2 and 3 in clean versions illustrate these few editorial points in turquoise).
- 3 Following the public consultation and field test (results discussed in SR TEG [18 July](#)), the SR TEG extensively discussed the revised content of each LSME Section in September and October 2024:
 - (a) [12 September](#) (closed meeting): Section 1 General requirements;
 - (b) [19 September](#): Section 2 General disclosures and Section 3 Policies Actions and Targets;
 - (c) [7 October](#): Section 4 Environment, Section 5 Social and Section 6 Business conduct;
 - (d) [10 October](#): Section 1 General requirements, Section 2 General disclosures and Section 3 Policies Actions and Targets;
 - (e) [17 October](#): Section 4 Environment, Section 5 Social and Section 6 Business conduct;
 - (f) [22 October](#): Section 1 General requirements; and
 - (g) [24 October](#): Section 2 General disclosures, Section 3 Policies Actions and Targets Section 4 Environment, Section 5 Social and Section 6 Business conduct, the SFDR approach and a review of the voluntary datapoints in LSME.
 - (h) [7 November](#): SR TEG approved LSME as a technical recommendation to SRB.
- 4 The EFRAG Secretariat additionally took into consideration the feedback received from the workshops for investors, preparers and other stakeholder groups (SR TEG members can review [here](#)) performed at the end of September.

Revised LSME approved by SR TEG on 7 November

- 5 This chapter is derived from the draft summary of discussions from the SR TEG held on 7 November, which has not yet received formal approval, and is provided here for informational purposes for the SRB members.
- 6 **The draft ESRS LSME has been approved by a very large majority vote (23 positive votes, i.e. all in favour except one) of the SR TEG members as a technical recommendation to SRB. As part of this advice, EFRAG SR TEG recommends including in the cover letter to the EC that, should LSME be considered in the future for application to a broader set of entities compared to the scope in the CSRD, an appropriate technical evaluation of its suitability to such a broader scope should be performed.**
- 7 In particular:
- (a) Eric Duvaud (ANC) approved with strong reservations, as the LSME relevance should be re-evaluated. The scope is currently very limited here and concentrated in sectors (e.g. banking): there is a need for specific sector requirements in LSME if we want to be relevant. Following Draghi, we expect simplifications for smaller companies and SFDR PAI will be revised. In summary, by the time LSME is submitted to the EC, evolving factors will render EFRAG advice out-dated. The current LSME has many limitations and does not meet the requirement of stakeholders, such as the complexity of format and granularity. We also understand that the time is short and EFRAG needs to deliver and for this we approve. EFRAG should also communicate to the EC the need to revise LSME as soon as the external context is clarified. The EFRAG Secretariat acknowledged these remarks but noted that (1) a possible future change in the scope of application is a matter for the EC and outside the remit of EFRAG SR TEG in this vote and (2) the perception of LSME being still granular at this stage after the massive reduction is difficult to reconcile with the message from investors that further simplification compared to the current standard would trigger significant loss of information, as confirmed by the workshops; LSME is the minimum content that is able to deliver fair presentation, quality of information and investor datapoints (SFDR etc.) required to be included the CSRD for LSME.
 - (b) Luca Bonaccorsi also approved, however, contrary to the points raised by Eric Duvaud, he further added that if the scope of standard changes in the future, it must be clear that the current version will be inadequate for a standard that also applies to mid-caps, especially for E and S matters (i.e., Water, Biodiversity, S2-S4).
 - (c) Philippe Diaz approved but further added that, moving forward, the interpretation of public consultation feedback should be more precise – while it is true that simplification and reduction of the ED was voiced by many, not all stakeholders expressed a need for considerable reductions in the ED. He then completed by suggesting that while the CBA is indeed widely considered useful when developing standards, it is however far from being adequate in successfully capturing and assessing benefits.
 - (d) Piotr Biernacki approved with some reservations:
 - (i) while being in line with the level 1 regulation, LSME is too demanding for listed SMEs, but it would be too simple/inadequate if it were to be used by mid-caps in the future. Therefore, the current draft will not fit any undertakings. The

EFRAG Secretariat noted that questioning the level 1 regulation is outside the remit of EFRAG SR TEG.

- (ii) the approach to drafting LSME should have been developed by using a different strategy from the outset. In fact, EFRAG should have adopted a bottom-up approach instead of starting from Set 1. The EFRAG Secretariat noted that this would have been incompatible with the requirement in the CSRD to deliver fair presentation and characteristics of quality, as proved by the exercise of redrafting performed in July/September when the Secretariat assessed per each datapoint the possibility to replace LSME with VSME content.
- (e) Luc Hendrickx did not approve LSME due to his rejection of the content of the CSRD, in particular with the CSRD stating that (1) LSME is the voluntary standard to be used by SMEs and (2) LSME is the cap in the information that SMEs (it should be VSME). The EFRAG Secretariat noted that questioning the level 1 regulation is outside the remit of EFRAG SR TEG.

Editorial changes agreed on approval of SR TEG on 7 November in Sections 2 and 3 (agenda papers 05-15 and 05-16)

- 8 Agenda papers 05-15 and 05-16 illustrate **in turquoise** the few editorial adjustments agreed on the approval of SR TEG on 7 November. These are only related to Sections 2 and 3.

Section 2

- 9 *SBM-3*: The SR TEG agreed to add the following title in the draft IG on financial performance and financial position: *'contextual information on financial measures'*. Additionally, it was agreed to add a reference to AR 18 with the list of sustainability topics in paragraph 33/35.
- 10 *IR-1*: SR TEG also agreed on editing par. 46, namely, to add *"may additional disclose..."*.

Section 3

- 11 *PAT*: To avoid redundancy and repetition, the SR TEG agreed to rework on the objectives of PATs (i.e., integrate the highlighted text in paragraphs 23 and 5 into the text of paragraphs 24 and 6 respectively).
- 12 *AR 21 and AR 22 on Social Policies*: SR TEG agreed to include a signposting sentence to indicate that AR 21 follows the general approach on policies and actions and in reference to policies to manage impacts on the stakeholder groups outlined. It was also agreed to check AR 22 and assess if this should be in the main body as *"report if you have"*.

Overview of the changes to the ED after public consultation, field test and SR TEG revisions – preview of content of SR TEG Basis for Conclusions

13 The following table below gives an overview of the main changes that have been implemented into the LSME following the public consultation and field test feedback and the decisions agreed at SR TEG. These are:

DR/Topic	Public consultation feedback	Field test feedback	Discussions and decisions taken at SR TEG
Section 1 Chapter 2 Qualitative characteristics of information	NA	<u>NA</u>	Streamlined the content in the draft Standard and additional information can be found in the “non-binding” guidance. Deletion of Appendix B.
Section 1 Chapter 3 Double materiality	Most (85% of those who responded) agree with the approach adopted consisting of maintaining the same approach for materiality as in ESRS Set 1. Additional guidance on how to conduct double materiality is needed. None of the comments received disagree with the materiality approach. Detailed suggestions (to be implemented) A) Positive impacts and opportunities: keep them in brackets throughout Section 1 as a way to ensure more standardised disclosures when voluntarily provided by the undertaking	Highly costly. double materiality process needs to be more interconnected with what the LSMEs have to report on. Need for more guidance that is tailored to smaller undertakings in different sectors.	Secretariat attempted simplification in this chapter, taking inspiration from VSME ED, however, final decision was to align with Set 1 to ensure a fair presentation system (with editorial and/or clarifying adjustments in the main body and AR) As suggested in public consultation (points A and D), Secretariat checked consistency of treatment of positive impacts

DR/Topic	Public consultation feedback	Field test feedback	Discussions and decisions taken at SR TEG
	<p>B) Par. 33: suggest deleting the requirement in the final sentence of Section 1 par. 33 regarding the forward-looking analysis of the conditions under which climate could become material in the future.</p> <p>Detailed suggestions (to be discussed)</p> <p>C) Impact materiality and VC (par. 45): focus of LSME in terms of actions should primarily be on own operations and direct relationships in the value chain (employees, clients and suppliers tier 1)</p> <p>D) UN / OECD guidelines (par. 47): delete the reference to due diligence and UN/OECD guidelines. CS3D does not apply directly to LSMEs</p> <p>E) Material IRs arising from actions addressing sustainability matters (par. 55-56): Suggestion to delete this chapter in line with proportionality principle. Mitigation actions of LSMEs will have limited rebound effects compared to those of large undertakings. It could be let at entity-specific level for LSMEs</p> <p>F) Level of disaggregation (chapter 3.7): Suggestion to give more flexibility to LSMEs and</p>		<p>and opportunities among all sections and moved the reference of Due Diligence in AR.</p> <p>For suggestions on point C and E, Secretariat kept the same approach with Set 1 to ensure a universe of fair representation and qualitative characteristics of information. Certain clarifications however were provided in the main body or in AR.</p> <p>On point F and Chapter 3.7 Level of disaggregation: Secretariat proposed simplifying this chapter by turning it voluntary as suggested in public consultation however, SR TEG decided to keep it mandatory (SR TEG 12 September) but explaining in AR that undertakings in LSME are not always expected to apply this requirement. Secretariat also added examples of occasions</p>

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	<p>make the disaggregation of IRs optional, in line with proportionality principle. Disaggregation is less relevant for LSMEs as their geographical scale is generally limited</p>		<p>where disaggregation is needed in AR such as for countries and sites (SR TEG 10 October)</p>
<p>Section 1 Chapter 4 Value chain</p>	<p>Detailed suggestions (to be discussed) on par. 66 with split views:</p> <p>A) suggestion to delete the para. as no added value</p> <p>B) to be provided more detail on the “clear indications that material impacts and risks are not addressed appropriately”, including situations of qualified opinions of the auditor</p> <p>C) suggestion to delete the wording “same level of assurance” + risk of shifting the assurance burden in the LSME’s value chain.</p>	<p>Difficult to understand the value chain implications in relation to the MA and material IRs.</p> <p>Need for more guidance and examples on VC and boundaries (with focus on VC for SNCIs)</p>	<p>For Chapters 4.1 and 4.2, Secretariat included content from IG 2 in main body, AR and LSME IG that provides more clarifications on value chain for SMEs.</p> <p>As suggested in point C from the public consultation feedback, Secretariat reviewed former paragraph 66 and replaced the wording ‘<i>same level of assurance</i>’ with: ‘<i>...such information that meet the qualitative characteristics of information...</i>’ giving the flexibility to undertakings applying LSME to rely on information that can be found in other sustainability statements (GRI, EMAS, future VSME).</p>

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<p>Section 1</p> <p>Chapter 5 Time horizons</p>	<p>NA</p>	<p><u>NA</u></p>	<p>SR TEG 22 October: SR TEG agreed with the following simplifications:</p> <ul style="list-style-type: none"> • Merged all sub-chapters into one main chapter • Deleted subchapter 5.3 related to Reporting progress against the base year. • The language of definition of short-, medium- and long-term periods was aligned with that of VSME ED.
<p>Section 1</p> <p>Chapters 6.1 Presenting comparative information, 6.2 Sources of estimation and outcome uncertainty, 6.3 Updating disclosures about events after the end of the reporting period, 6.4 Changes</p>	<p>General agreement on the content.</p> <p>Need of clarification on the meaning of the terms “reasonable effort”/” when impractical”</p>	<p>NA</p>	<p>The feedback did not indicate strong need to streamline.</p> <p>Secretariat also provided a definition of the reasonable effort principle.</p> <p>SR TEG 24 October: On the use of reasonable effort, it was agreed that the approach is similar as in</p>

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<p>in preparation or presentation of sustainability information, 6.5 Reporting errors in prior periods</p>			<p>Set 1 but additionally the Secretariat should readjust in the related sentence of the drafting conventions in section 1 as such: <i>‘...if it does not make a material difference to the decision-making by users of the ESRS statement or the significance of the information in relation to the matter it purports to depict or explain’.</i></p>
<p>Section 1 Chapter 6.6 Classified and sensitive information and information on intellectual property, know-how or results of innovation</p>	<p>General agreement on the content. Need of clarification on the meaning of the terms “reasonable effort”/” when impractical”</p>	<p>NA</p>	<p>SR TEG 22 October: Following last SR TEG discussion, related paragraphs have now been aligned with the approach taken in Set 1 with editorial simplifications (initial proposal was to align with VSME). The SR TEG members did not raise any concerns or comments in keeping the approach taken in Set 1.</p>

DR/Topic	Public consultation feedback	Field test feedback	Discussions and decisions taken at SR TEG
<p>Section 1</p> <p>Chapter 6.7 Matters in the course of negotiation</p>	<p>General agreement on the content.</p> <p>Need of clarification on the meaning of the terms “reasonable effort”/” when impractical”</p>	<p><u>NA</u></p>	<p>No substantial change applied compared to ED and no explicit SR TEG discussion on this point.</p> <p>Included in the Revised LSME the following: <i>‘If the undertaking decides to omit such information, it shall simply state that is the case, indicating which information / datapoints has been omitted.’</i></p>
<p>Section 1</p> <p>Chapter 7. Structure of the sustainability statement</p>	<p><u>NA</u></p>	<p><u>NA</u></p>	<p>No substantial change applied compared to ED and no explicit SR TEG discussion on this point – only few editorial adjustments and merging of titles.</p>
<p>Section 1</p> <p>Chapter 8 Linkages with other parts of corporate reporting and connected information</p>	<p>Received one comment to further simplify the chapter in the direction of VSME</p>	<p><u>NA</u></p>	<p>No explicit SR TEG discussion on 8.1.</p> <p>On chapter 8.2 Connected information and connectivity with financial statements: Secretariat aligned with the content of VSME ED (based on</p>

DR/Topic	Public consultation feedback	Field test feedback	Discussions and decisions taken at SR TEG
			written feedback of SR TEG on papers 05-02 of SR TEG 18 July).
<p>Section 1 Chapter 9. Transitional provisions</p>	<p><u>Preparers:</u> Most agreed with the approach taken on phase-ins in the LSME ED. Suggestion to extend the phase-ins to all enterprises for the first two years of listing <u>Users:</u> Most agreed with the approach taken on phase-ins in the LSME ED. <u>Others:</u> Some agreed but other criticized the approach and suggested a dynamic phase-in provision allowing all undertakings in scope to use phase-ins for their first reporting periods and grouping all transitional provisions in a dedicated section for more clarity</p>	<p>SNCIs underlined that the defined threshold of 50 employees is too low and suggested to review it. This threshold could result in being more restrictive than the one defined for Set 1.</p>	<p>SR TEG 12 September, 10 and 22 October: SR TEG discussed the phase ins and the possibility to also turn them applicable to undertakings that opt-out from sustainability reporting. Secretariat kept the same approach as in Set 1 but undertakings opting out from sustainability reporting will benefit from phase-ins for the remaining years.</p>
<p>Section 1 General for subsidiaries</p>	<p>NA</p>	<p><u>NA</u></p>	<p>SR TEG 10 October: One SR TEG member recommended a consistency check of how the draft Standard mentions subsidiaries. The approach should be universally identical across paragraphs and the examples should not be restricting but rather clearly</p>

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			<p>drafted such that subsidiaries are considered as part of the value chain.</p> <p>SR TEG 22 October: In the occasions where Secretariat included in each of those subsidiary references the word ‘material’ before the word ‘subsidiaries’, two SR TEG members agreed that this indeed unifies the approach on how subsidiaries are mentioned however, the inclusion of the word ‘material’ creates another issue - there is no definition of material subsidiaries hence, this wording would lead to further confusion of what can be considered as a material subsidiary.</p> <p>Secretariat indeed adapted this to address the concern by removing the word ‘material’ in front of subsidiaries and</p>

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			rephrased as ‘in conjunction with Para 63...’ for further clarification on subsidiary information. SR TEG members did not oppose to this suggestion.
Section 2 to 6 SFDR datapoints	NA	<u>NA</u>	<p>SR TEG 24 October: Secretariat explained the approach of turning Table 2 and 3 SFDR PAIs to voluntary after an SR TEG member’s related question – those PAIs are voluntary except for occasions where the datapoint is the only one found in a topic and/or has value chain implications. For those that are PAT SFDR Table 2 and 3, it was agreed in this session to reinsert them as ‘if applicable’ which follows the general logic of these categories of disclosures.</p> <p>On E2 emissions to water and soil by pollutants, Secretariat clarified that the datapoint is kept but without the additional</p>

DR/Topic	Public consultation feedback	Field test feedback	Discussions and decisions taken at SR TEG
			request to disclose by sectors/geographical area/type of source/site location.
EU Law drop-down menu as content index in connection with ESRS 1 par. 35 (found in Section 1 par. 43 in track changes).	NA	NA	<p>SR TEG 10 October: Taking into account investors’ workshops feedback (possible loss of information) and ESRS 1 par. 35, Secretariat further explored if the tentative decision of the SR TEG to turn all Table 2 and Table 3 SFDR into “shall disclose” but keeping the ones related to PAT of Table 2 and Table 3 as “if applicable” ones (i.e., undertakings report these only in case they have related policies in place) truly forms a simplification for LSME.</p> <p>SR TEG 24 October: TEG members ultimately agreed that the drop-down menu will be kept, as it is valuable for investors and with the digitisation process, its</p>

DR/Topic	Public consultation feedback	Field test feedback	Discussions and decisions taken at SR TEG
			completion will not be too complex. This table basically distinguishes the options an undertaking shall apply for SFDR and other EU Law datapoints (Disclosed / not applicable / not material / omitted because voluntary).
Architectural change of DR and datapoint structure	NA	NA	Secretariat applied the following simplification: The bold paragraph that is found in each DR in Set 1 has been deleted to avoid repetitions. The text is directly referring to the objective and then focusses on the request of each DR. That way the concept of materiality and possible entity-specific considerations is kept through the objective and then the undertaking focusses on the specific datapoints of the DR.
Section 2 BP-1 General basis for preparation of the	<u>Preparers</u> : Most agreed <u>Users</u> : Most agreed	Preparers expressed concern in relation to VC boundaries and on the availability of VC information	SR TEG 19 September: Secretariat presented

DR/Topic	Public consultation feedback	Field test feedback	Discussions and decisions taken at SR TEG
<p>sustainability statement & BP-2 Disclosures in relation to specific circumstances</p>	<p><u>Others:</u> Most agreed</p> <p>On BP-1, one NSS underlined that LSMEs should not be required to disclose to what extent they include VC in the reporting.</p>		<p>simplification on BP-2 in which members did not oppose to:</p> <ul style="list-style-type: none"> • Simplified by deleting sources of estimation and outcome uncertainty. The undertaking does not need to identify metrics with high level of uncertainty. • Use of phase-ins: if the undertaking decides to use them but either/or E4, S1, S2, S3 and S4 is/are material, the undertaking then only has to disclose that these topics were indeed assessed as material.
<p>Section 2 GOV-1 The role of the administrative, management and supervisory bodies</p>	<p><u>Preparers:</u> majority agreed with this DR. Listed SMEs and industry associations argued that EFRAG has gone beyond Article 19a by mandating disclosures that should be optional</p>	<p>Preparers: GOV-1 is identified by most of as either feasible or possible to prepare with efforts.</p>	<p>SR TEG 19 September: After presenting a few datapoints that were turned to “if applicable”, SR TEG members strongly suggested that each of these “if applicable”</p>

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	<p><u>Users</u>: Most supported this DR</p> <p><u>Others</u>: majority agreed</p> <p>One NSS suggested to:</p> <ul style="list-style-type: none"> - reduce the granularity of par. 19 of the ED as granular disclosures of governance bodies of LSMEs without any relation to sustainability matters are not highly relevant due to their small size - delete par 20c. because information on the body / person in charge of sustainability matters is enough 		<p>datapoints in every section need to be better explained. This would mean to explain what triggers the applicability of each of these datapoints (e.g., on GOV-1 and AMS bodies). Secretariat implemented this.</p> <p>On the specific suggestions from the public consultation, the Secretariat considers:</p> <ul style="list-style-type: none"> • For par. 19 (a) : these requirements are commonly part of the CG statement (see also art. 20 and (f) of accounting directive) and included in the national CG codes, moreover the presence of independent board members are in some countries mandatory for listed companies (and required in benchmark regulation)

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			<ul style="list-style-type: none"> • For par. 19 (b): board gender diversity is SDFR indicator 13 table 1. • For par. 20: the proposition to summarize and simplify: VSME is not suitable as it is missing requirements on composition, process to oversight sustainability, dedicated controls, process to inform governance bodies.
<p>Section 2 GOV-2 Due diligence</p>	<p><u>Preparers:</u> Only some agreed with this DR. An SNCI, an undertaking association, and five industry associations argued for voluntary due diligence disclosures <u>Users:</u> All users supported DR-4 on due diligence <u>Others:</u> majority agreed Suggestion to:</p>	<p><u>Preparers:</u> underlined the difficulties in implementing a due diligence process and the need for more guidance. <u>Others:</u> Need for more guidance</p>	<p>SR TEG 19 September: No major pushback for the changes made in the DR for due diligence except for an editorial modification needed in the last paragraph of the DR (to replace the word “if” with “how”). SR TEG 10 October: on the voluntary description of how the</p>

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	<ul style="list-style-type: none"> - add information helping undertakings fully understand the disclosure requirement (especially the datapoint in par. 24) - one NSS suggested to delete this DR in line with the proportionality principle, as CS3D/due diligence target large undertakings only 		<p>DD has informed the materiality assessment, several members suggested that this could be turned into a ‘shall disclose’ (suggested it would not be burdensome to include a few more lines of information as a description and that it can help undertakings in reporting). Secretariat also added that this description would indeed only apply to undertakings that have a DD in place and since this would be the case, these undertakings would be familiar enough to briefly describe this process. Another member counter-suggested that the voluntary regime of it in the current draft is indeed a good simplification for LSMEs and would advise keeping it as such.</p> <p>SR TEG 24 October: Despite the opposite views of having the description of how the due</p>

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			<p>diligence process has informed the materiality assessment as voluntary ('may describe') or mandatory ('shall describe'), SR TEG agreed to keep it as mandatory, considering that this only applies to undertakings that have a due diligence process in place.</p> <p><u>Outcome after the discussions:</u> Asking whether the undertaking has a due diligence process or not (SFDR indicator) and if so, it shall briefly describe how the due diligence process has informed the materiality assessment and where this is reflected in its sustainability statement.</p>
<p>Section 2</p> <p>SBM-1 Strategy, business model and value chain</p>	<p><u>Preparers:</u> majority agreed</p> <p><u>Users:</u> majority supported SBM-1. Need for clarification in relation to the scope of revenues from sectors such as fossil fuels and tobacco.</p>	<p><u>Preparers:</u> A majority classified this DR as highly challenging and costly. They also expressed the need for additional explanation on VC boundaries and they expressed concern on the identification of</p>	<p>On suggestion from public consultation to delete 28a iv), Secretariat turned it to 'if applicable' (<i>products and services that are banned in</i></p>

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	<p><u>Others</u>: most agreed</p> <p>One NSS suggested to:</p> <ul style="list-style-type: none"> - delete par. 28 a iv, no need to disclose service/products banned; too granular. Perhaps already covered by par. 28c - modify par. 28b eliminating reference to materiality assessment. “list of the significant ESRS sectors where the company or its subsidiaries operate or can potentially have a material impact” - delete par. 28d as this information is covered by the disclosure requirement SBM-3 on material impacts and risks and their interaction with strategy and business model(s) as well as disclosures on sustainability policies, actions, resources and targets 	<p>the list of significant ESRS sectors (par. 28b)</p> <p><u>Users</u>: stated that all datapoints are needed except for the list of significant ESRS sectors.</p>	<p><i>certain markets, in case the undertaking has them)</i></p> <p>On suggestion from public consultation to delete 28d), Secretariat deleted this in the revised version.</p> <p>SR TEG 19 September: on whether to include the possibility to add NACE codes instead of ESRS sectors. The SR TEG did not raise any objections to this new addition.</p> <p>A member suggested that certain datapoints should be reinserted (SBM-1 employee headcount and revenues). These reinsertions are crucial datapoints that help users in understanding the undertaking’s business, characteristics and activities.</p> <p>SR TEG 10 October: it was agreed to keep these two reinsertions</p>

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			<p>on revenues and sectors but not refer to ESRS sectors but instead, as a compromise, users can leverage on IFRS 8 segment reporting that LSMEs should already have in their reporting obligations spectrum.</p>
<p>Section 2 SBM-2 Interests and views of stakeholders</p>	<p><u>Preparers</u>: majority agreed with this DR. Additional clarification is needed on whether the dialogue itself is required or not. Suggestion also to change this DR in a voluntary one.</p> <p><u>Users</u>: all supported this DR</p> <p><u>Others</u>: majority agreed</p> <ul style="list-style-type: none"> - one public authority suggested to add more guidance through information in AR to help listed SME undertakings to better identify whether they have to report through describing the type of engagements covered - one NSS suggested to merge §32a i, ii & iii in one datapoint - One public authority wants this disclosure to be mandatory also when a company does not do stakeholder engagement. 	<p><u>Preparers</u>: most considered this DR possible to prepare with some effort or highly challenging and costly. Some mentioned that the cost and the effort to implement a stakeholders engagement process is too high and required more guidance specially to better understand the implications in the MA process.</p> <p><u>Users</u>: Most stated that all datapoints are needed. In particular, if the undertaking 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</p>	<p>Secretariat assessed this DR and concluded that VSME ED content can indeed be used in this occasion, with a few modifications.</p> <p>Namely, this DR is ‘if applicable’ for those that have such engagement in place.</p> <p><i>‘If the undertaking engages with stakeholders, it shall disclose:</i></p> <ul style="list-style-type: none"> <i>(a) a brief description of the engagement activities by category of key stakeholders;</i> <i>(b) the outcome of these activities in terms of</i>

DR/Topic	Public consultation feedback	Field test feedback	Discussions and decisions taken at SR TEG
	<p>- One NGO/user of sustainability statements feels that too much information has been eliminated from this DR and asks for reinstatement of several items from set 1.</p>		<p><i>contribution to identified material impacts and risks; and</i></p> <p><i>(c) how their interests and views are taken into account by the undertaking's strategy and business model.'</i></p> <p>SR TEG 19 September: SR TEG did not oppose to the changes applied compared to the ED.</p>
<p>Section 2</p> <p>SBM-3 Material impacts and risks and their interaction with strategy and business model</p>	<p><u>Preparers:</u> Majority agreed but some called for further simplifications, arguing that the current requirements are too granular.</p> <p><u>Users:</u> majority supported this DR.</p> <p>Suggestion to have a pre-set list of biodiversity sensitive areas and to only require information about incidents of forced labour if the country of operation is associated with any risks, ii. suggestion to only require sectoral and geographic distribution, while other aspects would be entity specific, iii. Additional guidance on the definitions of climate-related physical risk/transition risk, iv.</p>	<p><u>Preparers:</u> Most of preparers considered this DR possible to prepare with some effort or highly challenging and costly.</p> <p><u>Users:</u> Most stated that all datapoints are needed.</p> <p>Some respondents indicated that the requirement to report current financial effects and anticipated financial effects might be too detailed to ask from the LSMEs Therefore, a starting question could be that if the reporting entity foresees any immediate financial impact.</p>	<p>SR TEG 19 September: On the suggested deletion of par. 28a) ii) ('how its material impacts originate from or are connected to the undertaking's strategy and business model'), SR TEG members recommended to not delete this datapoint as this datapoint can provide users with crucial information which can be further combined with par. 28b) (planned changes to strategy and business model).</p>

DR/Topic	Public consultation feedback	Field test feedback	Discussions and decisions taken at SR TEG
	<p>Suggestion to exempt undertaking from conducting the value chain assessment if workers in the value chain are located exclusively in the EU. One investment fund suggested in relation to “Own workforce” to reduce the number of mandatory reporting items in AR 18, 19 and 20. For instance requiring only types of own workers, sectoral, and geographic distribution.</p> <p><u>Others:</u> Most agreed.</p> <ul style="list-style-type: none"> - one public authority suggested to reintroduce the resilience analysis. The disclosure on resilience could however be simplified as compared to Set 1 (i.e., only requiring a qualitative analysis). Implementation guidance should be developed by EFRAG targeted at SMEs. - one NSS suggested to delete paragraph 35 (b) and (d) (on anticipated financial effects) in line with the proportionality principle. Current effects of impacts and risks on strategy are sufficient. Future effects at strategic level should be entity-specific given the reporting complexity (and anticipated financial effects are already required for environmental/climate topics). 	<p>Some expressed issues in understanding the ARs where are located EU datapoints and guidance.</p>	<p>For anticipated financial effects:</p> <p>SR TEG 19 September: on the proposed change of turning anticipated financial effects to a qualitative disclosure (quantitative was suggested to be a “may disclose”), SR TEG members were not in favour of this suggestion. It was suggested by some members (banking and preparers) that anticipated financial effects is indeed a difficult disclosure however, LSME should be aligned with Set 1 on the approach and keep quantitative anticipated financial effects (possible simplifications can be explored).</p> <p>SR TEG 10 October: as useful guidance to LSMEs, it was suggested by an SR TEG member to draft in LSME IG a paragraph</p>

DR/Topic	Public consultation feedback	Field test feedback	Discussions and decisions taken at SR TEG
	<p>- one NSS suggested to merge paragraph 35 (c) and 35 (b) for simplification. Furthermore, details of paragraph 35 (c) should be deleted for LSMEs (e.g., adjustment within the next annual reporting period to carrying amounts of assets and liabilities).</p> <p>- one NSS suggested to simplify ARS. In particular, ARs related to workers in the value chain, affected communities and consumer and/or end-users should be significantly summarised for LSMEs. The number of datapoints (granularity) should be reduced on the affected stakeholders outside the undertaking when disclosing on the impacts and risks.</p>		<p>which specifies the meaning of financial position and financial performance which are indeed two different financial instruments.</p> <p>Another action point agreed was to keep the quantitative approach of anticipated financial effects (as in Set 1) but include another provision which grants the LSME to disclose qualitative information, when it is not possible with reasonable effort to disclose quantifications of anticipated financial effects.</p> <p>SR TEG 24 October: SR TEG agreed with the changes but suggested to readjust the text by not directly referring to IFRS 18 but rather keep a broader concept - a lot of undertakings in scope might not be using IFRS 18 but instead, local accounting standards and regulations.</p>

DR/Topic	Public consultation feedback	Field test feedback	Discussions and decisions taken at SR TEG
			<p>For SBM-3 – Social:</p> <p>Deleted largely redundant disclosures related to how companies develop understanding of how certain groups of people may be at risk of harm and disclosure about how risks arise from impacts and dependencies (for all four stakeholder groups).</p> <p>Merged, reformatted and moved to the main text of Section 2 the disclosure requirements related to the company's own workforce, value chain workers, affected communities and consumers and end-users (paragraphs 33-35).</p>
Section 2	<p><u>Preparers</u>: most agreed</p> <p><u>Users</u>: all supported the DR</p>	<p><u>Preparers</u>: Most considered this DR possible to prepare with some effort. Some underlined the difficulties in</p>	<p>No major change applied here compared to the ED.</p>

DR/Topic	Public consultation feedback	Field test feedback	Discussions and decisions taken at SR TEG
SBM-4 Positive impacts and material opportunities	<p><u>Others</u>: majority agreed</p> <p>- one public authority suggested that EFRAG considers a proportionate approach to still ensure that some information on positive aspects is required to be disclosed by listed SMEs. Similar considerations apply to the approach to the disclosure of opportunities stemming from material sustainability matters and for which EFRAG could consider at least some mandatory disclosures in relation to the identified material opportunities as part of the undertaking's materiality assessment.</p>	<p>understanding the requirement and the need for more guidance and examples.</p> <p><u>Users</u>: All agreed to have this as a voluntary disclosure.</p>	
<p>Section 2</p> <p>IR-1 Processes to identify and assess material impacts and risks</p>	<p><u>Preparers</u>: majority agreed with this DR. Called for additional guidance, including examples of risks and impacts in different sectors.</p> <p><u>Users</u>: majority supported this DR</p> <p><u>Others</u>: majority agreed.</p> <p>- one NSS suggested that AR on processes to identify and assess material IROs should be merged for all environmental topics. AR 36. (a) and (b) are applicable to all environmental topics, including biodiversity and circular economy</p>	<p><u>Preparers</u>: Most considered this DR possible to prepare with some effort. Need for more guidance to standardize the process with practical examples</p> <p><u>Users</u>: Most stated that all datapoints are needed.</p>	<p>SR TEG 12 September: discussion focused on the possibility to simplify the provisions on materiality (i.e., materiality and IRO-1 descriptions as a may or guidance), as suggested by one SR TEG member. However, these elements are part of the key areas identified in the LSME Value chain cap.</p>

DR/Topic	Public consultation feedback	Field test feedback	Discussions and decisions taken at SR TEG
			<p>SR TEG 19 September: SR TEG discussed the potential simplifications that could be applied here. Secretariat explained that IR-1 is considered a crucial element of LSME and has value chain sensitivity, therefore it was kept as a “shall disclose”, even if it is not an explicit content of the CSRD for LSMEs. It would be possible however to streamline and explore possible simplifications. One potential approach would be to keep the essential elements of IR-1 as a “shall disclose” and for the remaining paragraphs to refer to ESRS Set 1. This would ensure appropriate reporting quality and at the same time reduce the number of pages in LSME.</p> <p>SR TEG 24 October: The EFRAG Secretariat agreed to re-phrase</p>

DR/Topic	Public consultation feedback	Field test feedback	Discussions and decisions taken at SR TEG
			<p>Para 39 to illustrate more explicitly that it applies across all sustainability matters, and that only the content for E is listed. The following phrase was suggested: ‘whilst the general approach applies to Environmental, Social and Governance, for environmental matters as additional...’.</p>
<p>Section 2 IR-2 DRs covered by the undertaking’s sustainability statement</p>	<p>na</p>	<p><u>Preparers</u>: Most considered this DR possible to prepare with some effort. <u>Users</u>: Most stated that all datapoints are needed.</p>	<p>SR TEG 24 October: SR TEG agreed to delete the voluntary AR related to the list of the DRs complied with in preparing the sustainability statement and the use of the content index.</p>
<p>Section 3 Policies, actions and targets MDR-P and MDR-A</p>	<p><u>Preparers</u>: Most agreed with the content of the MDR-P and MDR-A, indicating strong support for these disclosures. <u>Users</u>: Most showed high agreement, reflecting the alignment of these disclosures with their needs for reliable sustainability information.</p>	<p><u>Preparers</u>: Most disclosures were found possible to prepare with some efforts by the majority while some/few indicated the respective DRs are highly challenging and costly (most pertinent to Policies and Actions across E1-E5 and S1-S4) Need for more guidance which includes explanations, and examples, especially</p>	<p>SR TEG 24 October: to consider re-writing the datapoints to reduce the over-use of ‘may’ so that it reads along the lines of ‘<i>this is the content that normally a policy on this topic should cover</i>’.</p>

DR/Topic	Public consultation feedback	Field test feedback	Discussions and decisions taken at SR TEG
	<p><u>Others</u>: majority agreed, with some expressing concerns, suggesting a need for addressing specific feedback from this group. Those National or European authority/ Standard Setters who disagreed suggested that adopting VSME with necessary adaptations would be beneficial. Additionally, they felt that certain actions in paragraph 8 (d) to (e) were of limited relevance for LSMEs and should be removed to better align with the needs and capabilities of smaller entities. There was also a suggestion to combine plans, actions, and targets with metrics in the ESG sections to enhance coherence and usability of the standards.</p>	<p>considering the complicated language of this section. Furthermore, concern on the centralised ARs for PAT</p> <p><u>Users</u>: most indicated that all disclosures are needed in the ED.</p>	<p>Secretariat indeed implemented this in the draft Standard by inserting topic specific information on PAT regarding E, S and G topics in the main body of Policies and actions as minimum qualifier of information (same regime / disclose if you have).</p> <p>Noting that Targets and Processes to engage and remediate are not explicit content of the CSRD:</p> <ul style="list-style-type: none"> - Secretariat reinserted topic specific requirements on GHG targets in the main body of the draft Standard as minimum qualifier of information due to their significance on GHG emissions reporting and connection to SFDR.

DR/Topic	Public consultation feedback	Field test feedback	Discussions and decisions taken at SR TEG
			<ul style="list-style-type: none"> - On the other hand, a considerable number of AR related to targets on E (particularly for DRs from E2 to E5) and S and Processes to engage and remediate has been moved to the IG. - Merged ARs related to disclosures about engagement processes with the company's own workforce, value chain workers, affected communities and consumers and end-users.
<p>Section 3 Policies, actions and targets MDR-T</p>	<p><u>Preparers:</u> Most supported the MDR-T requirements, underscoring their importance for detailed and reliable sustainability reporting.</p> <p><u>Users:</u> all users supported this DR</p> <p><u>Others:</u> A majority of others agreed, while some disagreed, pointing to significant concerns about the complexity and relevance of these requirements for smaller entities</p>	<p><u>Preparers:</u> majority found the DR possible to prepare with some efforts. Some underlined the need for more guidance which includes explanations.</p> <p><u>Users:</u> most agreed with the importance of having MDR-T. Some suggested to simplify by only asking one open question: whether targets have been set,</p>	<p>SR TEG 24 October: Due to the significance of GHG targets and its connection to SFDR Table 2, it was agreed to re-phrase AR related to GHG targets to <i>'if the undertaking has targets, where relevant, it shall disclose'</i> and move it to the main body, except for point (e) which refers to the</p>

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	<p>- one NSS suggested to delete points (a), (f), (g) (not needed or too granular) a) relationship of the target to the relevant policy objectives; f) methodologies and significant assumptions used to define targets (i.e. science based methodologies) g) changes in targets or underlying methodologies</p> <p>- one public authority suggested to add more guidance on net-zero targets</p>	<p>how, who was involved in setting the targets, intended outcomes to be achieved and timeframe</p>	<p>expected decarbonisation levers shall remain as an AR.</p> <p>For the rest of Targets in Section 3, a considerable number of those were moved to the LSME IG.</p>
<p>Section 3 PAT ARs – E, S, G</p>	<p><u>Preparers</u>: majority supported these policies and actions, highlighting their relevance and importance for sustainability reporting. Industry associations (as proxy for preparer) cited the complexity and practical challenges of the current LSME ESRS ED Centralised approach is complex and difficult for end users to understand, creating confusion about mandatory elements. Another option could be a better alignment with the Full ESRS to ensure consistency and practicality in reporting.</p> <p><u>Users</u>: some users expressed concern that significant structural changes to the LSME</p>	<p><u>Preparers</u>: majority found the DRs possible to prepare with some efforts while some/few indicated the respective ARs are highly challenging and costly and that the centralised approach is complex and difficult.</p> <p><u>Users</u>: Most expressed support to datapoints included in ARs.</p>	<p>PAT ARs - Environment</p> <p>SR TEG 19 September: After assessing the paragraphs related to mitigation and adaptation actions and CapEx/OpEx disclosures that were turned to “may”, it was agreed that those that are methodological are turned back into “shall”</p> <p>PAT ARs - Social</p> <p>Merged and simplified ARs related to disclosures about engagement with the company's own workforce, value chain</p>

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	<p>standard would lead to confusion and reduced comparability.</p> <p><u>Others</u>: majority agreed, but some disagreed, indicating some reservations about the complexity and applicability of these requirements for certain entities. The main reasons for disagreement included concerns about the extensive number of ARs on PAT, which were seen as overly complex and burdensome.</p>		<p>workers, affected communities and consumers and end-users, as well as the ARs concerning remediation and grievance channels and targets. This cut an estimated eleven pages. Of the remainder, most that contained purely optional disclosures or recommendations, rather than strictly necessary guidance, were moved to implementation guidance.</p> <p>Some ARs that had been mandatory (if material) were made voluntary, and several mandatory or voluntary disclosures were deleted.</p> <p>In accordance with the discussion at <u>SR TEG of 12 September</u>, we added provision in 'Objectives' chapter to improve visibility of disclosures related to value chain workers,</p>

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			<p>affected communities, consumers</p> <p>ARs related to disclosures about actions were either deleted because they were redundant or moved to implementation guidance.</p>
<p>Section 3 Climate transition plan</p>	<p><u>Preparers</u>: majority agreed with the approach of "report if you have".</p> <p><u>Users</u>: All users agreed with the report if you have approach.</p> <p><u>Others</u>: majority agreed with the approach</p> <ul style="list-style-type: none"> - one NSS suggested to delete the reference to climate transition plan - one NGO suggested to either reintroduce Climate transition plan as Set 1 or at least parts of it such as: decarbonization levers identified and actions planned, the LSME’s investments and funding in the implementation of transition plan, qualitative assessment of locked in emissions from key assets and products, explanation of how transition plan is embedded in strategy and planning progress in 	<p>na</p>	<p>SR TEG 19 September: Secretariat explained the approach on transition plan. The DR triggers in the occasion that the undertaking is operating in high impact sectors. SR TEG members suggested to further explain what a ‘high impact sector’ is. Another approach would be to refer to Set 1 for those few undertakings that would indeed have a transition plan. SR TEG members suggested to also include an explanation of "high climate impact sectors".</p> <p>SR TEG 10 October: One SR TEG member raised concerns that</p>

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	implementing transition plan Points 16b), c), d), h), j)		making the voluntary indication of when the undertaking will adopt a transition plan exclusive to undertakings that operate in high climate impact sectors will result in confusion and additional red tape. It was agreed to make this AR applicable to all sectors.
Section 3 ARs on Process to engage and process to remediate	<p>Preparers: majority agreed</p> <p>Users: most agreed</p> <p>Others: majority agreed, while some disagreed, indicating a need for clearer guidelines and practical approaches for implementation</p> <p>- one NSS pointed out that the requirements are very long and detailed and included guidance that do not fit with the proportionality principle.</p>	<p><u>Preparers</u>: Most of preparers classified this requirement as challenging and costly.</p> <p><u>Users</u>: Most supported the requirements. Some suggested to add more guidance with explanations & examples and to delete the processes for workers in the value chain as a simplification.</p>	<p>SR TEG 24 October: following the agreed changed in PAT on:</p> <p>Remaining ARs related to policies (engagement, remediation) moved to DR 11 (IR-3) Policies and Actions in Relation to Sustainability Matters in main body.</p> <p>To report only if the undertaking has:</p> <ul style="list-style-type: none"> -Processes to engage with affected social stakeholder groups -Processes to remediate

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Section 4 E1 to E5 – Contextual information	<u>Others:</u> harmonize methodological requirements across topical DRs.	NA	Harmonized contextual information related to metrics across E topics in new AR.
Section 4 E1-1– Energy consumption and mix	<p><u>Preparers:</u></p> <ul style="list-style-type: none"> - limit requirement to renewable sources (challenge to disclose consumption from both nuclear sources and renewable sources). - simplify and harmonize across environmental topics (45 out of 83 ARs refer to climate). <p><u>Users:</u> clarify - It will be necessary to identify possible steps for decarbonization.</p> <p><u>Others:</u> Limit the number of additional datapoints in the ARs (45 out of 83 ARs refer to climate). Supported by National or European authority/Standard Setter Comment Letter.</p>	<p><u>Preparers:</u> DR was never calculated before and may not be relevant for certain sectors such as R&D. Challenging and costly due to data availability issues.</p> <p><u>Users:</u> Majority agree datapoints needed. Add estimation models tailored to sectors and geographies. Suggestion to simplify by keeping only SFDR and the ones related to energy consumption.</p> <p><u>Others:</u> Feasible/ possible to prepare. Further guidance needed.</p>	<p>Secretariat:</p> <p>Deletion of disaggregation including non-renewable sources and nuclear sources. Disclosure on total energy consumption in MWh related to own operations and share of % from renewable sources remained.</p> <p>Deletion of disclosure on energy production, both non-renewable and renewable.</p> <p>SR TEG 7 October:</p> <p>As this is DR is guided by SFDR PAI Table 2, Secretariat reinserted as a ‘may disclose’ the breakdown of energy consumption by type of non-renewable sources of energy</p>

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			(such as from fossil sources). SR TEG agreed with the proposed changes.
<p>Section 4</p> <p>E1-2– Gross Scopes 1, 2, 3 and Total GHG emissions</p>	<p><u>Preparers</u>: 1. clarifications needed on EU ETS and regulated sectors, consolidating emissions (operational vs. financial control), reporting emissions from leased assets, joint arrangements and associates that are not in the value chain and Scope 3.</p> <p>Proposal: Scope 3 emissions on voluntary basis (difficulty in acquiring data from partners); too high expectations for Scope 1 and 3.</p> <p>methodological issue in meeting GHG Protocol requirements if an LSME is at the same time a parent of a small or medium-sized group (so having subsidiaries). This issue should be considered when mandating on listed SMEs the obligation to meet the GHG Protocol requirements.</p> <p>Industry Association supports stronger requirements to ensure SFDR/Benchmarks Regulation/Pillar 3 data points and data points on</p>	<p><u>Preparers</u>: challenging to calculate as there is lack of (high quality) information, especially on value chain.</p> <p><u>Users</u>: keep but suggest aligning with SFDR for Scopes 1/2/3, along with a phase-in. One suggested only keeping Scope 1 & 2.</p> <p><u>Others</u>: Highly challenging and costly. Further guidance needed.</p>	<p>Secretariat:</p> <p>Simplification of datapoints through deletion of market-based method for total emissions. To disclose location-based scope 2 emissions, and, if applicable, the market-based scope 2 emissions.</p> <p>Reference to possible use of calculators and tools in AR.</p> <p><u>SR TEG 7 October:</u></p> <p>Scope 3 emissions will no longer only be asked of undertakings in HCIS, all undertakings in scope of this Standard are to report (considering that it is guided by SFDR PAI Table).</p>

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	<p>key climate metrics such as GHG emission scopes 1, 2 and 3 are effectively disclosed by companies.</p> <p><u>Users</u>: majority agreed. Noted importance of GHG emissions information for business partners and decarbonization reasons. PHASE-IN: extend Scope 3 emissions transition period to 5 years (particularly complex for value chain related total emissions).</p> <p><u>Others</u>: majority agreed but left detailed comments per paragraph (Scope 3 flexibilities for LSMEs / more guidance / voluntary to use market based methods).</p>		<p><u>SR TEG 17 October:</u></p> <p>All the requirements related to the presentation, reconciliation, assumptions are already required in the CCS (Sections 1 and 2), so should be deleted from topical standards (as in section 2 these are provisions applicable to all topical requirements): §15 on significant changes removed.</p> <p>Table in AR 17 readjusted in a way that it is more flexible for practitioners (preparers and auditors), as the intent of having this table is to provide a structured and standardised way of reporting. The granularity should be reworked with proper flexibilities (scope 3, inclusion of market-based approach given its importance in target-setting, etc.) and it should remain in the Standard (instead of being</p>

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			<p>moved to the IG) but, instead, as voluntary ('may use'): 1) changed AR 17 to a 'may' disclosure and added 'total and/or significant Scope 3' to reflect the suggestion on current reporting practice; 2) reinstated total GHG emissions on a market-based basis; 3) removed 'on voluntary basis' from market-based Scope 2 emissions; 4) included in '*' that information is only to be reported significant categories, instead of repeating it in every row.</p> <p><u>SR TEG 24 October:</u></p> <p>SR TEG did not oppose to the changes presented.</p>
<p>Section 4 E1-2– Gross Scopes 1, 2, 3 and Total GHG emissions</p>	<p><u>Preparers:</u> majority agreed. Suggestions: - either as voluntary or not applicable to LSMEs.</p>	<p><u>Preparers:</u> challenging to calculate as there is lack of (high quality) information, especially on value chain.</p>	<p>Moved to AR: Previous paragraphs on reconciliations to the relevant line item or notes in the financial statements of the</p>

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<p><i>GHG Intensity based on net revenue</i></p>	<ul style="list-style-type: none"> - reduce granularity (e.g., considering that green certificates from the energy providers may not have been received until the report publication). - allow SNCI the possibility to define a denominator (sales is not suitable). - give a 3 year phase in. <p><u>Users:</u> all agreed. Suggestions: - give a phase in as this metric will not be available until Scope 3 emissions are included in total GHG emissions.</p> <p>clearer guidance on how the calculation/reconciliation will be performed, with examples.</p> <p><u>Others:</u> Most agreed. Suggestions:</p> <ul style="list-style-type: none"> - allow SNCI the possibility to define own denominator (Net-Turnover is not suitable) until an industry standard is been issued. - delete §21, to be calculated directly by FMPs as the denominator and nominator will be available. <p>Reasons: technical reasons of KPI; delete AR 17 to AR 18.</p>	<p><u>Users:</u> majority agreed. keep but suggest aligning with SFDR for Scopes 1/2/3, along with a phase-in. Or only keeping Scope 1 & 2. Further guidance needed.</p> <p><u>Others:</u> Highly challenging and costly. Further guidance needed.</p>	<p>net revenue amounts and flexibility of SNCIs to use other (more appropriate in cases) denominators.</p>

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	- delete or defer §22 (reconciliations with financial statements).		
<p>Section 4</p> <p>E1-3 – GHG removals and GHG mitigation projects financed through carbon credits</p>	<p><u>Preparers</u>: majority agreed. Further simplifications should be considered.</p> <p><u>Users</u>: most agreed. Removals and carbon credits should always be reported separately from the total GHG amounts.</p> <p><u>Others</u>: most agreed. Simplify and turn to voluntary.</p>	<p><u>Preparers</u>: challenging to calculate as there is lack of (high quality) information, especially on value chain.</p> <p><u>Users</u>: The design of carbon offsetting projects should be validated with a DR that mentions the use of several standards and mechanisms. This DR should always be separate to GHG totals.</p> <p><u>Others</u>: Give software/tool to calculate. Lack of information on the value chain.</p>	<p>SR TEG 7 October:</p> <p>After discussions of feasibility of adjustments, it was agreed to keep removals (value chain implications) but to delete carbon credits (relates to own operations only), including in AR.</p> <p>SR TEG 17 October:</p> <p>"Although some SR TEG members considered that the removals could be deleted (undertakings with such projects would report on this anyhow) to reduce the datapoint count, the EFRAG Secretariat suggested to keep removals as is ('report if you have them') to ensure a consistent approach on the datapoints that have value chain implications (removals is one of</p>

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			<p>those identified areas), considering possible future evolutions of the legal framework, and because it is a conditional datapoint in any case. Other members indeed suggested that removals should remain in the standard. One member suggested to clarify that undertakings are only to report on GHG removals if they have those activities, if not they should not even bother."</p> <p>Changes: included AR 26 under 'GHG removals and storage in own operations' to reiterate/clarify that the main requirement applies only to undertakings that have implemented GHG removal projects, otherwise, no information is expected from those undertakings that do not have GHG removals projects in place</p>

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			<p><u>SR TEG 24 October:</u></p> <p>SR TEG did not oppose to the changes presented.</p>
<p>Section 4</p> <p>E2-1– Pollution of air, water and soil</p>	<p><u>Preparers:</u> majority agreed. Clarifications and adjustments to inferior methodology needed.</p> <p><u>Users:</u> all agreed. Guidance on best practice (where not mandated in the undertaking's jurisdiction) for measuring and disclosing each pollutant emitted to air, water and soil.</p> <p><u>Others:</u> majority agreed. Clarifications in AR needed for better guidance.</p>	<p><u>Preparers:</u> data availability issues for this DR.</p> <p><u>Users:</u> Suggestion to use sector and geography-tailored estimation models that require minimum input information.</p> <p><u>Others:</u> Include more guidance, including precise reporting definitions, thresholds and examples.</p>	<p>Merged previous sections E2-1 (pollution of air, water and soil) and E2-2 (substances of concern and substances of very high concern, i.e. 'SoC' and SVHC).</p> <p>Streamlined objective and bolded paragraph.</p> <p>Updated E-PRTR & IED references.</p> <p>Soc and SVHC: removed split by main hazard class, keeping 2 datapoints (volumes in terms of what is generated or used as input and what is output as emissions, products or services).</p> <p>Aligned AR section with VSME guidance and created guidance on pollutants, microplastics, and</p>

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			<p>substances in separate implementation guidance document.</p> <p><u>SR TEG 7 October:</u></p> <p>As microplastics are not clearly defined in Set 1, SR TEG members suggested and agreed on the need for more clarification in LSME. This is particularly important for AR 20 of Set 1 which described microplastics however, the current wording ‘generation’ is ambiguous. Secretariat to develop further clarifications for this AR.</p> <p><u>SR TEG 17 October:</u></p> <p>SR TEG members agreed with changes. Minor changes to the IG based on explanations given by the Secretariat on microplastics</p>

DR/Topic	Public consultation feedback	Field test feedback	Discussions and decisions taken at SR TEG
			<p>and SoC/SVHC In the IG: 1) clarified 'generation' of microplastics; 2) proposed table on how to report on SoC and SVHC.</p> <p><u>SR TEG 24 October:</u></p> <p>SR TEG did not oppose to the changes presented.</p>
<p>Section 4 E3-1 – Water consumption</p>	<p><u>Preparers:</u> majority agreed. Water intensity per revenue may not suit to all industries / clarification needed on definitions of water consumption and turnover / guidance and examples for water intense areas needed / allow different denominators.</p> <p><u>Users:</u> Most agreed. The DR should apply in water intensive sectors and give guidance for those</p> <p><u>Others:</u> Most agreed. Water intensity per revenue may not suit to all industries / clarification needed on definitions of water consumption and turnover / guidance and examples for water intense areas needed / allow different denominators</p>	<p><u>Preparers:</u> highly challenging.</p> <p><u>Users:</u> Keep this DR only for water-intensive specific sectors where there is water consumption, not only water usage and give more guidance for water-intensive sectors.</p> <p><u>Others:</u> Include more guidance, including precise reporting definitions, thresholds and examples.</p>	<p>Changed from 'shall' to 'may' and moved to AR metrics on: water recycled and reused, water stored and changes in storage and water intensity.</p> <p>Made water consumption 'shall, if applicable', with explanation of what triggers the applicability.</p> <p>Added water withdrawal as 'may'.</p> <p>Clarified concepts and added examples and references in separate guidance. Added</p>

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			<p>specific material on water withdrawal for shared facilities. Added EEA WEI+ map/dataset as alternative reference to WRI Aqueduct for areas at high water stress (still though under discussion with EEA).</p> <p><u>SR TEG 7 October:</u></p> <p>Editorial adjustment needed on the wording in front of water risks: remove the word ‘material’ in that paragraph since the whole DR is anyhow under materiality. This would only lead to further confusion, especially when the datapoint is also ‘if applicable’.</p> <p><u>SR TEG 24 October:</u></p> <p>SR TEG did not oppose to the changes presented.</p>

DR/Topic	Public consultation feedback	Field test feedback	Discussions and decisions taken at SR TEG
<p>Section 4</p> <p>E4-1 – Impact Metrics related to Biodiversity and Ecosystems Change</p>	<p><u>Preparers</u>: some agreed. Suggestions:</p> <ul style="list-style-type: none"> -GUIDANCE on calculation data, measurement of biodiversity footprint (currently no established metrics). -value chain scope is too complex; consider further overall simplification. <p><u>Users</u>: majority agreed / suggestion to add definition or provision of a global list of biodiversity-sensitive areas.</p> <p><u>Others</u>: majority agreed. Suggestions:</p> <ul style="list-style-type: none"> - definition of "sites managed" and measurement of area (e.g. outdoor areas). - harmonize methodological requirements across environmental matters (AR 5). - delete LCA approach (§52), only keep what is under SMEs’ direct control. - ensure same granularity on biodiversity impact metrics as ESRS E4-5. - include a metric on the type of ecosystem where a site is located (and potentially HCV status). 	<p><u>Preparers</u>: highly challenging. External consultants needed. Include more guidance including calculation support and templates.</p> <p><u>Users</u>: include in guidance definition and list of global sensitive biodiversity areas.</p> <p><u>Others</u>: The value chain coverage should be better clarified (own operations vs operational control).</p>	<p>EMAS-aligned land-use change metrics moved from AR to DR as voluntary / main text, aligning with VSME. Paragraph with reference to additional set 1 metrics on land-use/freshwater-use/sea-use change now streamlined. A table that can be used for information on land-use added to the ARs.</p> <p><u>SR TEG 7 October:</u></p> <p>Objective paragraph include additional sentence: ‘.. an understanding of how the undertaking’s business model is in line with the EU Biodiversity Strategy for 2030 (to end biodiversity loss by 2030).’</p> <p>Included in AR references to institutional frameworks (i.e., Kunming) and Directives for Biodiversity strategy as in Set 1.</p>

DR/Topic	Public consultation feedback	Field test feedback	Discussions and decisions taken at SR TEG
	<ul style="list-style-type: none"> - add request for details on volumes and type of commodity procured from ecosystems, and commodity source to production unit level (if feasible, otherwise subnational area). - add information on type of monitoring system used; include deforestation. 		<p>Paragraphs on Life Cycle Assessment in main text and AR deleted and moved to separate guidance document, reference to IG2 added there.</p> <p>Paragraph on Invasive Alien Species deleted and moved to separate guidance document.</p> <p>Deleted definition of managed sites and moved to separate implementation guidance document.</p> <p>Paragraph on frameworks to identify protected areas added to separate implementation guidance document (aligned with VSME).</p> <p><u>SR TEG 17 October:</u></p> <p>SR TEG extensively discussed this topic and its connection to other DRs such as Pollution and PAT,</p>

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			<p>the issue of over-emphasising one impact driver (land use) as a metric came up. Agreement to review paragraphs 24 and 26 to link drivers of biodiversity with PAT and metrics without exceeding the contents of Set 1. Rephrasing to be implemented, as proposed by the Secretariat and agreed with SR TEG: 'if the undertaking has concluded that it directly contributes to a biodiversity impact driver, it shall report metrics on: a) for land use and land use change [...]; b) for other refer to'. Rephrase objective to include 'whether and how' business model is in line and agreed to move this to Section 3 under Targets (and to replicate the reference to the Kungmin-Montreal Global Biodiversity Framework alongside the EU Biodiversity Strategy, as per Set 1). Partial</p>

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			<p>alignment with the provided suggestions: reference to EU Biodiversity Strategy currently under 'section 3 - targets' with language of set 1, which does not refer to business model nor says 'how'. To include reference to business model, e.g. in Section 3 under policies, see comment.</p> <p><u>SR TEG 24 October:</u></p> <p>SR TEG did not oppose to the changes presented.</p>
<p>Section 4 E5-1 Resource inflows</p>	<p><u>Preparers:</u> some agreed. Add definitions (e.g., value chain) and calculation rules and simplify to avoid companies opting out.</p> <p><u>Users:</u> All agreed.</p> <p><u>Others:</u> Most agreed. Suggestions:</p> <ul style="list-style-type: none"> - reinforce by adding requirement on volumes or weights (may be estimated through proxies) of materials used that generate material impacts. - refer to upstream value chain. 	<p><u>Users:</u> use sector and geography-tailored estimation models that require minimum input information.</p> <p><u>Others:</u> more guidance is needed including definitions, calculation support and templates.</p>	<p>DRs simplified by moving of the explanations on percentage-based disclosures on material expenditures, sustainability-certified biological materials, as well as detailed expenditure and certification schemes information to the LSME Guidance.</p>

DR/Topic	Public consultation feedback	Field test feedback	Discussions and decisions taken at SR TEG
	<ul style="list-style-type: none"> - define biological. - simplify AR. 		<p><u>SR TEG 7 October:</u></p> <p>As feedback in public consultation indicated difficulty in disclosing secondary and biological materials, the Secretariat simplified this DR by only asking for annual mass-flows to certain sectors. Several SR TEG members however suggested to include all undertakings in this datapoint (other sectors like retail or even primary sectors like mining could also have this DR as material that contributes and affects value creation).</p> <p>After SR TEG feedback, Secretariat also reinserted secondary materials, as it was previously deleted from the draft Standard and move to the LSME IG as simplification.</p>

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			<p><u>SR TEG 17 October:</u></p> <p>Some SR TEG members raised concerns that the DR is too simplified. One SR TEG member suggested to have more granularity in E5-1 by integrating biological materials as inflows within point (b): integrated requirement on biological materials (simplified version compared to Set 1) into the annual mass flow datapoint.</p> <p><u>SR TEG 24 October:</u></p> <p>SR TEG did not oppose to the changes presented.</p>
<p>Section 4 E5-2 Resource outflows</p>	<p><u>Preparers:</u> some agreed. Add definitions (e.g., value chain) and calculation rules and simplify to avoid companies opting out.</p> <p><u>Users:</u> all agreed.</p> <p><u>Others:</u> most agreed. Suggestions:</p>	<p><u>Users:</u> only keep total waste generated and add the type of waste and the way it is managed.</p> <p><u>Others:</u> more guidance needed including definitions, calculation support and templates.</p>	<p>Waste disclosure simplified to focus on total annual waste generation, broken down by type (non-hazardous and hazardous), as well as the total annual waste diverted to recycling or reuse, to align with VSME.</p>

DR/Topic	Public consultation feedback	Field test feedback	Discussions and decisions taken at SR TEG
	<ul style="list-style-type: none"> - move §62-63 (products and materials) to ARs on an optional basis (requirements closer to opportunities than to negative impacts). - delete §67 (always true for metrics) or move to ARs and harmonize across environmental metrics (no need to repeat in all DRs). - Include definitions (e.g., value chain) and calculation rules. 		<p>Removed AR on products and materials, and added additional ARs on waste (on non-hazardous and hazardous (including radioactive waste)). Additional guiding examples added to separate guidance document.</p> <p><u>SR TEG 7 October:</u></p> <p>After having aligned with VSME and deleting products and material, SR TEG suggested to reinsert the deleted par. 45 in agenda paper 04-02 on the circular economy principles (narrative datapoint on products and materials).</p> <p><u>SR TEG 17 October:</u></p> <p>Products and materials:</p> <ul style="list-style-type: none"> - agreement to include repairability and reusability of

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			<p>products in AR as a ‘may’ datapoint, conditional on whether undertakings apply circular economy principles.</p> <p>- added sentence in AR on durability, reparability and recyclability (3 datapoints from Set 1, simplified).</p> <p>Waste: reintegrated dp from LSME ED on radioactive waste and removed AR</p> <p>SR TEG 24 October:</p> <p>SR TEG did not oppose to the changes presented.</p>
<p>Section 4</p> <p>E6 – Anticipated financial effects from material environmental-related matters other than climate</p>	<p><u>Preparers:</u> some agreed. Suggestions:</p> <ul style="list-style-type: none"> - need for information to be completed by reference to financial disclosures to avoid discrepancies. - need for further simplifications to avoid companies opting out. 	<p><u>Preparers:</u> data collection challenge: Materiality is challenging for topics not related to climate.</p> <p><u>Users:</u> suggested that the information can indeed be useful but practically burdensome for LSMEs.</p>	<p>Merged with E1-4; content across all environmental topics deleted or streamlined and including brief description of risk.</p> <p>Streamlined objective and bolded paragraphs.</p>

DR/Topic	Public consultation feedback	Field test feedback	Discussions and decisions taken at SR TEG
	<p><u>Users</u>: all agreed.</p> <p><u>Others</u>: majority agreed. Suggestions:</p> <ul style="list-style-type: none"> - add positive financial impact on society and from society to company finances. - only apply to climate (more mature topic), delete for other environmental topics. - clarify or provide examples from the SNCI viewpoint on possible anticipated financial effects. <p><i>On previous E1-4 – Anticipated financial effects from material physical and transition risks and potential climate related opportunities.</i></p> <p><u>Preparers</u>: Some agreed. Suggestions:</p> <ul style="list-style-type: none"> - align with financial disclosures. - the company should report only if it can be done with reasonable effort. - more guidance should be provided - remove “before considering climate actions” <p><u>Users</u>: all agreed. Suggestions:</p>	<p><u>Others</u>: more guidance including definitions, calculation support and templates is needed.</p> <p>This DR comes with data availability issues which poses challenges to SNCIs.</p> <p><i>On previous E1-4 – Anticipated financial effects from material physical and transition risks and potential climate related opportunities.</i></p> <p><u>Preparers</u>: more guidance and software/tool to calculate, especially on scenario development.</p> <p><u>Users</u>: should only be voluntary and if the LSME identifies negative financial effects due to physical and transition risks.</p> <p><u>Others</u>: highly challenging and costly. Further guidance needed.</p>	<p>Creation of guidance on physical and transition risks for all environmental topics in separate guidance document.</p> <p><u>SR TEG 7 October:</u></p> <p>After having aligned with VSME, SR TEG suggested to explore more alignment with Set 1. Secretariat added a merged request of a brief description of how the material risks of SBM-3 have (or could reasonably be expected to have) a material influence on the undertaking’s financial position, financial performance and cash flows over the short-, medium- and long-term for all E topics.</p> <p>For climate change, Secretariat strictly kept it to EU Law datapoints.</p>

DR/Topic	Public consultation feedback	Field test feedback	Discussions and decisions taken at SR TEG
	<p>- voluntary and only if the LSME confirms the existence of negative effects from physical and transition risks.</p> <p>- alternative: keep reporting on financial effects of physical risks mandatory (required by EBA Pillar 3 Template 5); and require financial effects of transitional risks only if the undertaking discloses that it has a transition plan (avoids LSMEs the spending of additional resources to perform climate scenarios).</p> <p><u>Others:</u> most agreed. The DR needs to be simplified.</p>		<p>SR TEG members suggested that the disclosures are too simplified for LSMEs and that financial effects are important because they affect the value of the company and help investors in understanding how E matters affect financial positions. Aligned with Set 1 as much as possible, while exploring as many simplifications as possible (delete par. 36 to 39 of paper 04-02).</p> <p><u>SR TEG 17 October:</u></p> <p>SR TEG members agreed with changes made to paragraph 34. Secretariat to explore the extent of simplifying datapoints on transition risks while ensuring that Pillar 3 template 5 is not hindered by potential further simplifications: ERS Set 1 and IG</p>

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			<p>3 do not recognise transition risks in anticipated financial effects for climate change as Pillar 3 datapoints, for this reason Secretariat proposed to delete these datapoints for simplification purposes.</p> <p><u>SR TEG 24 October:</u></p> <p>On the proposal to delete transition risks, SR TEG recommended to keep it mandatory ('shall disclose'). The Secretariat suggested to turn it to 'if applicable' as mandatory to high-impact sectors.</p>
Section 5 General			<p>In response to general concerns about complexity and the reporting effort imposed on companies by the LSME exposure draft, we went through Section 5 again to see what could be deleted, improved or made</p>

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			<p>voluntary, instead of mandatory. We also made numerous editorial improvements.</p> <p>Objectives chapter: In accordance with suggestions in the public consultation, we deleted (almost) everything related to value chain workers, affected communities and consumers from 'Objectives' chapter and corresponding ARs because Section 5 does not require any disclosures about them.</p> <p>Major deletions: We deleted S1-5 (Social protection) and Voluntary Disclosure S1-11 (Work-life balance) completely.</p> <p>Exemptions for small listed companies: In accordance with concerns over confidentiality that were raised in the public consultation, and in accordance with written comments from</p>

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			<p>within TEG, we exempted listed companies with fewer than 50 employees from Disclosure Requirements S1-8 (Remuneration metrics) and S1-10 (Diversity).</p> <p>Deleted or made voluntary several mandatory disclosures, e.g. the disclosure of historical gender pay gap data (S1-8 - Remuneration metrics) or the disclosure of contextual information about persons with disabilities (S1-10 - Diversity).</p> <p>Deleted several voluntary disclosures in S1-1, S1-7, S1-8, for example the option of disclosing gender pay gap broken down by variable and non-variable components of total pay.</p> <p>Disclosures about non-employees: In accordance with the discussion at <u>SR TEG of 17 October</u>, we agreed to review</p>

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			<p>the datapoints on non-employees, while keeping the concept of non-employee information. As a result, we made the previously mandatory breakdown of the total number of recordable accidents by employees and non-employees voluntary.</p> <p>ARs: Eliminated several ARs, either through merging or moving them to implementation guidance, especially the ARs corresponding to S1-9 Incidents and severe human rights impacts.</p> <p>Appendices: Moved the tables in the appendices that support the application of cross-cutting disclosure requirements with respect to S1 to either Section 2, Section 3 or implementation guidance.</p>

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<p>Section 5</p> <p>S1-1 – Characteristics of the undertaking’s employees</p>	<p><u>Preparers</u>: Preparers largely agreed upon the DRs despite some suggestions.</p> <p>Para 11(b): Two preparers want more clarity on 'temporary employees'. They believe that 'temporary' and 'non-guaranteed hours employees' (para 11(b)) are different kinds of precarious employment and should be merged into one datapoint. Two others simply ask for clarification about 'temporary work'. (The table in AR 13 would have to be adjusted if the two categories were to be merged.)</p> <p>Para 11(a): On the requirement to disclose the total number of employees and breakdowns by gender and country for countries where at least 10% of the company’s employees are located, one preparer suggested limiting the breakdown only to countries in which the company has 50 or more employees and which represent at least 10% of its total number of employees.</p> <p><u>Users</u>: Most agreed with the DRs despite one suggestion:</p> <p>Para 11(b): One user argued that 'temporary' and 'non-guaranteed hours employees'(para 11(b))</p>	<p><u>Preparers</u>: most considered this DR“ possible to prepare with some efforts” or was “feasible with available means or already prepared”. Respondents pointed out that specific metrics like S1-1 are identified as potentially more challenging to verify due to their qualitative nature. Preparers agreed that clear guidance is needed on this DR.</p> <p><u>Users</u>: majority agreed that all social datapoints in the ED are needed.</p> <p>One user suggested that ‘non-guaranteed hours’ employees are not needed, as it might be interpreted the same way as temporary employees.</p> <p><u>Others</u>: majority found this DR “feasible with available means or already prepared”. Some found it “possible to prepare with some efforts”. Some respondents said that a clearer definition of 'employees' and 'own workforce' were needed.</p>	<p>Deleted paragraph 12: voluntary disclosure of the numbers of full-time/part-time employees, disaggregated by gender.</p> <p>Deleted AR 15 (option to disclose additional break-downs of information concerning the company’s employees).</p>

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	<p>are different kinds of precarious employment and requested deletion of non-guaranteed hours item.</p> <p><u>Others:</u> Most agreed upon the DRs, despite a few suggestions:</p> <p>Para 11(b): One national authority argued that 'temporary' and 'non-guaranteed hours employees' (para 11(b)) are different kinds of precarious employment and should be merged into one datapoint.</p> <p>Para 11(a): On the requirement to disclose the total number of employees and breakdowns by gender and country for countries where at least 10% of the company's employees are located, one national authority suggested to delete the 10% threshold and replace it with 'major countries'.</p>		
<p>Section 5</p> <p>S1-2 – Characteristics of non-employees in the undertaking's own workforce</p>	<p><u>Preparers:</u> majority agreed with the DRs despite some suggestions:</p> <p>Several respondents from the preparer and 'others' side have asked for more clarity about the terms 'self-employed' and 'non-employees' and to differentiate them more clearly from, or include them in, value chain workers.</p>	<p><u>Preparers:</u> majority found this DR "possible to prepare with some efforts". Some said that collecting data on 'non-employees' was very challenging for LSMEs & Proxies.</p> <p><u>Users:</u> majority of users agreed that all social datapoints in the ED are needed. Some claimed that SMEs usually struggle</p>	<p>Following public feedback that the distinction between value chain workers and non-employees in the company's own workforce should be clearer, we split AR 19 into two separate paragraphs and added some wording from the definition of</p>

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	<p>Some industry associations noted that there could be challenges in data collection.</p> <p>One respondent proposed to have it as voluntary.</p> <p><u>Users</u>: all agreed with the DR</p> <p><u>Others</u>: majority agreed with the disclosure and a smaller proportion disagreed.</p> <p>One national authority/standard setter disagreeing suggested a different approach: this DR should only apply to companies with 'a significant number of non-employee workers' because this 'is a matter of business model rather than a metric'.</p>	<p>to collect comprehensive data on non-employees, including contractors, suppliers, and temporary workers, especially if they lack direct oversight or control over these individuals.</p> <p><u>Others</u>: Most found this DR “possible to prepare with some efforts”. Some highlighted the difficulties in collecting data - externally & internally – because of the heavy reliance on manual data processing due to the lack of automated systems.</p>	<p>‘value chain workers’ in the ESRS glossary.</p>
<p>Section 5</p> <p>S1-3 – Collective bargaining coverage</p>	<p><u>Preparers</u>: majority agreed with the DR</p> <p><u>Users</u>: most classified this DR as essential</p> <p><u>Others</u>: majority agreed</p> <p>Four respondents from the financial industry are against the deletion of the social dialogue part from this disclosure (ESRS S1-8, on which this DR is based, included datapoints like 'percentage of employees covered by workers' representatives'.)</p>	<p><u>Preparers</u>: most found this DR “feasible with available means or already prepared” or “possible to prepare with some efforts”.</p> <p>A preparer mentioned that ‘collective bargaining and social dialogue’ are also very challenging as there are no established processes. Preparers also urged for clear guidance on this DR.</p>	<p>Deleted AR 25 (mandatory tabular reporting format for coverage rates) and replaced it with simple instruction to report in quintiles (as in VSME).</p>

DR/Topic	Public consultation feedback	Field test feedback	Discussions and decisions taken at SR TEG
	<p>They argue that there are only two datapoints that are not too complex for SMEs.</p>	<p><u>Users:</u> majority agreed that all social datapoints in the ED are needed - small minority would like further simplifications.</p> <p>A Rating Agency user commented that SMEs usually do not have established mechanisms for ongoing dialogue with employees and other stakeholders.</p> <p><u>Others:</u> majority found this DR “feasible with available means or already prepared”.</p>	
<p>Section 5 S1-4 – Adequate wages</p>	<p><u>Preparers:</u> majority agreed with the DRs, but two preparers took issue with the adequate wage benchmark defined in the DR and the corresponding ARs and suggested using minimum wages as the benchmark.</p> <p><u>Users:</u> Although most users agreed with the disclosures, two respondents would like more clarity about the adequate wage benchmark.</p> <p><u>Others:</u> Despite overall agreement, several made the following suggestions:</p>	<p><u>Preparers:</u> most found this DR “feasible with available means or already prepared” or “possible to prepare with some efforts”.</p> <p>Preparers highlighted the availability of IT & Tech tools which are very important for the calculation of certain KPI’s. They also noted that specific metrics like S1-4 are identified as potentially more challenging to verify due to their qualitative nature. Preparers agreed that clear guidance is needed on this DR.</p>	

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	<p>Adequate wage benchmark: Twelve 'other' respondents suggested using minimum wage as the benchmark in countries with a minimum wage.</p> <p>One 'other' respondent objected and said that 'living wage' was the appropriate wage benchmark because that is a human right.</p>	<p><u>Users</u>: majority agreed that all social datapoints in the ED are needed.</p> <p>A Rating Agency user commented that 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.</p> <p>A User of LSME SR (bank or investor) commented that the benchmark required to decide "adequate wage" needs to be clarified.</p> <p><u>Others</u>: All respondents found this DR "feasible with available means or already prepared".</p>	
<p>Section 5 S1-5 – Social protection</p>	<p><u>Preparers</u>: majority agreed with this DR. There were no further comments</p> <p><u>Users</u>: All users who responded (a large majority) agreed with this DR. There were no further comments.</p> <p><u>Others</u>: Majority agreed.</p>	<p><u>Preparers</u>: majority found this DR "possible to prepare with some efforts".</p> <p><u>Users</u>: majority agreed that all social datapoints in the ED are needed. Few would like further simplifications.</p> <p>A Rating Agency user suggested to drop data points due to challenges in comprehensive social protection benefits</p>	<p>Deleted.</p>

DR/Topic	Public consultation feedback	Field test feedback	Discussions and decisions taken at SR TEG
	<p>One national authority/standard setter suggested that the duty to disclose absence of social protection (para 30) should only be required for 'major countries' and should only apply to material situations, i.e. when a significant number of individuals are concerned.</p> <p>One respondent argued that para 31, which says that companies may also make disclosures about social protection about non-employees in its workforce, should be deleted because information about non-employee workers may be difficult to collect and legally sensitive. Alternatively, it should be moved to AR.</p> <p>One respondent suggested that para 29 should be amended to clarify whether employees need to be covered by social protection for all listed major life events (our understanding) or "any" (wording in par 29) one of them.</p>	<p>such as healthcare, retirement plans, and insurance due to financial constraints or regulatory requirements.</p> <p><u>Others:</u> All found this DR “feasible with available means or already prepared”.</p> <p>A comment pointed out that the national legal requirements for social protection are highly challenging.</p>	
<p>Section 5 S1-6 – Training metrics</p>	<p><u>Preparers:</u> Most agreed with the disclosure, but one explained that collecting the data for this disclosure is too burdensome for LSMEs and that the information value does not justify the effort and proposed that it should be voluntary.</p>	<p><u>Preparers:</u> Most of the respondents agreed that it was “feasible with available means or already prepared”. Some responded that it was “possible to</p>	

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	<p><u>Users:</u> Most agreed that this disclosure is essential. One user classified it as not essential.</p> <p><u>Others:</u> majority agreed on this disclosure with a few suggestions for improvement.</p> <p>Two business associations and one national standard setter argued that it is not a good indicator of the 'quality of training and skill development' and suggested replacing it with (i) total training expenditure to total payroll or (ii) a more holistic description of training policies and offerings</p> <p>One NGO suggests deleting phase-in for gender breakdown because that data is only marginally harder to provide than the aggregate.</p>	<p>prepare with some efforts” and one respondent found it challenging.</p> <p>A comment highlighted that manual processing of training metrics can be time consuming.</p> <p><u>Users:</u> majority agreed that this disclosure is essential, while the minority indicates that further simplification can be implemented.</p> <p>One user mentioned that data is nice to have but not necessary from a user perspective. Another user highlighted the lack of dedicated training programs or budgets for employee development, resulting in sparse data on training metrics.</p> <p><u>Others:</u> Most concluded that S1-6 is “feasible with available means or already prepared”.</p> <p>A respondent pointed out that manual processing is required for collecting training information</p>	

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<p>Section 5 S1-7 – Health and safety metrics</p>	<p><u>Preparers</u>: majority agreed with DR</p> <p><u>Users</u>: All agreed</p> <p><u>Others</u>: Most agreed that it was essential whilst some comments were received from those that considered that some datapoints from set 1(i.e., information about the extent to which own workforce is covered by the health and safety management system) were missing. Another suggested fine tuning of the scope (non-employees as voluntary) and aligning the definition with GRI.</p>	<p><u>Preparers</u>: most indicated as “feasible with available means or already prepared” and one respondent found it highly challenging and costly.</p> <p>Additional comments highlighted the restricted data collection on illness and sick day due to Data Protection laws.</p> <p><u>Users</u>: Most agreed that all the datapoints in the ED are needed, while one user indicates that further simplification can be implemented.</p> <p>A Rating Agency user pointed out the lack of specialized health and safety personnel or expertise to effectively monitor and report on health and safety metrics.</p> <p><u>Others</u>: Split responses for this disclosure. Comments made visible the challenges due to data protection laws that restrict the collection of detailed information on employee illnesses and sick days.</p>	<p>Moved para 38 (optional disclosure concerning non-employees) to application requirements.</p> <p>Deleted AR 31 (voluntary breakdown of fatality data by injuries and ill health).</p> <p>Made the ‘if relevant’ disclosure of recordable accidents for non-employees voluntary (<u>SR TEG of 17 October</u>)</p>
<p>Section 5 S1-8 – remuneration metrics</p>	<p><u>Preparers</u>: majority agreed with this disclosure.</p>	<p><u>Preparers</u>: majority indicated that it is “possible to prepare with some efforts” - some found it “feasible with available</p>	<p>Exempted companies with fewer than 50 employees from</p>

DR/Topic	Public consultation feedback	Field test feedback	Discussions and decisions taken at SR TEG
	<p>One SNCI sees conceptual problems with the gender pay gap. They argue that the unadjusted pay gap is not relevant because it disregards differences in tasks and job categories.</p> <p>One preparer was concerned that the annual total remuneration ratio disclosure could lead to the public identification of individuals and/or their salaries and felt that this should be voluntary.</p> <p><u>Users:</u> Most agreed with the DR.</p> <p><u>Others:</u> majority agreed with this disclosure.</p> <p>Three industry associations see conceptual problems with the gender pay gap. They argue that the unadjusted pay gap is not relevant because it disregards differences in tasks and job categories.</p> <p>Five industry associations had concerns about data protection about the annual total remuneration ratio disclosure. Some fear that this could lead to the public identification of individuals and/or their salaries.</p>	<p>means or already prepared” and on respondent found it highly challenging and costly.</p> <p>A preparer raised concerns about contexts for gender pay gap in not considering specific roles and responsibilities may leading to misconceptions.</p> <p>Preparers agreed that clear guidance is needed on this DR.</p> <p><u>Users:</u> majority agreed that all the datapoints in the ED are needed, while the minority indicates that further simplification can be implemented.</p> <p>A Rating Agency user pointed out the lack of SME access to industry benchmarking/ standards for comparing remuneration metrics, making it difficult to assess the competitiveness of their compensation practices.</p> <p><u>Others:</u> Split view between “feasible with available means or already prepared”. 2</p>	<p>disclosing the gender pay gap and the total remuneration ratio.</p> <p>Copied the useful and more detailed guidance in VSME for calculating average gross hourly pay into ARs.</p> <p>Made requirement to report gender pay gap data from the past two reporting periods voluntary (AR 46).</p> <p>Eliminated option to disclose gender pay gap broken down by variable and non-variable components of total pay.</p>

DR/Topic	Public consultation feedback	Field test feedback	Discussions and decisions taken at SR TEG
		<p>respondents found it highly challenging and costly.</p> <p>Comments called attention to the challenges on gender pay gap, annual remuneration and data evaluation internally and highlighted the issues for comparability of jobs & salaries e.g. lowest wage in a bank (SNCI).</p>	
<p>Section 5 S1-9 – Incidents and severe human rights impacts</p>	<p><u>Preparers</u>: all agreed with this disclosure requirement.</p> <p><u>Users</u>: all agreed that this disclosure is essential.</p> <p><u>Others</u>: majority agreed with this disclosure with some exceptions.</p> <p>Para 44: One respondent argued that this paragraph should discuss reported incidents in the reporting period.</p> <p>Para 47(a): One respondent would like to avoid reference to international guidelines but include specific requirements instead.</p> <p>Para 47(b): One respondent argued that reconciling the monetary amounts of fines with</p>	<p><u>Preparers</u>: Most concluded that this disclosure is “possible to prepare with some efforts”. Some respondents found it “feasible with available means or already prepared”</p> <p><u>Users</u>: majority agreed that all the datapoints in the ED are needed, while one respondent indicates that further simplification can be implemented.</p> <p>A rating agency user called attention to the hesitancy to disclose due to current lack of established processes for this metric, leading to reputational risk.</p> <p><u>Others</u>: most concluded that the DR is either “feasible with available means or</p>	<p>Moved ARs 44 and 45 to implementation guidance.</p>

DR/Topic	Public consultation feedback	Field test feedback	Discussions and decisions taken at SR TEG
	<p>the most relevant amount presented in the financial statements should not be required.</p>	<p>already prepared” or “possible to prepare with some efforts”.</p> <p>One comment suggested that data source could be "whistleblower system", complaints or reported cases of discrimination. The commenter also suggested that the reference to European and national law (instead of international references) would be more useful.</p>	
<p>Section 5 S1-10 – Diversity metrics</p>	<p><u>Preparers</u>: all agreed with this disclosure requirement.</p> <p><u>Users</u>: all agreed that this disclosure is essential.</p> <p><u>Others</u>: majority agreed with this disclosure. The disagreements related to i) the deletion of the age breakdown from set 1 (a standard-setter), ii) merging two of the set 1 disclosures (ESRS S1-9 and S1-12) rather than being separate and iii) it is considered limited in terms of vulnerable groups included.</p> <p>In addition, a standard-setter suggested to adapt the definition of top management for LSMEs.</p>	<p><u>Preparers</u>: majority found it “possible to prepare with some efforts” Some found it “feasible with available means or already prepared”.</p> <p><u>Users</u>: majority agreed that all the datapoints in the ED are needed, while the minority indicates that further simplification can be implemented.</p> <p>A Rating Agency user pointed out the risk of inadequate data disclosure due to culturally conservative environments around e.g. diversity & inclusion.</p>	<p>Exempted small listed companies, i.e. those that have no more than 50 employees.</p> <p>Deleted requirement to disclose gender balance at top management level in absolute numbers. (Percentage disclosure remains.)</p> <p>Made requirement in AR to provide contextual information related to percentage of persons with disabilities voluntary.</p> <p>Deleted option (in AR) to disclose age distribution of employees.</p>

DR/Topic	Public consultation feedback	Field test feedback	Discussions and decisions taken at SR TEG
		<p><u>Others</u>: majority agreed that it was “feasible with available means or already prepared” (5 respondents)</p> <p>One respondent pointed out that the annual report of severely disabled persons is a potential data source (Schwerbehindertenmeldung).</p>	
<p>Section 5</p> <p>S1-11 – Work-life balance metrics (voluntary disclosure)</p>	<p><u>Preparers</u>: majority agreed with this disclosure requirement with one preparer proposing this to be mandatory.</p> <p><u>Users</u>: most agreed with this DR.</p> <p><u>Others</u>: majority agreed with this disclosure.</p> <p>Four respondents (banking associations and standard-setters) suggested adding other aspects of work-time balance concerning remote working options, working time accounts or the number of departures in the reporting period alongside qualitative information to give a fuller work-life balance picture.</p>	<p><u>Preparers</u>: Most found it “possible to prepare with some efforts” or “feasible with available means or already prepared”.</p> <p><u>Users</u>: majority agreed that all the datapoints in the ED are needed, while one indicated that further simplification can be implemented.</p> <p>A Rating Agency user highlighted the lack of formalized policies or practices to support work-life balance for employees, leading to a lack of data.</p> <p><u>Others</u>: Most found it “feasible with available means or already prepared”.</p>	<p>Deleted.</p>

DR/Topic	Public consultation feedback	Field test feedback	Discussions and decisions taken at SR TEG
		<p>One respondent called attention to the fact that it seems assumed that the company has knowledge of the family related circumstances when there could be data restrictions in gathering that information.</p>	
<p>Section 6 G1-1 Management of relationships with suppliers</p>	<p><u>Preparers</u>: Most agreed while one suggested to turn it voluntary. <u>Users</u>: majority agreed. A user considered that SME’s do not have robust policies. Concern was expressed that this DR is not aligned with set 1. <u>Others</u>: most agreed. One respondent suggested to align with VSME ED.</p>	<p><u>Preparers</u>: Some suggested that this would be highly challenging and costly. <u>Users</u>: most considered the datapoints essential. One user considered that LSMEs lack the resources to monitor and manage relationships with suppliers (especially for ESG matters).</p>	<p>No major issues compared to the rest of the sections but due to certain feedback, the Secretariat re-considered the disclosures in this section and moved those not related to metrics to section 3 to improve consistency across the topics In particular:</p> <ul style="list-style-type: none"> - Moved the disclosure on purchasing practice / procedure and whether the undertaking also considers ESG criteria to Section 3 AR. - Same action for the disclosure on whether the undertaking has established

DR/Topic	Public consultation feedback	Field test feedback	Discussions and decisions taken at SR TEG
			a practice/procedure to monitor late payments.
<p>Section 6</p> <p>G1-2 Anti-corruption and anti-bribery</p>	<p><u>Preparers</u>: most agreed</p> <p><u>Users</u>: most agreed</p> <p><u>Others</u>: most agreed</p>	<p><u>Preparers</u>: Most found it “possible to prepare with some efforts” or “feasible with available means or already prepared” while few suggested that this would be highly challenging and costly.</p> <p><u>Users</u>: majority considered the datapoints essential. One proposed to drop the requirement; another indicated lack of resources would result in non-useful data.</p>	<p>Moved to EU Law table in Section 3 the disclosure on actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery (stemming from SFDR).</p> <p>Turned to “if applicable”: the number of convictions and the amount of fines for violation of anti-corruption and anti-bribery laws (stemming from SFDR).</p>
<p>Section 6</p> <p>G1-3 Political influence and lobbying activities</p>	<p><u>Preparers</u>: majority agreed. German concern regarding overlaps between strategic partners and lobbyists.</p> <p><u>Users</u>: majority agreed. One user disagreed with the simplification as this would hinder comparability with set 1.</p> <p><u>Others</u>: Most agreed. Request for guidance on governance-related procedures, e.g.,</p>	<p><u>Preparers</u>: Majority found it “possible to prepare with some efforts” or “feasible with available means or already prepared” while some suggested that this would be highly challenging and costly.</p> <p><u>Users</u>: majority considered the datapoints essential. Suggestion to make voluntary and concern regarding the quality of data.</p>	<p>As this is covered in GOV-1 of Section 2, deleted the disclosure on the representative(s) responsible in the administrative, management and supervisory bodies for the oversight of these activities.</p>

Revised LSME – Cover Note

DR/Topic	Public consultation feedback	Field test feedback	Discussions and decisions taken at SR TEG
	whistleblower policies, not in LSME standard but in set 1. Some requested to remove the DR		

Questions for EFRAG SR Board

- 14 Do EFRAG SR Board members have comments and/or additional feedback/suggestions to be taken into consideration?

Agenda Papers

- 15 In addition to this cover note, agenda papers for this session are:
- (a) Agenda paper 05-02 – draft Revised LSME Section 1 General requirements (track changes compared to ESRS LSME ED) – EFRAG SRB 13-11-24;
 - (b) Agenda paper 05-03 – draft Revised LSME Section 2 General disclosures (track changes compared to ESRS LSME ED) – EFRAG SRB 13-11-24;
 - (c) Agenda paper 05-04 – draft Revised LSME Section 3 Policies Actions and Targets (track changes compared to ESRS LSME ED) – EFRAG SRB 13-11-24;
 - (d) Agenda paper 05-05 – draft Revised LSME Section 4 Environment (track changes compared to ESRS LSME ED) – EFRAG SRB 13-11-24;
 - (e) Agenda paper 05-06 – draft Revised LSME Section 5 Social (track changes compared to ESRS LSME ED) – EFRAG SRB 13-11-24;
 - (f) Agenda paper 05-07 – draft Revised LSME Section 6 Business conduct (track changes compared to ESRS LSME ED) – EFRAG SRB 13-11-24;
 - (g) Agenda paper 05-08 – draft Revised LSME Section 1 General requirements (clean version) – EFRAG SRB 13-11-24;
 - (h) Agenda paper 05-09 – draft Revised LSME Section 2 General disclosures (clean version) – EFRAG SRB 13-11-24;
 - (i) Agenda paper 05-10 – draft Revised LSME Section 3 Policies Actions and Targets (clean version) – EFRAG SRB 13-11-24;
 - (j) Agenda paper 05-11 – draft Revised LSME Section 4 Environment (clean version) – EFRAG SRB 13-11-24;
 - (k) Agenda paper 05-12 – draft Revised LSME Section 5 Social (clean version) – EFRAG SRB 13-11-24;
 - (l) Agenda paper 05-13 – draft Revised LSME Section 6 Business conduct (clean version) – EFRAG SRB 13-11-24;
 - (m) Issues paper 05-14 – Revised LSME Due process considerations – EFRAG SRB 13-11-24;
 - (n) Agenda paper 05-15 – draft Revised LSME Section 2 General disclosures (clean version after changes agreed at SR TEG approval) – EFRAG SRB 13-11-24; and
 - (o) Agenda paper 05-16 – draft Revised LSME Section 3 Policies Actions and Targets (clean version after changes agreed at SR TEG approval) – EFRAG SRB 13-11-24.