

EFAA – EFRAG VSME Webinar

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1. Key Features and Objectives

1.1 VSME – Key features and objectives

Objective: to credibly replace a substantial part of the questionnaires used by lenders, investors and corporate clients – supply chain dimension and to support SMEs in monitoring their sustainability performance.

➤ **Why a voluntary standard for SMEs?**

- i. [EC Q&A Delegated Acts ESRS in July 2023](#): “EFRAG is developing simpler, voluntary standards for use by non-listed SMEs [...] **to respond to requests for sustainability information in an efficient and proportionate manner**, and so facilitate their participation in the transition to a sustainable economy.”
- ii. [EC SME Relief Package of September 2023](#) Action 14 tasks EFRAG to develop a simple and standardised framework for SMEs to report on ESG issues, creating better opportunities to obtain green financing and thus facilitating the transition to a sustainable economy. In particular, Action 14 mentions that the “*Commission will ensure that SMEs have a simple and standardized framework to report on ESG issues ... ensuring the rapid delivery of voluntary standards for non-listed SMEs.*”
- iii. **Commitment of market participants** (larger corporates and banks) essential for the success of the standard

➤ **Not legally binding** – outside CSRD- but to fulfill market needs.

➤ **Proportionality** = simplified language + modularity + overall ESRS consistency

➤ Scope: Non-listed Micro and SMEs in EU

99.8% of total EU companies



2. Main underlying Principles of this Standard

3.1 Main Underlying Principles of the VSME

Inclusion of additional information not covered by the VSME: depending on the on the type of activities carried out by the undertaking, the inclusion of additional information (metrics and/or narrative disclosures) not covered [by the VSME] is appropriate in order to disclose sustainability issues that are common in the undertaking's sector (...) or that are specific to the undertaking. (...) This includes the consideration of information on Scope 3 GHG emissions (...). Appendix B provides a list of possible sustainability issues.

Comparative information: The undertaking shall report comparative information in respect of the previous year except for metrics disclosed for the first time. The undertaking shall report comparative information from the second year of reporting.

If applicable: Certain disclosures only apply to specific circumstances. In particular, the instructions provided in each disclosure specify the circumstances and the information that is to be reported only if considered 'applicable' by the undertaking. When one of these disclosures is omitted, it is assumed to not be applicable.

Inclusion of subsidiaries in the reported data:

If the undertaking is a parent company of a group, it is recommended that it prepares its sustainability report on a consolidated basis, including information from its subsidiaries.

If the parent undertaking has prepared its sustainability report on a consolidated basis, including information from its subsidiaries, the subsidiary undertakings are exempted from reporting.

3.1 Main Underlying Principles of the VSME

Timing and location of the sustainability report: If a sustainability report is prepared to meet the needs of large undertakings or lenders that require an update annually, it shall be prepared annually. If the undertaking prepares financial statements, it shall be prepared with a period of time that is consistent with the preparation of the financial statement. If specific datapoints did not change from the previous reporting year, the undertaking shall either disclose the information provided for that specific datapoint from the previous year or indicate that no changes have occurred.

Classified and sensitive information: When the provision of the disclosures in the VSME require disclosing classified or sensitive information, the undertaking may omit such information. If the undertaking decides to omit such information, it shall state that this is the case under disclosure B1.

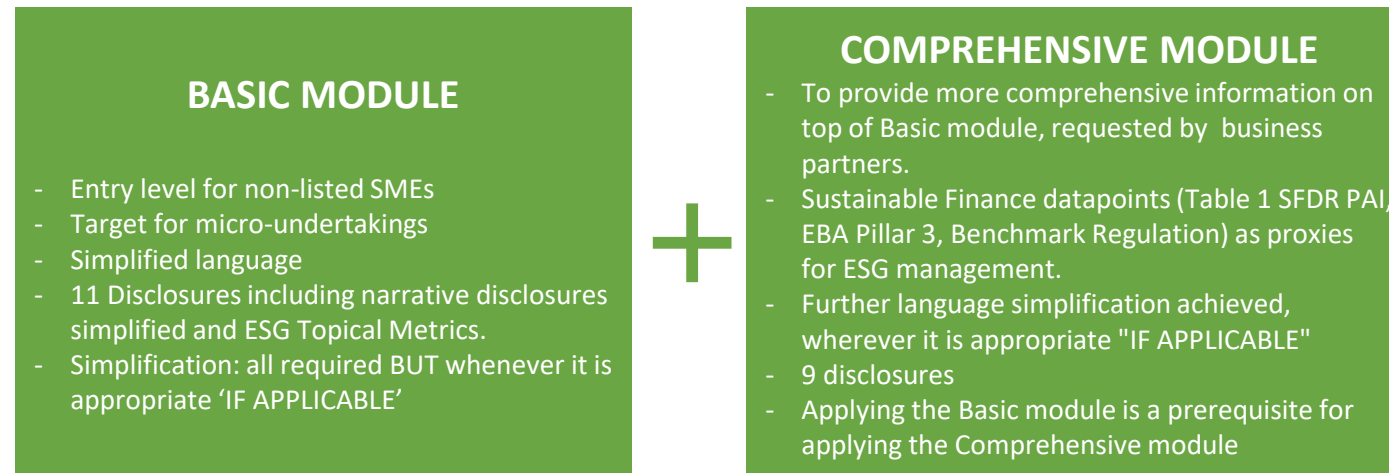
Coherence and linkages with disclosures in financial statements: If the undertaking also prepares financial statements, the information provided in its sustainability report following the VSME:

- (a) shall be coherent with what is reported in the financial statements for the same period; and
- (b) be presented in a way that facilitates the understanding of the linkages that exist with the information reported in financial statements, for example by using appropriate cross-references.



3. Final VSME Structure - Overview

3.1 VSME: Structure and Modules



Overarching key changes to the VSME Standard following the public consultation:

- Request for an **online tool** and **VSME ecosystem**
- **Deletion** of the **Narrative-PAT module**
- **Removal** of **materiality** principle from the VSME

For future consideration: possible introduction of a link to the streamlined EU taxonomy tool for aligned and eligible activities that the Platform on Sustainable Finance is currently developing.



4. Basic Module & Comprehensive Module - Deep Dive

6.1 VSME: List of Disclosure in the Basic Module

BASIC MODULE	CONTENT (Certain part of the text have been excluded to shorten the text)	Number of questionnaires in which it is asked	“If applicable”/ Always to be reported on/ May disclosure
B1 – Basis for Preparation	The undertaking shall disclose: <ul style="list-style-type: none"> - Which of the following options it has selected in the preparation of its sustainability report (...) - The disclosures that it has omitted due to classified or sensitive information, if any - Whether the sustainability report has been prepared on an individual basis (...) or consolidated basis (..) - The list of subsidiaries including their registered address covered in the consolidated sustainability report - The following information: 1) its legal form, 2) its NACE sector classification, 3) the size of its balance sheet, 4) turnover, 5) number of employees (headcount or FTEs), 6) the country of primary operations, and 7) geolocation of sites owned, leased or managed. 	-	Always to be reported on
	If the undertaking has obtained any sustainability-related certification or label: <ul style="list-style-type: none"> - it shall provide a brief description of those (including, where relevant, the issuers of the certification or label, date and rating score). 		If applicable

4.1 VSME: List of Disclosure in the Basic Module

BASIC MODULE	CONTENT (Certain part of the text have been excluded to shorten the text)	Number of questionnaires in which it is asked	“If applicable” / Always to be reported on/ May disclosure																
B2 – Practices for transitioning towards a more sustainable economy	<p>If the undertaking has the following in place, it shall disclose the following:</p> <ul style="list-style-type: none">- Practices- Policies- Future initiatives- Targets: to monitor the implementation of these policies <p>These datapoints can be reported on using the table in the guidance for Disclosure B2</p>	7	If applicable																
B3 – Energy and greenhouse gas emissions	<p>The undertaking shall disclose total energy consumption in MWh, with a breakdown as per the table below, if it can obtain the necessary information to provide such a breakdown:</p> <table><tr><td></td><td>Renewable</td><td>Non-renewable</td><td>Total</td></tr><tr><td>Electricity (as reflected in utility billings)</td><td></td><td></td><td></td></tr><tr><td>Fuels</td><td></td><td></td><td></td></tr><tr><td>Total</td><td colspan="3"></td></tr></table>		Renewable	Non-renewable	Total	Electricity (as reflected in utility billings)				Fuels				Total				12	Always to be reported, breakdown If applicable
	Renewable	Non-renewable	Total																
Electricity (as reflected in utility billings)																			
Fuels																			
Total																			
	<p>The undertaking shall disclose :</p> <ul style="list-style-type: none">- the Scope 1 GHG emissions in tCO2-eq (from owned or controlled sources);- the location-based Scope 2 emissions in tCO2-eq (emissions from the generation of purchased energy). <p>The undertaking shall disclose :</p> <ul style="list-style-type: none">- Its GHG intensity, calculated by dividing ‘gross greenhouse gas (GHG) emissions’ disclosed under paragraph 30 (B3) by ‘turnover (in Euro)’ disclosed under paragraph 24(e)(iv) (B1) .	Always to be reported on																	

4.1 VSME: List of Disclosure in the Basic Module

BASIC MODULE	CONTENT (Certain part of the text have been excluded to shorten the text)	Number of questionnaires in which it is asked	“If applicable”/ Always to be reported on/ May disclosure
B4 – Pollution of air, water and soil	<p>The undertaking shall disclose, if already required by law or other national regulations to report to competent authorities its emissions of pollutants, or if it voluntarily reports on them according to an Environmental Management System,:</p> <ul style="list-style-type: none"> - the pollutants it emits to air, water and soil in its own operations, with the respective amount for each pollutant. If this information is already publicly available, the undertaking may alternatively refer to the document where it is reported, for example, by providing the relevant URL link or embedding a hyperlink 	7	If applicable
B5 – Biodiversity	<p>The undertaking shall disclose:</p> <ul style="list-style-type: none"> - the number and area (in hectares) of sites that it owns, that it has leased or that it manages, that are located in or near biodiversity sensitive areas. 	4	If applicable
	<p>The undertaking may disclose:</p> <ul style="list-style-type: none"> - metrics related to land use change such as total use of land; total sealed area; total nature-oriented area on site; and total nature-oriented area off site. 		‘May’ disclosure

4.1 VSME: List of Disclosure in the Basic Module

BASIC MODULE	CONTENT (Certain part of the text have been excluded to shorten the text)	Number of questionnaires in which it is asked	“If applicable”/ Always to be reported on/ May disclosure
B6 – Water	The undertaking shall disclose: <ul style="list-style-type: none"> - total water withdrawal - in addition, the undertaking shall separately present the amount of water withdrawn at sites located in areas of high water-stress. 	9	Always to be reported on
	If the undertaking has production processes in place which significantly consume water (...), it shall disclose: <ul style="list-style-type: none"> - its water consumption (...) 		If applicable
B7 – Resource use, circular economy and waste management	The undertaking shall disclose: <ul style="list-style-type: none"> - Whether it applies <i>circular economy principles</i>, and if so, how it applies these principles 	9	If applicable
	The undertaking shall disclose: <ul style="list-style-type: none"> - The total annual generation of waste broken down by type (non-hazardous and hazardous) - The total annual waste diverted to recycling or reuse 		Always to be reported on
	If the undertaking operates in a sector using significant material flows (e.g. manufacturing, constructions, packaging etc.) it shall disclose: <ul style="list-style-type: none"> - the annual mass-flow of relevant materials used 		If applicable

4.1 VSME: List of Disclosure in the Basic Module

BASIC MODULE	CONTENT (Certain part of the text have been excluded to shorten the text)	Number of questionnaires in which it is asked	“If applicable”/ Always to be reported on/ May disclosure
B8 – Workforce – General characteristics	The undertaking shall disclose the total number of employees in full-time equivalents or provide a headcount of such employees broken down by: <ul style="list-style-type: none"> - type of employment contract (temporary and permanent); - gender; and 	8	Always to be reported on
	If the undertakings operates in more than one country, it shall disclose: <ul style="list-style-type: none"> - the country of the employment contract 		If applicable
	If the undertaking employs 50 or more employees, it shall disclose: <ul style="list-style-type: none"> - the employee turnover rate for the reporting period. 		If applicable – to be reported on when above the threshold
B9 – Workforce – Health and safety	The undertaking shall disclose: <ul style="list-style-type: none"> - number and rate of recordable work-related accidents - the number of fatalities (...) 	3	Always to be reported on

4.1 VSME: List of Disclosure in the Basic Module

BASIC MODULE	CONTENT (Certain part of the text have been excluded to shorten the text)	Number of questionnaires in which it is asked	“If applicable”/ Always to be reported on/ May disclosure
B10 – Workforce – Remuneration, collective bargaining, and training	The undertaking shall disclose: <ul style="list-style-type: none"> - whether the employees receive a pay that is equal or above minimum wage for the country it reports in (...) 	7	Always to be reported on
	If the undertaking's headcount is above 150 employees (before 7 June 2031), or 100 employees (after 7 June 2031), it shall disclose: <ul style="list-style-type: none"> - the percentage gap in pay between its female and male employees. (...) 		If applicable – to be reported on when above the threshold
	The undertaking shall disclose: <ul style="list-style-type: none"> - the percentage of employees covered by collective bargaining agreements - the average number of training hours per employee and by gender (...) 		Always to be reported on
B11 – Convictions and fines for corruption and bribery	In case of convictions and fines in the reporting period, the undertaking shall disclose: <ul style="list-style-type: none"> - the number of convictions and the total amount of fines incurred for the violation of anti-corruption and anti-bribery laws. 	4	If applicable

4.2 VSME: List of Disclosure in the Comprehensive Module

COMPREHENSIVE MODULE	CONTENT (Certain part of the text have been excluded to shorten the text)	Number of questionnaires in which it is asked	"If applicable"/ Always to be reported on/ May disclosure
C1 – Strategy: Business Model and Sustainability – Related Initiatives	<p>The undertaking shall disclose, the key elements of its business model and strategy, including:</p> <ul style="list-style-type: none"> - a description of significant groups of products and/or services offered; - a description of significant market(s) the undertaking operates in (such as B2B, wholesale, retail, countries); - a description of main business relationships (such as key suppliers, customers distribution channels and consumers); and 	10	Always to be reported on
	<p>The undertaking shall disclose, the key elements of its business model and strategy, including:</p> <ul style="list-style-type: none"> - if the strategy has key elements that relate to or affect sustainability issues, a brief description of those key elements. 		If applicable
C2 – Description of practices, policies and future initiatives for transitioning towards a more sustainable economy	<ul style="list-style-type: none"> - If the undertaking has put in place specific practices, policies or future initiatives for transitioning towards a more sustainable economy, which it has already reported under disclosure B2 in the Basic Module, it shall briefly describe them using the template found in paragraph 225. - The undertaking may indicate, if any, the most senior level of the undertaking accountable for implementing them. 	7	If applicable

4.2 VSME: List of Disclosure in the Comprehensive Module

COMPREHENSIVE MODULE	CONTENT (Certain part of the text have been excluded to shorten the text)	Number of questionnaires in which it is asked	"If applicable"/ Always to be reported on/ May disclosure
Consideration when reporting on GHG emissions under B3 (Basic Module)	<ul style="list-style-type: none"> - Depending on the type of activities carried out by the undertaking, disclosing a quantification of its Scope 3 GHG emissions can be appropriate (see paragraph 10 of this [draft] Standard) to yield relevant information on the undertaking's value chain impacts on climate change. - <u>Guidance (paragraph 215):</u> SMEs operating with manufacturing, agrifood, real estate, construction and packaging processes are likely to have significant Scope 3 (...) 		
C3 – GHG reduction targets and climate transition	<p>If the undertaking has established GHG emission reduction targets, it shall disclose its targets in absolute values for Scope 1 and Scope 2 emissions. (...) In particular, it shall provide: (..)</p> <p>If the undertaking that operates in high climate impact sectors has adopted a transition plan for climate change mitigation, it may provide information about it (...)</p> <p>In case the undertaking operates in high-climate impact sectors and does not have a transition plan (...), it shall indicate whether and, if so, when it will adopt such a transition plan.</p>	7	If applicable
C4 – Climate risks	<p>If the undertaking has identified climate-related hazards and climate-related transition events, creating gross climate-related risks for the undertaking, it shall:</p> <ul style="list-style-type: none"> - briefly describe such climate-related hazards and climate-related transition events; - disclose how it has assessed the exposure and sensitivity of its assets, activities and value chain (...) - disclose the time horizons of any climate-related hazards and transition events identified; and - disclose whether it has undertaken climate change adaptation actions for any climate-related hazards and transition events. 	9	If applicable
	<ul style="list-style-type: none"> - The undertaking may disclose the potential adverse effects of climate risks that may affect its financial performance or business operations in the short-, medium- or long-term, (...) 		May disclosure

4.2 VSME: List of Disclosure in the Comprehensive Module

COMPREHENSIVE MODULE	CONTENT (Certain part of the text have been excluded to shorten the text)	Number of questionnaires in which it is asked	“If applicable” / Always to be reported on/ May disclosure
C5 – Additional (general) workforce characteristics	<p>If the undertaking employs 50 or more employees, it may disclose the female-to-male ratio at management level for the reporting period.</p> <p>If the undertaking employs 50 or more employees, it may disclose the number of those self-employed without personnel who are working exclusively for the undertaking (...)</p>	-	To be reported on when above the threshold
C6 – Additional own workforce metric - Human rights policies and processes	<p>The undertaking shall disclose an answer to the following questions.</p> <ul style="list-style-type: none"> - Does the undertaking have a code of conduct or human rights policy for its own workforce? (YES/NO) 	6	Always to be reported on
	<ul style="list-style-type: none"> - If yes, does this cover: <ul style="list-style-type: none"> - child labour (YES/ NO); forced labour (YES/ NO); human trafficking (YES/NO); discrimination (YES/NO); accident prevention (YES/NO); or other? (YES/NO – if yes, specify). 		If applicable
	<ul style="list-style-type: none"> - Does the undertaking have a complaints-handling mechanism for its own workforce? (YES/ NO) 	5	Always to be reported on
C7 – Severe negative human rights incidents	<p>The undertaking shall disclose an answer to the following questions:</p> <ul style="list-style-type: none"> - Does the undertaking have confirmed incidents in its own workforce related to: <ul style="list-style-type: none"> - child labour (YES/ NO); forced labour (YES/ NO); human trafficking (YES/ NO); discrimination (YES/ NO); or; other? (...) 	3	Always to be reported on
	<ul style="list-style-type: none"> - If yes, the undertaking may describe the actions being taken to address the incidents described above. - Is the undertaking aware of any confirmed incidents involving workers in the value chain, affected communities, consumers and end-users? If yes, specify. 		If applicable

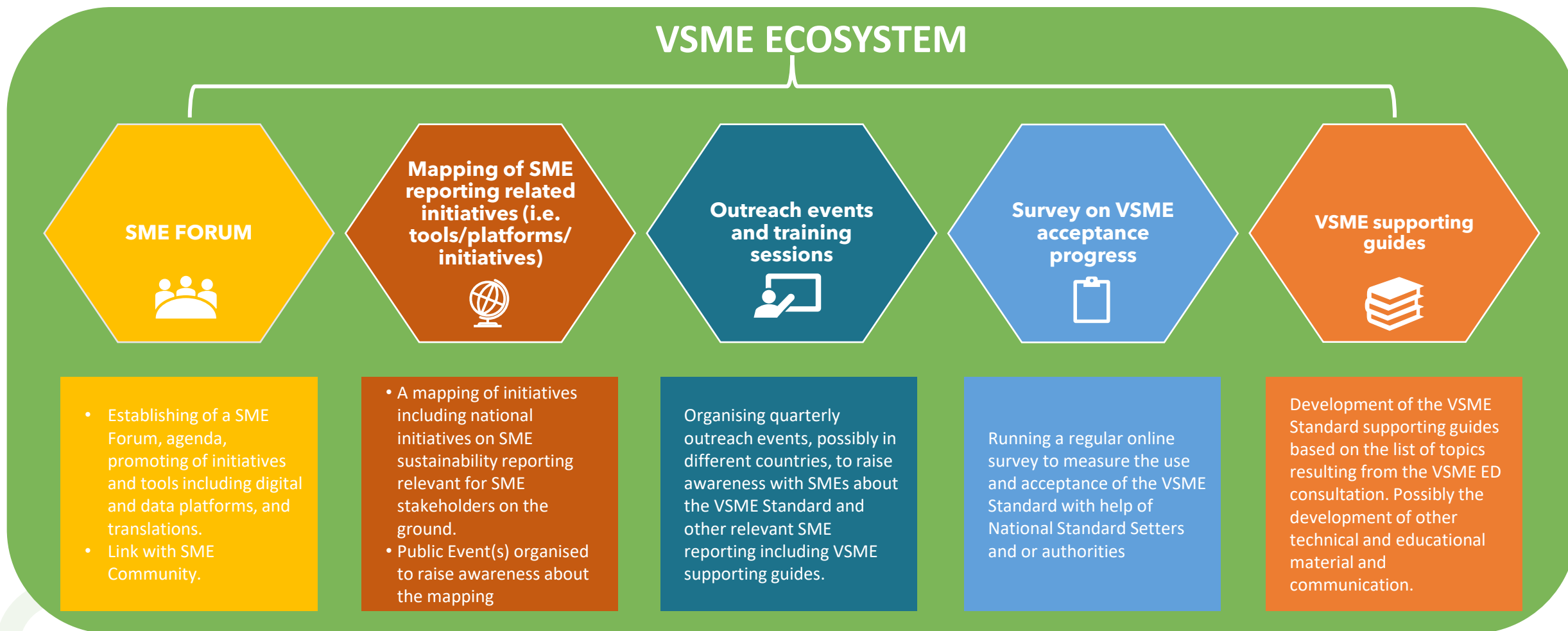
4.2 VSME: List of Disclosure in the Comprehensive Module

COMPREHENSIVE MODULE	CONTENT (Certain part of the text have been excluded to shorten the text)	Number of questionnaires in which it is asked	“If applicable” / Always to be reported on/ May disclosure
C8 – Revenues from certain sectors and exclusion from EU reference benchmarks	<p>If the undertaking is active in one or more of the following sectors, it shall disclose its related revenues in the sector(s):</p> <ul style="list-style-type: none"> - controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons); - the cultivation and production of tobacco; - fossil fuel (coal, oil and gas) sectors (...) - chemicals production if the undertaking is a manufacturer of pesticides and other agrochemical products. 	5	If applicable
	<ul style="list-style-type: none"> - The undertaking shall disclose whether it is excluded from any EU reference benchmarks that are aligned with the Paris Agreement. 	-	Always to be reported on
C9 – Gender diversity ratio in the governance body	<ul style="list-style-type: none"> - If the undertaking has a governance body in place, the undertaking shall disclose the related gender diversity ratio. 	6	If applicable



5. VSME ecosystem

5.1 Future Work on the VSME: VSME Ecosystem



1. SME Forum

- Establishing and animating an SME Forum that would be composed of all relevant institutional stakeholders (users, preparers, platforms, rating agencies, national standard setters, etc.) to promote and ensure market acceptance of the VSME.
- SME Forum participants:
 - SME associations (preparers)
 - Banking associations (users)
 - Business associations/ Network/ Consortia (users)
 - Rating agencies (other)
 - Accountants (other)
 - Online platforms/ tools representing both preparers and users – individual organisations (other)
 - European and National organisations/ institutions (observers)
- The SME Forum may act in connection with the EFRAG VSME Community. The community will provide additional feedback to the Forum through surveys and other written media.

5. Support Guides

- The public consultation and field test of the VSME allowed to identify the following implementation needs:
 1. Templates of the VSME report and mockup disclosure;
 2. XBRL translation of the VSME template (to be embedded in online platforms)
 3. Examples of **practices, policies and future initiatives for transitioning towards a more sustainable economy** (Disclosure C2) to be used as a dropdown menu for a future VSME online template
 4. Examples of **GHG reduction targets and climate transition** (Disclosure C3)
 5. Examples of actions being taken to address **severe negative human rights incidents** (Disclosure C7)
- EFRAG and CEN CENELEC are also starting to work to produce a joint educational guidance that maps the ISO CEN CENELEC regulations to ESRS Set 1 and VSME.

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