

Hoofddorp, May 21st 2024
DASB Comments on survey EFRAG ED LSME consultation

Part A: Key questions about ESRS LSME ED (key questions as prioritized by the respondent):

A.1 Methodological approach and general principles

The 'decision tree' to develop the ESRS LSME ED

Q1) Do you agree with the approach adopted to develop LSME ED as a simplification of the content of ESRS Set 1? Yes / No – Please explain your answer

Yes, the DASB concurs with the approach to limit the minimum content based on 'the decision tree' as the decision tree contains all required information based on the CSRD, mandated EU laws and value chain information needed by large undertakings to report under ESRS Set 1.

Datapoints in EU regulation that are needed by financial market participants

Q2) Do you agree with this approach on EU datapoints? Yes / No – Please explain your answer

Yes, we concur with the proposed approach on EU datapoints and the fact that the EU datapoints are subject to the materiality regime in order to ensure that only information relevant to stakeholders are being disclosed.

Interoperability with ISSB standards not applicable

Q3) Do you agree with this approach? Yes / No – Please explain your answer

Yes, We agree with this approach as it is our expectation that ESRS LSME reporters are generally not also subject to ISSB standards and alignment with ISSB standards will in our understanding result in more requirements for issuers which will lead to more administrative burdens. All relevant information for stakeholders will be disclosed based on the materiality process and will meet stakeholders expectations. Further, there are some fundamental differences between the ISSB standards and the CSRD requirements (LSME), as a result, to achieve the interoperability would probably be burdensome, and not benefit the users.

Entity-specific disclosures

Q4) Do you agree with this approach taken on entity-specific disclosure? Yes / No – Please explain your answer

Yes, we agree with the approach taken on entity-specific disclosures. Not including such a requirement would be contrary to the objective of LSME indicated in the CSRD that all relevant information for stakeholders should be included in the sustainability reporting although it might not be an impact or risk covered within the requirements of the ED.

Materiality Approach

Q5) Do you agree with this approach? Yes / No – Please explain your answer

Yes, we agree with the proposal to maintain the approach for materiality as in ESRS Set 1 as main approach. If LSME would have a diverging approach it would hinder the transition from LSME to full ESRS if a SME becomes a large entity..

However we do have some suggestions to improve the materiality approach:

- The current Implementation Guidance is extensive and complex and hard to understand for SME's. We suggest EFRAG to prepare guidance focused on SME's including a list of relevant topics/impacts to be reported per sector and to consider them to follow the principles of the approach for materiality in ESRS Set 1 but less extensive.
- We do not agree with the proposal in section 3 that if a company has not set targets it does not have to explain or disclose it. In our view transparency is very important and if a company should report on a topic based on its materiality assessment and did not set targets the company must at least explain to stakeholders that the company did not prepare plans, actions and targets, at least for the topics covered in the standards ESRS 1 en ESRS E1 relating to the climate transition plan, refer also to question 8.

Approach to phase-ins

Q6) Do you agree with this approach taken on phase-ins? Yes / No – Please explain your answer

Yes, given the nature and size of the companies reporting under LSME requirements it is desirable to include the same list of phase-ins as in ESRS Set 1. Yet we believe that using only employees as threshold does not always result in acceptable results as some companies with only a limited number of employees may have very extensive activities; and the other way around. So perhaps consider to use not only the number of employees but also balance sheet total and / or revenue.

Q7) Do you agree that the threshold of 50 employees should be applied to all undertakings in scope? Yes / No – Please explain your answer

No, we concur with the fact that a threshold should however large undertakings are companies with over 250 employees and the bar for phase-in in ESRS Set 1 has been set at 750 compared to the 250 minimum in the size criteria to be classified as large undertaking. EFRAG proposes to determine the threshold on 50 employees which is the minimum for medium-sized undertakings. The DASB is of the opinion that the number of 50 should be raised to a higher number, for instance 100 employees, for small or medium-sized companies to have more time to prepare themselves for sustainability reporting which has a large impact on these companies given their limited size.

'Report if you have approach' for important reporting areas not explicitly mentioned in the CSRD in relation to the ESRS LSME standard:

- Targets
- Due diligence
- Stakeholder engagement, interests and views of stakeholders
- Processes to engage with affected stakeholders
- Processes to remediate negative impacts and channels; and
- Climate change transition plan

Q8) Do you agree with this "report if you have" approach? Yes / No

If you answered 'yes' to the above question, do you think that the ED supports the identification of relevant items of reporting areas such as targets, due diligence, etc.? Please explain your answer.

If you answered 'no' to the above question, which change would you suggest ? Please explain your answer

No, we do not agree with the 'report if you have' approach. For instance the Climate change transition plan is one of the plans that the company does not have to report on if the company does not have such a plan. In our view this information has such a relevance for users of sustainability information including the value-chain that the company must disclose their plans or if not in place disclose why the company does not have such a plan. The reporting areas that are mentioned are important for the users of the sustainability statements to

understand the background and the process of the ESG reporting. In our view companies must at least disclose that they do not have these elements. Then stakeholders can ask questions about the reasoning why and when the company expects to have these items in place if the company wishes to set targets, processes and plans. In the opinion of the DASB at least the topics covered in the sections 1.) and 2.) and the Climate change transition plan should be excluded from the ‘report if you have’ approach.

A.2 Value chain implications of ESRS LSME ED and VSME ED

Q9) Please indicate if you would like to provide your feedback on the Value chain implications of ESRS LSME ED:

Yes

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

Yes

Yes / No => if NO: Please explain the rationale for your answer. Your answer would be in particular helpful if it identifies concrete proposals of amendments, if any.

No => Please provide specific input => select the areas of disclosure for which you disagree with EFRAG conclusion (refer to Annex 3)

Area of disclosure	Disagree	If disagree: explain why referring specifically to content of Annex 3
1. SBM-1, SBM-3, IRO-1: for both LSME and VSME Eds the conclusion is that no undue effect expected from ESRS reporting	Yes	ESRS Set 1 asks large companies to report on the process to identify and assess material impacts and risks. If a company wants to do this, also using proxies, it has to know its value chain, and this means information on where production is taking place also deeper down the value chain is needed. This makes it likely that SME’s in the value chain of these large companies, as a starter, will need to share information about where production is taking place. Only in this way larger companies can use sectoral data on where potential IRO lay. This is actually an additional Disclosure Requirement that is necessary for the value chain dimension to work, even though it is not explicitly included
2. Policies, Actions and Targets (PAT): for both LSME and VSME EDs the conclusion is that no undue effect expected from ESRS reporting		
3. Climate Transition plan (Section 3 Actions – AR 6 and AR11): for both LSME and VSME EDs the		

conclusion is that no undue effect expected from ESRS reporting		
4. GHG emissions (E1-2 GHG emissions – Scope 3): for both LSME and VSME EDs the conclusion is that no undue effect expected from ESRS reporting		
5. GHG removal (E1-3 GHG removals): No undue effect on LSMEs expected from ESRS reporting. Additional information (not for ESRS reporting but for the implementation of possible specific arrangements) may be needed beyond VSME but is too specific to be covered by VSME ED		
6. Substances of concern and substances of very high concern (E2-2 Substances of concern and substances of very high concern): No undue effect on LSMEs expected from ESRS reporting. Additional information (not for ESRS reporting but for the implementation of possible specific arrangements) may be needed beyond VSME but is too specific to be covered by VSME ED.		
7. Resource inflows (E5- 1 Resource inflows): for both LSME and VSME EDs the conclusion is that no undue effect expected from ESRS reporting		
8. Entity specific disclosures: For both EDs: Perspective 1: Possible trickle-down effect under specific arrangements to allow Set 1 preparers to cover material sector and/or to disclose entity-specific information including value chain. Perspective 2: not applicable, as the datapoint cannot be defined (due to entityspecific nature of the disclosure)		

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

The DASB supports the value chain cap which strives at appropriate questionnaires in the value chain. The LSME are more extensive than the VSME. Reporting on the three modules of VSME is already quite complex and extensive for the average SME. The BP module of the VSME is a more suitable cap than the LSME.

Although we fully support the value chain cap we doubt the effect in practice. We believe that reporting companies should be actively supported and stimulated (e.g. by EFRAG guidance) to keep an eye on the value chain cap. An example of guidance or support could be to actively appoint CSRD-reporting undertakings to the use of sector proxies or estimates. This lowers the reporting burden of (L)SMEs while simultaneously encourages sharing value chain data.

A.3 Sector specific guidelines

Q10) Which of the options presented below should EFRAG follow to support SMEs in addressing and reporting their sector specific IROs? Note that EFRAG is developing sector-specific standards¹² for large undertakings. [PLEASE SELECT ONE]

- 1. Undertakings applying ESRS LSME ED should apply on a voluntary basis existing reporting practices, without specific EFRAG guidance.**
- 2. Undertakings applying ESRS LSME ED should apply, on a voluntary basis, the content of the future Sector ESRS for large undertakings.**
- 3. Undertakings applying ESRS LSME ED should apply on a voluntary basis sector specific guidelines and disclosures designed for listed SMEs, to be issued by EFRAG as a non-authoritative annex to the future sector-ESRS.**
- 4. Undertakings applying ESRS LSME ED should apply on a voluntary basis sector specific guidelines and disclosures applicable to both listed and non-listed SMEs, to be issued by EFRAG as a nonauthoritative annex to the future sector-ESRS.**

Please provide your comments, if any.

Answer 4

Guidance is needed for the SMEs to support them to focus on which topics are material or not. Sector guidance will not only provide guidance on material topics but also on specific disclosure requirements. We believe the guidance should focus on practical support (step-by-step plan for the SME). Furthermore we feel that the use of the wording "should apply" is notable in voluntary standards.

Part B: Specific questions for each section of the ESRS LSME ED (detailed questions to respond per LSME section):

B.1) Section 1: General requirements

Q11) Please indicate your agreement or not in the following Table with the proposed approach to simplify the general requirements, as included in Section 1 of ESRS LSME ED:

ESRS LSME ED	Agree	Disagree	Please provide rationale for any disagreement and proposed amendments	Main simplifications compared to ESRS Set 1
Impacts; Risks and Opportunities	V			The disclosures shall cover material negative impacts and risks. Disclosures about opportunities and positive impacts are voluntary (mandatory in ESRS Set 1).
6.1 Presenting comparative information	V			Comparative information is not required when it requires more than reasonable effort (ESRS Set 1 - 'when impracticable'). The undertaking shall disclose this to be the case.
6.2 Sources of estimation and outcome uncertainty	V			Simplified criteria to judge materiality of a possible future event
6.3 Updating disclosures about events after the end of the reporting period	V			Required if possible with reasonable effort. If not, only narrative information to be disclosed. Disclosure of effects of events after the end of the reporting period have been eliminated.
6.5 Reporting errors prior period	V			Restating the comparative amounts not required if not possible with reasonable effort (ESRS Set 1 - 'when impracticable'). The undertaking shall disclose this to be the case.
6.7 Matters in course of negotiation	V			Besides intellectual property, the ED allows

				undertakings to omit (refer to BP-1) exceptionally, information about impending developments or matters subject to negotiation (ability in ESRS Set 1 depends on Member States' actions).
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Q12) If you agree with the substance of the requirements of the table above, please provide your suggested improvement, if any (please specify the relevant requirement).

EFRAG uses 'with reasonable effort' as criteria whether adjustments have to be made. The DASB is of the opinion that this criterium is not clear enough and therefore will not be used in practice. We suggest EFRAG to provide more information how EFRAG defines 'with reasonable effort' or to search for alternative wording.

In addition companies may report on opportunities but this is not required. As opportunities contain valuable information for stakeholders we suggest to use 'strongly recommended' instead of 'may' to express the relevance of this kind of information but still maintain the voluntary aspect.

B.2) Section 2: General Disclosures

Q13) Please indicate your agreement or not in the following Table with the proposed approach to simplify ESRS Set 1 ESRS 1 General disclosures, as included in Section 2 of ESRS LSME ED:

ESRS LSME ED	Agree	Disagree	Please provide rationale for any disagreement and proposed amendments	Main simplifications compared to ESRS Set 1
DR-1 (BP 1) – General basis for preparation of the sustainability statement and DR-2 (BP 2) – Disclosures in relation to specific circumstances		V	BP-1: The DASB is of the opinion that in case of consolidated sustainability statements the information as mentioned in BP-1 5b.) of ESRS 2 has to be included and cannot be omitted in the LSME standard	Reduced granularity of value chain estimation. Option to not provide restated comparative figures when not possible with reasonable effort.
DR-3 (GOV 1) - The role of the administrative, management and supervisory bodies	V			Reduced granularity, simplified (EU datapoints are kept) and included parts of Set 1 GOV-2 (points c) and d)
DR-4 (GOV 2) – Due diligence	V			Requirement to disclose whether it has implemented a Due Diligence Process or not (EU datapoint). Paragraphs 58-61 of

				ESRS 1 Set 1 have been excluded.
DR-5 (SBM 1) - Strategy, business model and value chain	V			Rather than revenue breakdown, disclosure of list of significant ESRS sectors in which the undertaking operates.
DR-6 (SBM 2) - Interests and views of stakeholders	V			Interests and views of stakeholders to be disclosed only if stakeholder engagement occurs. Specific AR.
DR-7 (SBM-3) - Material impacts and risks and their interaction with strategy and business model	V			Reduced granularity with information about the resilience of its strategy and business model not required.
DR-8 (SBM-4) - Material opportunities and positive impacts as voluntary content	V			Voluntary
DR-9 (IR 1) - Processes to identify and assess material impacts and risks	V			IRO-1 specifications in topical standards summarised centrally requiring to identify and assess material impact and risks.

Q14) If you agree with the substance of the requirements of the table above, please provide your suggested improvement, if any (please specify the relevant requirement).

The DASB still does not understand why a listed SME would not be able to apply the LSME standard to prepare a consolidated sustainability report. We understood that EFRAG believes this would not be possible under the CSRD. If this would be the case, we strongly urge EFRAG to liaise with the commission to allow the use of the LSME also for such reports. Most listed SMEs will have subsidiaries and also prepare a consolidated financial report; as a result it would be completely counterintuitive if they would not be allowed to use the LSME for their consolidated report, whilst for example the VSME does facilitate consolidated reporting. It also impacts the connectivity between the sustainability information and the consolidated financial report.

EFRAG SRB and SR TEG extensively discussed the inclusion or not of the requirement about climate resilience analysis and relevant application requirements in SBM-3, which is not explicitly mentioned in the CSRD. Therefore and in order to simplify the ED, this requirement is not included in ESRS LSME SBM-3.

Q15) Would you like to reinsert the “information about the resilience of the undertaking’s strategy”? Yes/no – please explain your answer

In the view of the DASB it is not desirable to include additional requirements in the LSME standard if a requirement is not explicitly mentioned in the CSRD or any EU mandated laws which was the basis for designing the LSME Standard. If information is material to the stakeholders the entity should include this information in the sustainability reporting based on the double materiality assessment and is it not necessary to include this matter as required information for all companies reporting under LSME.

EFRAG SRB and SR TEG discussed the possibility, for simplification reasons, to group in one data point the requirements for the information related to current financial effects and anticipated financial effects in SBM-3 (see par. 35 c) and d)). These were kept as separate datapoints (same as in ESRS Set 1), considering that they respond to two different information needs.

Q16) Do you agree with this approach? Yes/no – please explain your answer

Yes, The DASB concurs with the view of EFRAG that the datapoints relate to two different information needs and therefore the datapoints should be kept separate instead of merging them into one datapoint.

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

Q17) Please indicate your agreement or not in the following Table with the proposed approach to simplify ESRS Set 1 disclosure requirements, as included in Section 3 of ESRS LSME ED:

ESRS LSME ED	Agree	Disagree	Please provide rationale for any disagreement and proposed amendments	Main simplifications compared to ESRS Set 1
MDR14 -P, MDR-A		V	The DASB is of the opinion that it is more desirable to combine plans, actions and targets with the metrics in the sections Environment, Social and Governance instead of scattering those between different sections of the standard.	Topic agnostic in this section.
Policies and Actions across ESRS E1-E5 and S1-S4		V	The DASB is of the opinion that it is more desirable to combine plans, actions and targets with the metrics in the sections Environment, Social and Governance instead of scattering those between different sections of the standard.	Topic-specific information: Environmental and Social Policies and Actions disclosures in ESRS Set 1 (E1 to E5 and S1 to S4) centralised, harmonised and simplified in related AR.
MDR-T		V	The DASB is of the opinion that it should be necessary for a company to report whether it has set targets or not. If no target has been set the users of the sustainability information should be able to address that no targets have	Topic agnostic: Reduced number of MDR. "Report if you have" component ¹⁵ .

			been set and therefore companies should have to report that no target(s) have been set.	
Targets across ESRS E1- E5 and S1-S4		V	The DASB is of the opinion that it is more desirable to combine plans, actions and targets with the metrics in the sections Environment, Social and Governance instead of scattering those between different sections of the standard. In addition the DASB is of the opinion that it should be necessary for a company to report whether it has set targets or not. If no target has been set the users of the sustainability information should be able to address that no targets have been set and therefore companies should have to report that no target(s) have been set.	Treated as topic specific information: Environmental and Social Targets disclosure in ESRS Set 1 (E1 to E5 and S1 to S4) centralised, harmonised and simplified in related AR as “Report if you have” component. Changed to voluntary.
Processes for engaging with own workforce, workers in the value chain, affected communities, consumers and end-users, and their representatives about impacts		V	The DASB is of the opinion that it is more desirable to combine plans, actions and targets with the metrics in the sections Environment, Social and Governance instead of scattering those between different sections of the standard.	Centralised disclosure under policies and actions
Processes to remediate negative impacts and channels for own workforce, workers in the value chain, affected communities, consumers and end-users to raise concerns		V	The DASB is of the opinion that it is more desirable to combine plans, actions and targets with the metrics in the sections Environment, Social and Governance	Centralised disclosure under policies and actions

			instead of scattering those between different sections of the standard.	
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Q18) If you agree with the substance of the requirements of the table above, please provide your suggested improvement, if any (please specify the relevant requirement).

N/A

B.4) Section 4: Environment

Q19) Please indicate your agreement or not in the following Table with the proposed approach to simplify ESRS Set 1 metrics, as included in Section 4 of ESRS LSME ED:

ESRS LSME ED	Agree	Disagree	Please provide rationale for any disagreement and proposed amendments	Main simplifications compared to ESRS Set 1
DR E1-1 Energy consumption and mix	V			Reduced granularity for renewables
DR E1-1 Energy intensity based on net revenue	V			Same as ESRS Set 1 (SFDR T1, #6) but simplified the reconciliations and added 1-year phase-in.
DR E1-2 Gross Scopes 1, 2, 3 and Total GHG emissions	V			Simplified, reduced breakdowns and added an “if applicable” principle in EU ETS and market-based methods.
DR E1-2 GHG intensity based on net revenue	V			Same as ESRS Set 1 (SFDR T1, #3) with sentence about proper reconciliations and an 1- year phase-in. Also a specification for SNCIs on GHG intensity per net revenues.
DR E1-3 GHG removals and GHG mitigation projects financed through carbon credits	V			Reduced granularity and simplified in terms of what is being disclosed / added “if applicable”. Deleted contribution to removals in value chain. Deleted requirement about plans to cancel carbon credits and methodology on

				residual emissions near net-zero.
DR E1-4 Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	V			Simplified (EU datapoints kept). Merged the significant amounts of net revenue and assets at physical and transition risks in one single datapoint ((a) and b)) in Set 1 and simplified the reconciliation (only Vrequiring line items are affected).
DR E2-1 Pollution of air, water and soil	V			Same as ESRS Set 1 (SFDR T2, #1, #2 and #3, T1, #8) /added some ARs that clarify the disclosure of EPRTR regulation
DR E2-2 Substances of concern and substances of very high concern	V			Same as ESRS Set 1
DR E3-1 Water consumption	V			Same as ESRS Set 1 (SFDR T2, #6.2 and #6.1). Included disclosure for SNCIs on water intensity ratios.
DR E4-1 Impact metrics related to biodiversity and ecosystems change	V			Reduced granularity but kept the disclosures regarding invasive alien species and Life Cycle Assessment.
DR E5-1 Resources inflows	V			Simplified and reduced granularity
DR E5-2 Resources outflows	V			Kept the EU Law datapoints (SFDR T2, #13, T1, #9) but simplified and reduced granularity
DR E6 – Anticipated financial effects from material environmental-related matters other than climate	V			Financial effects on pollution, water, biodiversity and circular economy were simplified and centralised. Financial effects for climate were retained as separate simplified DR due to the number of EU datapoints it contains.

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

DR E1-4: Reporting on potential climate-risks opportunities is voluntary under the LSME standard. Although it lowers the reporting burden for companies it will also lead to less useful information. As LSME's are listed an public companies this information would be helpful for amongst others investors and other financial market participants. Perhaps EFRAG could include a strong recommendation to include potential climate-risk opportunities in the disclosure => 34.) It is strongly recommended that the undertaking discloses its potential to pursue material climate-related **opportunities**.....

Environmental General: EFRAG could consider to include guidance how to proceed if a company has considered another topic material which has not included in the LSME standard but have been addressed in the ESRS full set. Our suggestion is that if a topic is material as a result of the double materiality analysis the company should first have a look at the ESRS full set to determine the entity specific disclosure requirement under LSME standard instead of creating a company specific metric diverging from the ESRS full set metrics. If a company wishes to diverge from the ESRS full set metric the company should disclose the differences and the reasons why.

AR 46b) of ESRS Set 1 E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions (link here) is kept in ESRS LSME ED. It specifies that financial institutions, when preparing the information on gross Scope 3 GHG emissions, shall consider the GHG Accounting and Reporting Standard for the Financial Industry from the Partnership for Carbon Accounting Financial (PCAF), specifically part A “Financed Emissions” (version December 2022).

While it includes financed emissions in Scope 3 accounting, ESRS Set 1 does not include detailed guidance on the disclosure breakdown for those emissions. Do you agree that such more detailed guidance is better placed in the future sector standards?

Q21) In your view as SNCI or investor, should this ED anticipate detailed guidance on disclosure breakdown for financed emissions? Yes / No – Please explain your answer

Not applicable => DASB is not an SNCI or Investor

The SRB discussed and approved adding a specification for SNCIs on the disclosure of GHG intensity based on net revenue and of water intensity (both SFDR indicators) in ESRS LSME ED Section 4 (E1-2 – GHG intensity based on net revenue and E3-1 – Water consumption). The following specification is added in the two respective disclosure requirements in the ED:

“Small and non-complex credit institutions (see Section 1 par. 2b)) may replace net revenue with a different financial indicator, until a sectoral standard is established”.

Financial institutions may need to use different, more specific financial indicators from their relevant financial statements line items to disclose GHG and water intensity ratios. At the time, this ED does not indicate an alternative ratio to be used which would support comparability, pending the issuance of sector-specific ESRS.

Q22) Do you agree with the SNCIs having the option to use the proposed approach that allows the use of different metrics (rather than net revenues) to determine GHG emission intensity and water intensity? Yes / No – Please explain your answer

Yes, as there is no sectoral standard yet it is helpful to allow SNCIs to use another financial indicator in order for those companies to be able to report. In our view the SNCI should be transparent about the financial indicator used and disclose why an alternative indicator has been used.

B.5) Section 5: Social

Q23) Please indicate your agreement or not in the following Table with the proposed approach to simplify ESRS Set 1 metrics, as included in Section 5 of ESRS LSME ED:

ESRS LSME ED	Agree	Disagree	Please provide rationale for any disagreement and	Main simplifications compared to ESRS Set 1

			proposed amendments	
DR S1-1 Characteristics of employees	V			In Set 1 S1-6. Simplified, reduced granularity
DR S1-2 Characteristics of non-employees:	V			In Set 1 S1-7. Simplified, reduced granularity
DR S1-3 Collective bargaining coverage and social dialogue	V			In Set 1 S1-8. Simplified, reduced granularity. Social dialogue deleted
DR S1-4 Adequate wages	V			In Set 1 S1-10. Thresholds for disclosing country information included. Subject to materiality assessment.
DR S1-5 Social protection	V			In Set 1 S1-11. Simplified. Datapoint on countries where people do not have social protection and type of employees who do not have social protection now voluntary.
DR S1-6 Training metrics	V			In Set 1 S1-13. Focus on training. Reduced granularity and phase-in for gender breakdown included in Section 1 (Appendix C)
DR S1-7 Health and safety metrics	V			In Set 1 S1-14. Only SFDR indicators were kept.
DR S1-8 Remuneration metrics	V			In Set 1 S1-16. Simplified by deleting datapoint on contextual information. SFDR indicators kept.
DR S1-9 Incidents and severe human rights impacts and incidents	V			In Set 1 S1-17. Reduced granularity and changed reconciliation, focus on incidents and severe human rights impacts. A phase-in was also added in Section 1 (Appendix C)
DR S1-10 Diversity		V	In reducing the granularity breakdown by Age has been removed. In the view of the DASB	In Set 1 S1-17. Reduced granularity and changed reconciliation, focus on incidents and severe

			this information is suitable to include in Diversity metrics and therefore asks EFRAG to reconsider this removal.	human rights impacts. A phase-in was also added in Section 1 (Appendix C)
S1-11 Work-life balance metrics	V			In Set 1 S1-15. Changed to voluntary disclosure.

Q24) If you agree with the substance of the requirements of the table above, please provide your suggested improvement, if any (please specify the relevant requirement)

EFRAG could consider to include guidance how to proceed if a company has considered another topic material which has not included in the LSME standard but have been addressed in the ESRS full set. Our suggestion is that if a topic is material as a result of the double materiality analysis the company should first have a look at the ESRS full set to determine the entity specific disclosure requirement under LSME standard instead of creating an company specific metric diverging from the ESRS full set metrics. If a company wishes to diverge from the ESRS full set metric the company should disclose the differences and the reasons why.

B.6) Section 6: Governance

Q25) Please indicate your agreement or not in the following Table with the proposed approach to simplify ESRS Set 1 metrics, as included in Section 6 of ESRS LSME ED:

ESRS LSME ED	Agree	Disagree	Please provide rationale for any disagreement and proposed amendments	Main simplifications compared to ESRS Set 1
DR G1-1 – Management of relationships with suppliers	V			G1-2 and G1-6 defined in ESRS Set 1 G1 have been simplified and merged
DR G1-2 Anti-corruption and anti-bribery	V			G1-3 and G1-4 defined in ESRS Set 1 G1 have been simplified and merged
DR G1-3 – Political influence and lobbying activities	V			Kept and simplified par. 29 of G1-5 defined in ESRS Set 1 G1.

Q26) If you agree with the substance of the requirements of the table above, please provide your suggested improvement, if any (please specify the relevant requirement).

EFRAG could consider to include guidance how to proceed if a company has other procedures relating Governance in place such as a whistleblower procedure (required for Listed Entities under Dutch Governance Code) which are not included in the LSME standard but have been addressed in the ESRS full set. Our suggestion is that if a topic is material as a result of the double materiality analysis the company should first have a look at the ESRS full set to determine the entity specific disclosure requirement instead of creating an company specific metric diverging from the ESRS full set metrics. If a company wishes to diverge from the ESRS full set metric the company should disclose the differences and the reasons why.

Part C: Final questions

Q27) Is there any information that the ESRS LSME ED should further cover?

No

Q28) Do you have any other comments?

1.) About 15 years ago the DASB prepared guidelines for small companies. Like EFRAG did with the LSME standard this is a smaller selection of reporting requirements leading to a smaller standard self-explaining on the main topics including references to the guidelines for medium-sized and large entities if needed. In the past fifteen years the DASB experienced several difficulties which might be helpful to EFRAG to consider upfront:

- Has EFRAG considered to include requirements in case of transition if a reporting entity becomes a large undertaking and is no longer an SME? Does that mean that a company has to comply with ESRS Set 1 in full as of the first year of becoming a large undertaking?
- What if a topic is not covered in the LSME standard. Does that mean that the preparer has to fall back on the requirements of the ESRS full set in order to disclose on topics not included in the LSME standard? Or is the company free to choose whatever metric or policy suits best in the given situation? It would be helpful to include guidance on how to proceed if a topic is not covered in the LSME standard.
- What would happen if guidance (for example, a definition) in the LSME differs from – or is contradictory to – guidance in the full ESRS Set 1? Which standard will prevail? We advise EFRAG to include the answer to this question in the LSME standard?

2.) EFRAG choose to centralize the reporting on policies, actions and targets in one section 3 instead of included in the Environment, Social and Governance section. In our experience it is better to combine all relevant aspects of a topic at one part of the standard. If an SME wants to know what to report on emissions the requirements are scattered over several sections of the standard which in our opinion is not helpful for the understandability of the standard. Please consider to combine all relevant aspects relating to policies, actions, targets and metrics in one section.

3.) In the LSME standard disclosure on negative impacts and risks are required and reporting on opportunities is made voluntary. In our opinion information about opportunities and the financial impact of those opportunities is relevant for the public stakeholders of the listed SME's. Therefore we ask EFRAG to replace 'may' to 'it is strongly recommended to' in order to stimulate companies to include the relevant information.