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To
EU Commissioner Mairead McGuinness
Financial Services, Financial Stability and Capital
Markets Union European Commission
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Sustainability Code – blueprint for LSME ESRS

Dear Commissioner McGuinness,

today we address you as organisations concerned about the current development process for the European Sustainability Reporting Standards for SMEs. We are involved in different ways: partly engaged in the EFRAG ESRS communities, in expert working groups, in the elaboration of the industry standards, partly involved in the public dialogues or observing from a distance.

We expressly welcome the structured and straightforward process that EFRAG has set up. We are only concerned about the top down perspective in the standard-setting process, which seems to us to be unsuitable to meet the needs of SMEs for impactful standards strengthening competitive advantages. Additionally, there is a proposal for a Voluntary Sustainability Reporting Standard (VSME ESRS) for SMEs, which is currently de-prioritized, but in our view neither envisaged by the EU Commission in the CSRD, nor is there substantial demand for an additional standard, insofar as the ESRS for listed SMEs (LSME ESRS) will be set up in a smart manner. We advocate an applicable SME standard that values the systems and processes in place in forward-looking companies interested in achieving valid sustainability management with impact.

There is a national reporting standard established in two EU member countries, which meets these demands. One is [The Sustainability Code](#), which is currently updated to CSRD and ESRS accordingly. Developed by an initiative of investors and analysts with best practice sustainability reporters together in a multistakeholder process after the financial crisis 2008 and set up as project by the German Council for Sustainable Development (RNE) since 2012, it was designed to be established on EU level after a successful implementation period in Germany. After a decade of implementation, the German Sustainability Code is successfully established in the biggest market economy in the EU with nowadays 970 applying companies and organizations of all sizes and legal forms. The Code delivers experiences and answers to questions, that are currently discussed in a very risk-focused way in the EFRAG SR working structures.

A second national adoption in Greece proves the usefulness of the approach for smaller economies. Established by QualityNet Foundation since 2014, the [Greek Sustainability Code](#) is used by 65% of Greek companies obliged to report according to NFRD. The initiative is

embedded in a strategy Sustainable Greece 2020, which shows the governance potential in setting up partnerships between politics and business to reach a common sustainable development agenda. The Greek-German partnership is outstanding as beacon for empowering partnerships for sustainable business within the European Union. Even outside Europe the Sustainability Code was received and translated. The architecture, process and design is as such exemplary, as there are no big PR budgets for the initiative by now. The success factor is and was the conviction of and reception by market actors as it was set up to respond to market demands for structured sustainability information from the very beginning and to strengthen sustainable business practice and making it visible to interested publics.

The fitness of the Sustainability Code with CSRD and ESRS is possible with reasonable effort according to a scientific opinion published 2022 and currently underway. To date, the Sustainability Code Office was reliably capable to update the standard to regulatory developments. The work on alignment with the first set of ESRS and CSRD will be completed by June 2023 and would as such be timely regarding the EU schedule.

The clarity of the Sustainability Code in structure and practicability convinced us. Our organizations developed sector guidelines and skilling-up programs for our members to prepare for CSRD reporting and to realize the huge opportunities we see in creating sustainability markets. The B.A.U.M. Fair Future Fonds set up on the Code criteria already allocates capital into sustainable SMEs worldwide.

We strongly advocate its adaptation at European level – as smart LSME ESRS, if used in the gross version of the Code including CSRD and ESRS fully and as potential VSME ESRS in the established minimum standard approach with the comply or explain approach. The Sustainability Code embodies the proportionality principle, ensuring companies to enter reporting from their respective status quo, describing the individual development process in establishing a sustainability management and reporting. To date, companies adjust the well structured standard with obligatory qualitative and quantitative reporting items with help of the comply or explain principle and allows to add regulatory supplements, if it is needed or desired. The database solution provides practical help for preparation and feedback at no costs. It is as such the perfect plugin solution as national collection hub for the European Single Access Point (ESAP). It could as such help to raise acceptance for the CSRD and accelerate speed for the ESAP implementation.

Let the Sustainability Code convince you and enter into dialogue with the German Federal Government and RNE upon its adoption in Europe.

Yours sincerely,

Klara Marquardt, Spokesperson Company Advisory Board







Prof. Dr. Jochen Pampel, Spokesperson
Scientific Advisory Board

Yvonne Zwick, Chairwoman, member of
EFRAG LSME EWG



Chrysoula Exarchou, Vice-
President QualityNet
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 <p>Silke Stremlau, Member of the board of Hannoverische Kassen and Chairperson of the Sustainable Finance Advisory Committee of the Federal Government</p>	 <p>Ingeborg Esser, Vice-President GdW – Sustainability Code Guideline for the Housing Industry (available in German)</p>	 <p>Marian Klemm, Senior Vice President, Green Growth Futura GmbH, sustainable portfolio analysis for the B.A.U.M. Fair Future Fonds setup on Sustainability Code criteria</p>
 <p>Dietrich Ernst, Chairman of the sustainability advisory board of the insurance group die Bayerische, speaker of the advisory board of germanBroker.net AG, member of the ASSEKURATA rating committee for the sustainability of insurance companies</p>	 <p>Prof. Dr. Ralf Frank, Chair of Organizational Transformation at GISMA Business School, initiator of the EFFAS KPIs for ESG</p>	 <p>Jürg Weber President ASUCO – Association for Sustainable Companies & Entrepreneurship</p>