

EFRAG Public Consultation – January 2024 - Questionnaire VSME Exposure Draft

1. DISCLAIMER

This questionnaire supports the development of the Exposure Draft for a Voluntary Standard for non-listed SMEs ('VSME ED'). The purpose of this consultation is to collect feedback from a variety of stakeholders on the content of its content.

The VSME ED is the result of EFRAG SRB and SR TEG and includes inputs from EFRAG Expert Working Group and the EFRAG VSME community as well as stakeholders outreach events. This work benefits from the research conducted by the SME working group "Cluster 8" of the EFRAG Project Task Force on European sustainability reporting standards.

The following background documents are included in the package to help respondents framing their responses:

Annex 1: VSME ED [link](#)

Annex 2: Basis for conclusions for VSME illustrating the reasoning behind the content of the ED [link](#)

Annex 3: Approach to Value Chain Cap in ESRS LSME ED and VSME ED [link](#)

Deadline for answer is 21 May 2024 (EoD)

2. SURVEY INTRODUCTION

Thank you for taking the time to complete this survey.

The purpose of this survey is to receive feedback from constituents on the VSME ED. The feedback will be collated by EFRAG Secretariat and analysed by EFRAG SR TEG and SRB to finalise the VSME draft for delivery to the European Commission ('EC').

Why VSME? EFRAG's work on a voluntary standard for non-listed micro, small and medium enterprises is outside the Corporate Sustainability Reporting Directive (CSRD).

As specified in the EC Q&A accompanying the adoption of the Delegated Acts ESRS in July 2023, EFRAG is developing simpler, a voluntary standard for use by non-listed SMEs to enable non-listed SMEs to respond to requests for sustainability information in an efficient and proportionate manner as well as to facilitate their participation in the transition to a sustainable economy. The EC SME Relief Package of September 2023 refers to the VSME ED as a measure to support SMEs in accessing sustainable finance and to reduce the reporting obligations by 25%.

The VSME ED will allow non-listed SMEs (including micro) to face growing requests for ESG data and to lower the entry barrier to reporting. Undertakings with no company statute (self-employed) are expected to use this VSME. The benefits of VSME will depend on market acceptance and recognition that the VSME ED is suitable to replace a substantial part of the various questionnaires (from lenders, corporates, investors) currently used to collect such information from SMEs.

Micro, small and medium undertakings are in number the vast majority of enterprises in Europe.

General approach to users' needs: When answering to the questions in this Survey and assessing the appropriateness of the proposed disclosures, respondents are invited to consider the perspective of the users' needs of this particular ED (users being primarily SMEs' business partners, i.e. lenders, other investors, corporates) and to take into account the capacities of the SMEs, especially as they are not in the scope of the CSRD. Such information is also expected to support the perspective of public interest.

In this questionnaire, if not differently specified, the terms "SMEs" and "undertaking(s)" refers to non-listed micro, small and medium undertakings in the scope of VSME ED.

If you have no opinion on a question you can skip the question.

3. INFORMATION ON SURVEY PARTICIPANT

First Name:

Florian

Last Name:

Schmalz

Email

schmalz@eurochambres.eu

Organization:

Name of organization:

Eurochambres - The Association of European Chambers' of Commerce and Industry

Type of organization:

Preparers are identified as those which choose to prepare a sustainability report under the VSME ED.

Users are identified as those using the sustainability information produced by applying VSME ED (in particular those are investors, lenders, large undertakings as SME's value chain partners).

Other

Please specify whether you are:

Other (please specify)

“Other” respondents can choose to respond either as as Preparers (proxy) or as Users (proxy). In this case, in addition they can provide complementary comments to cover the other perspective, using the last open question in Part 2 of the questionnaire.

Please specify:

Business Association

Main country of operations:

Belgium

Main sector of operations:

Services

Depending on the group you have selected, you will be asked different questions.

4. Survey structure and instructions

This survey is structured as follows:

A) Part 1: VSME ED – General key questions (CRITICAL, please consider answering all questions) (If you only wish to complete Part 3, please page through the questionnaire to there)

B) Part 2: VSME ED – Detailed questions on principles and datapoints in the 3 modules (ADDITIONAL, please complement your answers in part 1 by answering part 2 as much as possible) (If you do not wish to complete this part, please page through to Part 3 on the Value chain cap or the submission page as relevant)

C) Part 3: Value chain cap (Separate section on the role of VSME and LSME in respect to the trickle-down effect)value chain cap as determined by the ESRS LSME) (Please note that here you are requested to choose whether you want to respond in brief on this topic or in a more detail. Please note that the questions on the value chain cap here are the same as in the LSME questionnaire in part A2 and if you respond to both questionnaires, you do not need to repeat your answers.)

You can choose to answer any part on its own or combination with the other parts.

Survey instructions

Some questions in the survey will appear depending on your previous answers or choices. You will now be able to save your responses before final submission . Please note that EFRAG only considers completed surveys - partial submissions cannot be technically processed. You will receive an email with your response on submission.

5. A) Part 1: General key questions

A) PART 1: General Key Questions (CRITICAL)

a. Objective, simplifications and modules

Please refer to the text of VSME ED in [Annex 1](#) and to the text of Basis for conclusions for VSME ED in [Annex 2](#).

1. The objective of this ED is to provide a simple reporting tool, that can credibly replace a substantial part of the questionnaires used by business partners (lenders, investors and corporate clients) in requesting ESG data from SMEs and that can support SMEs in monitoring their sustainability performance. While the ED has been built mainly on the basis of questionnaires from business partners, the resulting information is expected to also benefit SMEs by improving their management of sustainability issues and, in this way, contribute to a more sustainable and inclusive economy.

Do you agree with this standard setting objective?

Yes

Please explain your answer:

From a business perspective, promoting transparency and accountability in sustainable practices through the CSRD and associated standards is a crucial initiative. The voluntary standard is designed to help micro-undertakings and SMEs efficiently provide comprehensive sustainability information to credit institutions, investors, and customers.

Given the widespread trickle-down impact, it is essential for SMEs to adopt a voluntary standard. There is significant potential to develop a Europe-wide, streamlined, and standardized sustainability reporting framework specifically for SMEs. However, the current draft of VSME standards poses significant challenges for SMEs, making implementation difficult due to complex language and numerous references to separate guidance documents.

For a clearer, more practicable reporting system that maintains EU competitiveness, the voluntary SME standard needs more simplification. It should focus on the essentials necessary for understanding and tracing sustainability efforts. The Basic Module should be primary, with extension modules required only in specific cases. Prioritizing both transparency and economic viability is key to effectively supporting SMEs across Europe.

2. VSME ED has been structured in three separate modules:

The Basic Module is the entry level for SMEs and the target for micro-SME; it is required also in case of use of one of the two other modules.

The Narrative-Policies, Actions and Targets (PAT) Module is expected to be used by SMEs that have already in place some formalised policies, actions and targets.

The Business Partners (BP) Module is expected to be used when an SME faces data requests from its business counterparties.

The following alternatives for reporting uses are possible under the VSME ED:

- 1) The Basic Module alone;**
- 2) The Basic Module with the Narrative-PAT Module;**
- 3) The Basic Module with the Business Partners (BP) Module;**
- 4) All three Modules together.**

Do you agree that these alternatives are appropriate to deal with the diversified undertakings in scope (both number of employees and economic sectors) in the context of the objective as stated in Q1 of this questionnaire?

No

Please explain your answer:

Generally we consider the extensions (Narrative and Business Partner) to be excessive and too complex for the actual implementation for affected SMEs.

3. The Basic Module is written in simplified language to make it easily understandable for micro and SME undertakings, while ensuring clarity in terms defined by the ESRS with 12 disclosures to be reported. There is no need for a materiality analysis. Certain disclosures are required only if the undertaking considers them "applicable".

Do you agree that the Basic Module is proportionate, understandable (in terms of language), and has a reasonably complete set of disclosures to be used as a starting point?

No

Please explain your answer:

In principle we support the approach to make the standard as easy to understand as possible. However, the current draft requires even more simplification in both language and application. Very technical jargon and too many abbreviations are used. In addition, the questionnaire cannot be completed without using the guidelines (VSME Draft). Moreover, the official draft is only available in English. It must be ensured that it is available in all EU languages. Another point of concern is that the directive, which is quite complex in itself, refers to various tools, standards and protocols to fulfil the reporting requirements. These additional tools are too complex and cannot continue to exist in this form.

We are therefore calling for a revision of the standards that includes simpler language, more readily accessible and free resources, clear and practical guidelines, tools and glossaries to enable direct implementation without external help. However, we would like to mention that we generally welcome the fact that the materiality principle does not apply to the basic module. This eases the burden on our small undertakings.

If answer is NO, please indicate the relevant disclosure.

4. The Narrative-Policies, Actions and Targets (PAT) Module is suggested in addition to disclosures in the Basic Module, to undertakings that have formalised and implemented PAT. Materiality analysis is required to determine and disclose the sustainability matters that which sustainability matters are relevant for the undertaking.

Do you agree with the content of and approach to the Narrative-PAT Module, which is reserved to undertakings that have Policies, Actions and Targets (PAT) in place?

No

Please explain your answer:

As it stands, we must reject the PAT module in its current form. The module presents itself as highly abstract and demonstrates a lack of maturity and practical applicability. It could potentially be valuable, but only under the condition that it is directly tied to the regulation of transition financing. Given these significant shortcomings, we propose a comprehensive overhaul of the module.

5. The Business Partners (BP) Module sets datapoints to be reported in addition to disclosures in the Basic Module, which are likely to be included in data requests from lenders, investors and corporate clients of the undertaking. Materiality analysis is required, in order to determine and disclose the sustainability matters that are relevant for the undertaking.

Do you agree with the content and approach to the Business Partners (BP) Module as a replacement and standardisation of information requests by business partners, being a proportionate but complete set of ESG disclosures?

No

Please explain your answer:

The Business Partner module should be divided since the data requirements of banks, investors, and large corporations vary significantly. Sector-specific information, if necessary and reducing effort for companies, should be represented in additional modules.

6. QUESTIONS

A) PART 1: General Key Questions (CRITICAL)

b. Sector guidance

6. Sustainability matters may be highly dependent on the specificities of the relevant sector(s) that the reporting undertaking operates in. Please select your recommended course of action for standard setting and guidance purposes on this matter.

Please note that your answer will be complemented by question 13 on the additional dimension of reporting including sectors.

Please select one:

Undertakings applying VSME ED should apply on a voluntary basis existing reporting practices, without specific EFRAG guidance.

Please provide your comments, if any:

! The above marking does not correspond to our answer. However, for technical reasons it is not possible to remove the marking. !

It is not possible to answer this question at the moment as we face too many uncertainties. It will all depend on the final content of the VSME and its acceptance by the market as well on the discussions on the sectoral standards

7. B) Part 2: Detailed questions on principles and datapoints

B) PART 2: Detailed questions on principles and datapoints (ADDITIONAL, to complement part 1)

a. Principles for preparation

Please refer to the text of VSME ED in [Annex 1](#).

7. Do you agree with the proposed Principles for the preparation of the sustainability report in VSME ED?

Principles for the preparation of the sustainability report (Basic Module, Narrative-PAT Module, Business Partners Module)

	Please select:		Comment
	Agree	Disagree	
a) Complying with this Standard (paragraphs 9 and 10 in VSME ED)	X		Despite our general support, we emphasise that the concept of dual materiality is difficult to implement and understand for most SMEs. It would be better to orientate themselves on the international standard with single materiality. Moreover, We suggest to clarify the word 'comparable', as it is not clear if the comparison will be between users or with the previous year.
b) Preparation on a consolidated basis (paragraph 12 in VSME ED)	X		It is unclear whether the draft refers to the scope of consolidation of the Accounting Directive. In any case, the scope of consolidation of financial reporting should also apply to sustainability reporting. Due to the size of the SMEs concerned and their limited administrative capacities, the recommendation for a consolidated sustainability report will probably not be included for many of the SMEs concerned.
c) Timing and location of the Sustainability Report (paragraphs 13, 14 and 15 in VSME ED)	X		The sustainability report, depending on the company structure, can contain sensitive data or derive sensitive information from the included data. Potential users of a VSME might prefer to publish a future sustainability report, or excerpts and data from it, on their website or to directly transmit it to their inquiring business partners. Consequently, companies should continue to be free to choose whether to integrate their sustainability report as a separate section of the management report, publish it separately, or in excerpts.
d) Classified and sensitive information, and information on intellectual property, know-how or results of innovation (paragraph 16 in VSME ED)		X	We agree with the principle but not with the conditions the VSME lays down. Preparers must have the possibility to omit classified or sensitive information in any situation. Due to their smaller size SMEs, which fall under the scope of the Accounting Directive, adhere to distinct accounting standards compared to larger companies. For instance, under Article 14, Paragraph 2, items a and b of the Accounting Directive, SMEs are not required to report sales individually; instead, they may report gross profits collectively. This approach prevents the need for excessive disclosure when turnover is concentrated on a limited number of products or customers. This protective measure, endorsed by the EU Accounting Directive, is essential to safeguard SMEs from revealing sensitive details and should be maintained in future regulations such as the VSME. Thus, disclosures under the VSME should respect these limits and not compel SMEs to provide overly detailed information that could expose sensitive business data.

If you disagree please explain your reasoning:

Please select a principle:

d) Classified and sensitive information, and information on intellectual property, know-how or results of innovation (paragraph 16 in VSME ED)

Explanation:

We agree with the principle but not with the conditions the VSME lays down. Preparers must have the possibility to omit classified of sensitive information in any situation.

Due to their smaller size SMEs, which fall under the scope of the Accounting Directive, adhere to distinct accounting standards compared to larger companies. For instance, under Article 14, Paragraph 2, items a and b of the Accounting Directive, SMEs are not required to report sales individually; instead, they may report gross profits collectively. This approach prevents the need for excessive disclosure when turnover is concentrated on a limited number of products or customers.

This protective measure, endorsed by the EU Accounting Directive, is essential to safeguard SMEs from revealing sensitive details and should be maintained in future regulations such as the VSME. Thus, disclosures under the VSME should respect these limits and not compel SMEs to provide overly detailed information that could expose sensitive business data.

8. Additional question on Preparation on a consolidated basis. The VSME ED recommends the undertakings that are parent of small and medium sized groups to prepare consolidated reports for their sustainability statement, i.e. to include data of their subsidiary/ies in the report.

Do you agree with this approach?

Yes

Please explain your answer:

The consolidated should be the same as for the financial reporting.

9. Since non listed SMEs are outside the scope of CSRD, the subsidiary exemption (see CSRD Art. 19a9) does not apply to them. One proposal that EFRAG could consider is to include such exemption in VSME ED, as a further incentive to apply consolidated sustainability reporting.

Would you consider the inclusion of a subsidiary exemption to VSME ED as pertinent and feasible?

Yes

Please explain your answer:

10. Additional information component including sectors (VSME ED par. 11, applicable to all the modules) Depending on the type of activities carried out, the inclusion of additional information about issues that are common to the undertaking’s sector supports the provision of relevant, faithful, comparable, understandable and verifiable information. While acknowledging the difficulties that this requirement may raise for SMEs, the inclusion of this additional dimension was considered an important element of VSME ED to fulfil in particular-sector specific disclosures.

Do you agree with this approach?

No

Please explain your answer:

We agree with the consolidated basis. However, we recall that certain data are still difficult to access for SMEs who might give approximative answer.

If kept, for the sake of clarity and to ensure the VSME is understandable for entrepreneurs, this question should be at the end of the module as it does not apply to all SME.

8. QUESTIONS

B) PART 2: Detailed questions on principles and datapoints (ADDITIONAL, to complement part 1)

b. Basic Module

11. The Basic Module is the entry level for non-listed SMEs and has a highly simplified language. Ideally the undertaking should be able to produce these disclosures with limited help of consultants. It comprises 12 disclosures which have been mapped with existing voluntary initiatives (i.e. Nordic Sustainability reporting standards for SMEs, German Sustainability Code, CDP guide for SMEs etc.). These disclosures have been identified as recurring in the questionnaires analysed by the EFRAG Secretariat (please refer to *Annex 2 Basis for conclusions for VSME ED* for more details).

With reference to the proposed disclosure requirements, please include your answer in table below:

	Do you have comments on the inclusion and content of this disclosure?

<p>Disclosure B 1 – Basis for Preparation</p>	<p>Companies should always be able to choose whether to prepare their report in accordance with the VSME on a consolidated or individual basis. Simplification of the language: The standards should be written in clear, simple and directly understandable language. Complicated definitions and technical jargon should be avoided. Important terms and requirements should be explained directly in the text of the standards to avoid constant switching between different documents. Integration of explanations: It is essential that explanatory texts are integrated directly into the standards. These direct explanations make it easier to understand and apply the standards and avoid the need to constantly consult additional documents. Provision of sample questionnaires: Fully developed sample questionnaires and sample standards that can serve as a template for SMEs should be made available. These examples would provide the necessary practical orientation and could help to reduce uncertainties in dealing with the requirements of the standards.</p>
<p>Disclosure B 2 – Practices for transitioning towards a more sustainable economy</p>	<p>Specific terms are not self-explanatory for SMEs. For example, in practice, the term "transition" needs to be explained. There is a need for simple and self-explanatory language throughout the VSME draft and the explanation of established terms. In addition, specification B 2 is considered to be very demanding. It is still unclear what quality measures that are to be included under B 2 should have.</p>
<p>B 3 – Energy and greenhouse gas emissions</p>	<p>Depending on the company or sector, the effort required to determine B 3 can be significant or there are still many questions regarding its specific application. For example, it is not always possible to determine specific verifiable energy consumption, e.g. if several companies share a factory building for use. In addition, not all energy providers include details of different energy sources in their bills. Tenants also often do not receive meaningful utility bills from the landlord for energy consumption. The obligation on energy suppliers to provide the relevant data is therefore a prerequisite for fulfilling the reporting requirements. Determining emissions also poses challenges for many SMEs. From their point of view, it is unclear which emissions are to be included and how they can determine them. It is also unclear what level of detail is required and whether average estimates can be accepted. Supporting services such as the Eco-Cockpit to determine CO2 data are also not self-explanatory for beginners or data must first be determined as a basis for the calculation in the Eco-Cockpit. Additional information is also required on how companies can calculate or estimate the emissions of company vehicles, for example, or which type of calculation is covered by the VSME. In certain companies with intensive use of (third-party) vehicles, collecting, summarising and converting emissions appears to be very time-consuming in practice and difficult to assign in individual cases. For example, is the consumption of the replacement car attributable to the customer who is provided with a replacement car or to the company that provides the replacement car? In many cases, companies are not asked about the company's total emissions, but (additionally) about the product carbon footprint (PCF). These are usually difficult or impossible to determine. Average values, e.g. for steel, can be misleading because the CO2 footprint can vary greatly depending on the type of steel.</p>
<p>B 4 – Pollution of air, water and soil</p>	<p>The term "pollutants" is not clear in practice. Even the reference to substances that must be reported to the authorities under existing legislation cannot eliminate the uncertainty. It is unclear whether hazardous substances or pollutants/hazardous substances are addressed by B 4 and which substances are considered hazardous substances. B 4 should clarify which specific substances are to be covered. The standard should contain a comprehensive list of substances and not use dynamic references that need to be constantly monitored.</p>
<p>B 5 – Biodiversity</p>	<p>Based on the provided links, it is not always possible to determine whether a farm is located in the vicinity of an area with biodiversity in need of protection. It is unclear what para. 28 means by "located in or near areas with biodiversity in need of protection". Does "near" mean directly neighbouring or at a certain distance? This needs to be concretised from a practical perspective. Other definitions (e.g. 'sealed soil') and their interpretation also require clarification. For example, it is unclear what requirements a planted roof must fulfil to be considered as meeting the biodiversity criterion.</p>
<p>B 6 – Water</p>	<p>Also in this case, it is difficult to determine whether a company is located at a site with high water scarcity based on the online databases provided and a company location. It is also unclear how the difference between water consumption and return is to be determined. Wastewater discharge is generally not recorded in detail, evaporation etc. cannot be calculated. It is also unclear whether collected water in cisterns, own wells or similar should also be recorded and how this should be measured. Therefore, the obligation for water suppliers to provide corresponding data is a prerequisite for fulfilling the reporting requirements. Apart from this, the data point is irrelevant in</p>

	many sectors and can therefore be limited to certain sectors (e.g. agriculture).
B 7 – Resource use, circular economy, and waste management	Due to a lack of information from the waste collection companies on the type of disposal etc., it is not possible to provide this information with regard to waste management. Therefore, the obligation of the disposal companies to provide corresponding data is a prerequisite for fulfilling the reporting requirements. It also needs to be clarified that in para. 36 d) only the waste generated directly by the company concerned is meant and not the waste generated by customers who have purchased the product or whether they recycle the packaging. Although the VSME draft refers to Annex III of EU Directive 2008/98/EC in para. 33 c) with regard to hazardous waste, it would clearly be simpler for SMEs if the hazardous waste to be specified separately here were defined in the VSME itself. The data definition should be explicitly orientated towards existing reporting systems.
B 8 – Workforce – General characteristics	Point 34 b) requires a breakdown by gender, which may not always be in the interests of the affected persons and may also be in conflict with data protection. It is unclear for SMEs whether para. 34 c) and para. 142/143 refer to the origin of the employees or the place of employment of the company's employees. If the breakdown according to para. 34 c) refers to origin, this could also be in conflict with data protection and protection against discrimination. If this is not the case, the wording should be made clear. If the place of employment should be decisive in B 8, it should be explained how to proceed in the case of cross-border placements of employees.
B 9 – Workforce - Health and Safety	The definition of an "accident at work" is unclear here. It is often disputed whether an event is an accident at work. It is therefore necessary to clarify which cases of accidents at work are considered in this context.
B 10 – Workforce – Remuneration, collective bargaining, and training	36 b) refers to the pay gap. It can be inferred from the explanations in 155 that the disclosure aims to show that equal salaries are paid for equal work. This implies that the companies must determine the pay gap separately for each of these different roles if different activities are performed in the company. Depending on the company, the determination of comparable activities can be very time-consuming. Structurally disadvantaged regions or the type of activity are not taken into account in B 10. However, these aspects could provide important context for the required data. It should also be clarified that point 36 d) covers both internal and external training. It is also unclear what is meant by "skills and competences"; does this only include training relating to purely specific professional activities or also to soft skills and the like?
B 111 – Workers in the value chain, affected communities, consumers and end-users	This optional point may be challenging for SMEs to understand. It's important to clarify which stakeholders are involved and the impacts referred to in the draft standard. Nevertheless, the significance of this point is questionable, and since it has not been analyzed by EFRAG it should be removed.
B 12 – Convictions and fines for corruption and bribery	We believe it is inappropriate for companies engaging in voluntary sustainability reporting to be required to disclose their convictions and fines for corruption and bribery. Such information is not pertinent to a sustainability report. If a conviction needs to be made public, it should be mandated by a court order.

11 - This datapoint was not identified in any of the questionnaires analysed by EFRAG Secretariat but was inserted to keep consensus based on the recommendation by some EFRAG SRB members.

12. B3 to B7 require disclosure of environmental performance metrics. There are other schemes used by SMEs requiring reporting of similar metrics, such as the European Eco-Management and Audit Scheme (EMAS – Regulation (EC) No. 1221/2009).

Do you see any potential for better alignment with those other reporting schemes?

No

Please explain your answer:

EMAS, while potentially helpful in preparation, is often too complex and burdensome for SMEs, making it costly and rarely used. It does not align well with the needs and capacities of SMEs, resulting in only few companies in Europe being EMAS registered.

13. The guidance provided for B9 on the number of fatalities as a result of work-related injuries and work-related ill health refers to incidents arising during travel and, outside of the undertaking's responsibility (e.g. regular

commuting to and from work). These incidents are subject to the applicable national legislation that regulates their categorisation as to whether these are work-related or not.

Is the practice in your country to include such incidents as work-related fatalities?

Yes

Please explain your answer including references to the relevant legislation.

Only fatalities as defined by national law should be reported.

14. B10 (a) requires undertakings to disclose the relevant ratio of the entry level wage to the minimum wage, when a significant proportion of employees are compensated based on wages subject to minimum wage rules. This datapoint deviates from the disclosure requirement on adequate wages established in ESRS S1-10 – Adequate wages (from paragraphs 67 to 71) as a simplification (i.e., easier to collect).

Do you consider that this requirement will provide relevant and comparable information?

No

Please explain your answer:

No, because the situation for companies is often much more complex than first assumed. Structurally disadvantaged regions or the type of activity are not even taken into account here. However, these aspects could provide important context for the required data.

15. B11 was drafted to cover, in a simplified way, a description of the process to identify material impacts and a description of those for workers in the value chain, affected communities and consumers/end-users. This disclosure is an exception to the general approach in the Basic Module where materiality does not apply. As a compromise, it was included as a voluntary disclosure.

Do you agree with this approach?

No

Please explain your answer:

The significance of this point is questionable, and it could potentially be removed.

16. In order to help SMEs prepare the sustainability report, specific guidance has been developed for the Basic Module in paragraphs 87 to 167 of the VSME ED.

Do you think that it is useful for the preparation of the report? Do you think it is sufficient?

Yes

Please explain your answer or add suggestions:

It is useful , but language still not simple enough.

9. QUESTIONS

B) PART 2: Detailed questions on principles and datapoints (ADDITIONAL, to complement part 1)

c. Approach to materiality of matters and Principles for preparation (common to Narrative-PAT and Business Partners Modules)

17. Do you think that the language and approach to the Principles of Materiality to be applied to the Narrative-PAT Module and Business Partners (BP) Module are proportionate for the undertakings in scope? Please include your feedback in the table below:

	Please select:		Comment
	Agree	Disagree	
Impact materiality (paragraphs 46-50 in VSME ED)		X	The concept of dual materiality is difficult to implement and understand for most SMEs. It would be better to follow the international standard with single materiality.
Financial materiality (paragraphs 51-55 in VSME ED)		X	
Stakeholders and their relevance to the materiality analysis process (paragraphs 56 and 57 in VSME ED)		X	Process of defining stakeholders is too vague to be implemented by SMEs.

18. The VSME ED requires performing a materiality analysis in order to disclose which of the sustainability matters listed in Annex B of VSME ED (which is the same as AR 16 of ESRS 1 General requirements) are material to the undertaking. Therefore, users will understand for which material matters the undertaking does not have Policies Actions and Targets (PAT) in place. This approach (like for ESRS Set 1) is designed to have a reliable depiction of what the undertaking is doing to address sustainability matters, avoiding greenwashing. At the same time, this approach only requires reporting the PAT (Policies, Actions and Targets) that the undertaking has in place. No information is required when they have no PAT in place for a material matter (in addition to the list of material matters itself).

In the VSME ED, the Narrative-PAT and Business Partners Modules require assessing the materiality of the matters, as it considers the disclosure of only material matters as essential information for users. Do you agree with this approach?

No

Please explain your answer.

The PAT module is not considered very attractive by many SMEs. On the one hand, this is due to the materiality assessment, and on the other hand, it is considered very time-consuming with regard to the narrative disclosures. For many SMEs, the module is not necessary.

The only use case that is considered useful for this module is access to transition financing. If funds are available, e.g. from promotional banks, it could make sense to prepare it.

The module has not yet been sufficiently thought through for this purpose. It is advisable to postpone the entire module until the issue of transition financing has been better addressed.

19. As a way to simplify the materiality approach, whenever possible the notion of “report only if applicable” has been introduced. This filters information to be reported by undertakings on the basis of relevance. No disclosure is expected for a specific datapoint, when the undertaking’s circumstances are different from those that would trigger disclosure of that specific datapoint, as described by the relevant provision in VSME ED. This is particularly important for the Basic Module, where no materiality analysis is foreseen and all the disclosures are to be reported, if applicable.

Disclosures in the Business Partners module are to be reported if they are applicable and for BP 5,7, 8, 9, 10 (for which the “if applicable” approach would not work) if they are relevant to the undertaking’s business and organisation.

Do you agree with this approach?

Yes

Please explain your answer:

20. Financial opportunities have been included only on an optional basis in VSME ED since the CSRD focused on negative impact when addressing SMEs.

Do you agree?

No, reporting for financial opportunities is not needed for non-listed SMEs (focus on negative impacts only).

Please explain your answer:

21. Do you agree with the proposed principles for the preparation of the sustainability report for the Narrative-PAT and Business Partners Module in VSME ED?

Principles for the preparation of the sustainability report (Narrative-PAT Module, Business Partners Module)

	Please select:		If you disagree please explain your reasoning:
	Agree	Disagree	
a) Time horizons (paragraph 40 in VSME ED)		X	The time horizon for the assessment, currently suggested to be up to five years, is too long for SMEs and should be reduced to a maximum of 1-3 years.
b) Coherence and linkages with disclosures in financial statements ((paragraph 41 in VSME ED)			

Please add your comments, if any:

The materiality assessment required by the PAT and BP modules is too abstract and complex for SMEs, making it difficult for them to apply and implement the necessary materiality analysis on their own. Conducting a materiality analysis, even with a detailed explanation of the process, would involve significant effort, detracting from the attractiveness of these modules.

Furthermore, the benefits of this time-consuming procedure are not evident, despite occasional new insights. SMEs are typically aware of substantive issues without formal analysis. Therefore, a more flexible "if applicable" approach should be adopted universally instead of a strict materiality analysis.

10. QUESTIONS

B) PART 2: Detailed questions on principles and datapoints (ADDITIONAL, to complement part 1)

d. Narrative-Policies, Actions and Targets (PAT) Module

22. Do you agree with the content of the disclosures required by the Narrative-PAT Module of VSME ED? Please refer to Annex 2 Basis for conclusions for VSME ED for further detail. Please include your feedback in the table below:

	Do you have comments on this disclosure?
Disclosure N 1 – Strategy: business model and sustainability related initiatives	Generally SMEs do not develop formal, written sustainability strategies. This makes it difficult for them to meet the demands of N 1, which requires both a strategy and guidelines, especially considering the time involved. A more practical approach would be to have SMEs detail the sustainability actions they have already taken (like installing photovoltaic systems) and outline any specific future plans they might have. Furthermore, it's not clear how an SME that has already made significant strides in sustainability can show that it has exhausted all feasible options and implemented possible energy-saving measures. Additionally, many SMEs receive specific sustainability directives from their customers, meaning they might not always have full control over these decisions. Therefore, responding to such requirements may not always be feasible or appropriate.
Disclosure N 2 – Material sustainability matters	
Disclosure N 3 – Management of material sustainability matters	In some business models, the manner in which business activities are conducted or goods are presented is often dictated by business partners. As a result, there is limited flexibility for actions under Specification N 3. It is especially challenging for SMEs to set science-based targets. These targets should not restrict company growth but should aim to reflect it through metrics like reduced CO2 intensity. Currently, it is almost impossible for SMEs to establish these targets. Additionally, the idea of having formal policies or guidelines is not practical for smaller companies, which typically implement measures directly rather than drafting abstract guidelines first.
Disclosure N 4 – Key stakeholders	It should be made clear in the guidelines that Specification N 4 only requires the classification of stakeholders, not the disclosure of specific stakeholders' identities. This is often regarded as sensitive information and should not be required for disclosure in the reports.
Disclosure N 5 – Governance: responsibilities in relation to sustainability matters	The term "governance" is often not well-understood by many SMEs, or it is not applicable to their company structures. Typically, the responsibilities of governance, such as managing formal administration and overseeing major issues, fall under the duties of the managing director. Therefore, this aspect is considered redundant and irrelevant for SMEs.

23. N3 requires the disclosure of policies, actions and targets to manage material sustainability matters. There are other schemes used by SMEs requiring reporting of similar information, such as the European Eco-Management and Audit Scheme (EMAS – Regulation (EC) No. 1221/2009) regarding environmental policies, actions and targets.

Do you see any potential for better alignment with those other reporting schemes?

No

Please explain your answer:

No, since the idea of having formal policies or guidelines is not practical for smaller companies, which typically implement measures directly rather than drafting abstract guidelines first.

11. QUESTIONS

B) PART 2: Detailed questions on principles and datapoints (ADDITIONAL, to complement part 1)

e. Business Partners (BP) Module

24. While acknowledging the complexities of this calculation specifically for SMEs, the inclusion of greenhouse gas (GHG) Scope 3 emissions as the entity-specific dimension was considered an important element of disclosure in some sectors. The Business Partners Module includes an entity specific consideration for GHG Scope 3 emissions to guide undertakings in certain sectors and for which Scope 3 GHG emissions are material in addition to the disclosures envisaged in B3 Energy and GHG emissions (Basic Module).

Do you agree with the inclusion of GHG Scope 3 emissions in the Business Partner Module in the paragraph “Entity specific consideration when reporting on GHG emissions under B3 (Basic Module)”?

No

Please explain your answer:

Determining data on Scope 3 emissions is generally very time-consuming and this information is often not accessible to SMEs. Allowing the use of industry averages or permitting estimates would provide a practical solution for SMEs.

25. Do you agree with the content of disclosures required by the Business Partners (BP) Module of VSME ED? Please note that you can find the background for each Disclosure in the Annex 2 Basis for conclusions for VSME ED (BC130. to BC149). Please include your feedback in the table below:

	Comment:
Disclosure BP 1 – Revenues from certain sectors	The definition of sectors within the guidelines needs to be clearer; ideally, sectors should be named directly in the main text instead of in explanatory notes. It's important to specify that the sectors listed in BP 1 refer only to direct activities and not to the production of machinery or parts that could be used in these sectors. This clarification is vital for manufacturers who may not know if their products are used within these specified sectors. For the "Turnover" KPI, SMEs should only consider direct business relationships or direct sales, like those to wholesalers, without needing to trace whether their products are subsequently sold into the specified sectors. Given the balance sheet exemptions for SMEs in the VSME, reporting gross profit instead of turnover in BP 1 should be allowed. Implementing percentage thresholds (e.g., more than 10%) might slightly simplify reporting. It may be adequate to report only the turnover or gross profit directly resulting from fossil fuels. Additionally, sectors like the defense industry should not be indiscriminately criticized. Disclosures regarding controversial weapons and certain chemicals should align with the SFDR and be relevant only for investor information.
Disclosure BP 2 – Gender diversity ratio in governance body	It needs to be clarified whether the term "governance body" in BP 2 refers solely to the management body or also includes any supervisory bodies, and if so, whether it encompasses only those required by law or also those stipulated by the articles of association. In SMEs, which are often family-run, the selection of individuals for governance roles is typically based on family ties rather than gender diversity. This familial structure contrasts with larger corporations managed by external executives, resulting in limited flexibility in governance roles and diminishing the relevance of this indicator for such businesses. Additionally, since the data point originates from the SFDR, it should be made available only to investors or banks. Typically, SMEs are not focused on the capital market, which further questions the applicability of this indicator to them.
Disclosure BP 3 – GHG emissions reduction target	SMEs often struggle with the complexity of collecting specified data, such as travel details, due to high costs and poor data quality, since systems must be independently developed for CO2 tracking. Additionally, SMEs are concerned about how growth, potentially increasing emissions, is considered negatively, even if emissions per product do not increase. There's also debate over the necessity of Scope 3 emissions reporting for SMEs. Their size typically prevents outsourcing of CO2-intensive production steps, presenting SMEs as more environmentally efficient. Nonetheless, Scope 3 reporting is vital for providing a full view of the product lifecycle and informing customers about the environmental impacts of their purchases.
Disclosure BP 4 – Transition plan for climate change mitigation	The term "transition plan" can be confusing for SMEs. To address this, the language used should be simplified and made self-explanatory. Similar to the issues raised in the comments about Specification N 1/PAT module, SMEs often do not produce formal written strategies for sustainability-related activities or establish guidelines for them. Additionally, companies point out that they face limited flexibility in making environmental upgrades, such as in the case of older company buildings where modifications are restricted by factors like location, size, and age.
Disclosure BP 5 – Physical Risks from climate change	Determining the energy efficiency class of buildings often requires the expertise of an energy consultant, leading to significant costs for SMEs. Additionally, there is a shortage of available energy consultants, which compounds the issue. In some instances, SMEs also face difficulties in assigning energy efficiency classifications to balance sheet values.
Disclosure BP 6 – Hazardous waste and/or radioactive	This data point is from the SFDR and should only be required for investors. The term "Hazardous waste" should be defined.

waste ratio	
Disclosure BP 7 – Alignment with internationally recognized instruments	SMEs need to examine the UN Guiding Principles on Business and Human Rights to provide information for BP 7. This requirement is demanding and time-consuming for SMEs. Furthermore, there is a question about the necessity of aligning with these principles for SMEs primarily operating within European member states, where detailed regulations already cover labor law, occupational safety, environmental law, etc. Additionally, when SMEs have supplier relationships outside of Europe, their capacity to verify supplier information is often very limited. The relevance and proportionality of this information to BP 7 should be reconsidered.
Disclosure BP 8 – Processes to monitor compliance and mechanisms to address violations	SMEs often do not know about the OECD guidelines and do not consider themselves "multinational" companies, feeling that the guidelines do not apply to them. Additionally, the content of the OECD guidelines can be complex and confusing, with terminology that isn't self-explanatory, making practical application difficult for SMEs. The draft VSME should clearly outline the specific information that needs to be provided, the requirements that the company must meet, and the particular aspects or processes on which the company must report.
Disclosure BP 9 – Violations of OECD Guidelines for Multinational Enterprises or the UN Guiding Principles (including the principles and rights set out in the 8 fundamental conventions of the ILO Declaration and the International Bill of Human Rights)	see comment for BP8
Disclosure BP 10 – Work-life balance	In general, social indicators are easier to collect. At the same time, however, there is considerable rejection of this data in certain constellations. Concerns about company harmony are not only at risk due to factors that can be influenced by the company.
Disclosure BP 11 – Number of apprentices	

26. With reference to disclosures BP 7, BP 8 and BP 9, the objective of these three disclosures is to assess the SME's commitment to respecting human rights. The ED has used the terms in the Sustainable Finance Disclosures Regulation (SFDR), applicable to the financial market participants (for example banks), for consistency purposes.

Are there alternative disclosures covering the same objective regarding the human rights of own workforce and that are more suitable than these disclosures?

Yes

Please explain your answer including updated/proposed text:

Alternatively, an SME's own code of conduct could replace the requirements of BP 7, 8, and 9.

27. Do you think that it would be beneficial to split the Business Partners (BP) Module into sub-modules depending on the nature of the user (for example "banks", "investors", "large corporates")?

Please select:

Yes

Please explain your answer:

The modular approach is the right one, as it reflects the heterogeneity of SMEs. The basic module is in principle - with the improvements mentioned - feasible for SMEs. An extension of the basic module should be rejected. All other modules require a concrete benefit for implementation. The PAT module should provide access to transition financing. The business partner module should be split up, as the data requirements of banks, investors and large companies are very different. A need for sector-specific modules or standards is not seen. SMEs can include additional specific information in their reporting if required.

28. Some of the questionnaires of banks and other business partners analysed by EFRAG Secretariat included also datapoints related to the EU-taxonomy regulation, despite non-listed SMEs being out of scope. EFRAG considered that preparing this information would be too complex for non-listed SMEs. We note that the EU Platform for Sustainable Finance may in the future make a proportionate tool for EU-taxonomy available. In particular, to meet the technical criteria for inclusion in the climate mitigation taxonomy, large undertakings have to consider the greenhouse gas (GHG) emissions of their various economic activities. These undertakings will need data from their suppliers. Small and medium-sized enterprises (SMEs) playing a crucial role in these undertakings' supply chains may be asked to provide the following information voluntarily to streamline the process for themselves and their clients:

SMEs whose activities fall under enabling activities of the Climate Delegated Act, e.g., categories 3.6 (Manufacture of renewable energy technologies) or 9.1 (Market research, development and innovation), should disclose the emission savings of their technology compared to the best-performing alternative.

Do you think that VSME ED should include this additional datapoint to cover EU-Taxonomy disclosures?

No

Please explain your answer:

Taxonomy is too complex for SMEs.

29. In order to help SMEs prepare their sustainability report, specific guidance has been developed for the Business Partners Module in paragraphs 169 to 193 of the ED.

Do you think that it is useful in the preparation of the sustainability report? Do you think it is sufficient?

Yes

Please explain your answer:

30. Please provide any further comments not addressed in part 1 or 2 of the questionnaire here:

The PAT and BP modules are often seen as overly complex by many SMEs, particularly due to the required materiality assessment and the complexity of narrative disclosures. As a result, these modules are considered unnecessary for many SMEs.

The sole perceived benefit of the PAT module is its potential use in accessing transformation financing, such as funds from development banks. In such cases, participating in the module could be advantageous.

However, the module has not been sufficiently developed for this purpose yet. It would be wise to postpone the implementation of the entire module until the aspects of transformation financing are better addressed for all companies, including large ones.

31. If you want to provide additional comments on aspects not covered in the questionnaire, please upload your file here.

12. C: Part 3: Value chain cap (Separate section on the value chain cap as determined by the ESRS LSME)

Non-listed SMEs receive data requests from large undertakings, including due to reporting obligations in the CSRD.

Jointly with the consultation on VSME ED to the consultation on this voluntary standard for non-listed SMEs, EFRAG is also consulting on the content of ESRS for listed SMEs (ESRS LSME ED). While ESRS cannot result in large undertakings having to request disclosures that are not included in ESRS LSME ED (which sets the value chain cap from a legal perspective), the VSME ED is intended to play a key role in supporting SMEs, when they prepare the information needed by large undertakings for ESRS reporting, as well as for other obligations including for business purposes. Therefore, VSME ED includes simplified disclosures that generally correspond to the reasonable expectations of ESRS Set 1 preparers (i.e. large undertakings that prepare their sustainability statement under ESRS). As a consequence, non-listed SMEs that apply VSME ED will in general be able to meet the data requests defined for value chain in ESRS LSME ED, except for very specific cases. These cases correspond to disclosures which are included in ESRS LSME ED (therefore SMEs may receive data requests from large undertakings relating to these disclosures, either due to their ESRS reporting obligations or for other obligations and business purposes), but are not included in the VSME ED, due to their excessive complexity for non-listed SMEs in general. They are principally of a sectorial nature (GHG Removals, substances of concern/high concern, resource inflows), mainly needed for management or specific arrangement purposes. More information is provided on these disclosures in [Annex 3](#).

Please note that the questions on the value chain cap here are the same as in the LSME questionnaire in part A2 and if you respond to both questionnaires, you do not need to repeat your answers.

32. Do you agree with the approach EFRAG has taken on the Value Chain Cap?

No

33. Are you willing to provide detailed feedback based on Annex 3?

No

34. Please explain your answer in brief.

35. Please provide other comments on the value chain cap, if any.

The VSME should be the value chain cap. But this has to included in the CSRD. Otherwise it will not be accepted by large corporates.

Once again, we would like to emphasize the importance of revising the current draft to ensure that the VSME is tailored to SMEs limited resources and specific expertise. It is crucial that the standard reflect the realities faced by SMEs.

13. Thank You!

Thank you for taking our survey. Your response is very important to us.