

Response of the Lithuanian Responsible Business Association (LAVA) to the European Commission's Consultation on the Revised European Sustainability Reporting Standards (ESRS)

This document sets out the views of the Lithuanian Responsible Business Association (LAVA) on the draft revised European Sustainability Reporting Standards. LAVA's membership includes financial institutions and private equity investors operating under SFDR (Sustainable Finance Disclosure Regulation) obligations, publicly and privately owned companies, and sustainability professionals.

Overall, we welcome the Commission's efforts to make the ESRS clearer and more streamlined. In practice, relatively few Lithuanian companies exceed the new thresholds; therefore, sustainability reporting in private markets will likely continue to be driven primarily by investor requirements and stewardship expectations.

In this context, we would encourage consideration of several practical implementation aspects that may help preserve consistency and usability of sustainability information for financial market participants.

1. Materiality assessment methodology

The revised ESRS introduces greater flexibility regarding materiality assessments and the omission of no-material information. While this is a positive step from a proportionality perspective, additional practical guidance on how materiality assessments should be conducted and documented could help support greater consistency across companies and sectors.

In particular, it may be useful to consider:

- requiring disclosure of the methodology used for materiality assessment,
- providing additional guidance on governance and documentation of materiality decisions,
- mandating explanations where commonly material sector topics are excluded.

Such clarifications could help improve comparability of disclosures while maintaining the intended flexibility of the framework.

2. Availability of investor-relevant datapoints

The reduction in mandatory datapoints is expected to reduce the reporting burden for companies. At the same time, a number of these datapoints remain relevant for financial market participants subject to SFDR, LP (Limited Partner) reporting and stewardship expectations.

As a result, investors may continue requesting similar information directly from portfolio companies through bilateral engagement processes, particularly in private markets.

In this regard, it could be beneficial to:

- clarify that the value-chain cap does not affect contractual obligations or requests for information needed to comply with other Union laws, such as the SFDR. We recommend that companies be incentivised to adopt the Comprehensive Module of the VSME (Voluntary Sustainability Reporting Standard for non-listed SMEs), which is specifically designed to reconcile with SFDR Table 1 and EBA (European Banking Authority) Pillar 3 metrics.

This could support more standardised sustainability information requests for out-of-scope companies and reduce the need for fragmented investor questionnaires.

3. Value chain and transition-related information

The increased flexibility regarding value-chain disclosures and anticipated financial effects may improve operational feasibility for companies. At the same time, information related to greenhouse gas emissions (including Scope 3), transition planning and supply chain exposure remains important for long-term risk assessment and stewardship activities carried out by investors. We support the proposed requirement for undertakings to be explicitly transparent where their targets are not compatible with limiting global warming to 1.5°C.

With regard to GHG reporting, additional guidance encouraging greater consistency in the application of reporting boundaries would be beneficial, particularly for investors aggregating climate-related information across portfolios and assessing Scope 3 emissions. Without a more consistent approach, comparability of emissions data between different companies may be more difficult in practice.

Maintaining a simplified but sufficiently standardised set of transition-related disclosures could therefore continue to support comparability and decision-usefulness of sustainability information.

4. Active ownership considerations

Certain provisions related to asset management activities may benefit from further clarification regarding their application to active ownership models such as private equity, where investors typically exercise governance oversight, participate at board level and engage operationally with portfolio companies.

In particular, ESRS 1 AR 17 and AR 37 introduce reliefs stating that where an undertaking manages investments under fiduciary duty on behalf of clients “without



retaining risks or rewards of ownership”, it is not expected to assess impacts, risks and opportunities related to those investments or provide related value-chain information.

While this distinction appears appropriate for certain passive or delegated investment models, its application to private equity structures may be less straightforward in practice. Private equity investors typically combine such operational engagement and governance involvement with direct exposure to the economic risks and rewards of those investments.

In addition, the draft standards treat associates and joint ventures as business relationships for the purposes of value-chain and materiality assessment. This may create practical challenges for private equity investors, particularly in minority investment structures where investors may be expected to consider impacts and collect value-chain information despite having limited operational control over the underlying company.

Further clarification regarding:

- the interpretation of “retaining risks or rewards of ownership” in private market investment structures,
- the intended treatment of minority investments and joint ventures,
- the interaction between active ownership models and value-chain reporting obligations

could help support more consistent implementation of the framework across different investment models.

Institutional investors increasingly expect evidence of active stewardship and sustainability integration within private market investments. Providing the clarifications set out above would help ensure that the framework is interpreted consistently and applied in a workable manner across the full range of investment models, including active ownership structures.

Conclusion

LAVA welcomes the European Commission’s efforts to make the ESRS more proportionate and operationally feasible. The four areas addressed in this submission - materiality assessment methodology, the availability of investor-relevant datapoints, value chain and transition-related disclosures, and the treatment of active ownership structures-reflect practical implementation concerns raised by our members.

We believe that targeted clarifications in these areas would preserve the usability and comparability of sustainability information for financial market participants, while



maintaining the proportionality objectives underlying the revised standards. LAVA remains available to provide further input and looks forward to continued dialogue with the Commission on the implementation of the ESRS.

