



MINISTERIO  
DE ECONOMÍA, COMERCIO  
Y EMPRESA

**icac** Instituto de Contabilidad y  
Auditoría de Cuentas

Comment letter on the EFRAG public consultation on the VSME ESRS

European Financial Reporting Advisory Group

35 Square de Meeüs

Brussels B-1000

Belgium

Madrid, 21<sup>st</sup> May 2024

Dear Madam/Sir,

First of all, the ICAC would like to state that appreciates and supports the efforts carried out by EFRAG in the development of the voluntary standard for Sustainability Reporting of non-listed Small and Medium Enterprises (VSME ESRS), which standing out of the mandate of Corporate Sustainability Reporting Directive (CSRD), it will be a key part of sustainability information environment, since large companies are going to require these SME's sustainability information as long as they are involved in their value chain.

In this sense, we would like to share that non-listed SMEs constitutes most of the Spanish companies and, currently, most of them do not publish any sustainability statement although some of them are carrying out sustainability practices; we consider that this initiative will enhance their sustainable commitment.

The objectives of the VSME ESRS could be a good motivation for non-listed SME to engage in the publication of a sustainability statement even though the large adoption of the standard will depend on giving visibility to the standard, the dragging effect of large companies in demanding information from their suppliers and the establishment of some incentives and developments of accessible tools that help non-listed SME's undertakings in the process.

The approach followed for its development differs from LSME ESRS since it is not a simplification of the previous ESRS. This is reasonable considering the kind of companies involved. However, it would be recommendable to include an equivalence table with ESRS Set 1 and LSME ESRS to increase the consistency of the different sets of standards. It would facilitate the reading of the sustainability statement prepared based on VSME ESRS as well as the easier identification of the value chain datapoints that large companies need to incorporate in their sustainability statements.





This draft uses a simplified language and has reduced the number of requirements which has been warmly welcomed as well as the structure of three modules in which each undertaking could decide to apply. There is no forbiddance in the draft about changing the modules (from one year to other) in which an undertaking based its sustainability statement. For the quality of the information and its uniformity in time, it could be advisable to require some kind of explanations if the company changes the modules.

Regarding to value chain, it is highly appreciated the effort carried out by EFRAG in order to clarify the requirements. It would be desirable that the standard will be, in practice, the value chain cap for non-listed SME to enhance the benefits of the use of the standard as a useful sustainability questionnaire.

It seems that the huge effort in simplification could contrast with the fact that the materiality assessment process is close to the one required for large companies and listed SME. It is true that materiality assessment is only needed for those non-listed SME which decide reporting on PAT and/or BP Modules, but the reference document (Materiality Assessment Implementation Guideline) lacks simplified language, and it has been particularly designed for undertakings that needs to comply with ESRS Set 1, which implies that non-listed SME preparers would find references to issues that are out of the scope of VSME ESRS and it could generate misunderstanding. It is agreed that non-listed micro-undertakings will only consider the views of the most relevant stakeholders. Perhaps this simplification could be also extended to listed and non-listed small undertakings.

Another general point is related to the differences in the size of the undertakings considered as non-listed SME. Some of them could be micro-undertakings and other could be close to large companies. In order to consider differences in size, datapoints should be reported in absolute and, also in relative terms. That is, for example, in B6 Basic Module undertakings need to quantify their water consumption ( $m^3$ ). If one undertaking discloses lower amount of  $m^3$  than other, it could be concluded that the former would be more efficient and sustainable although this should not be so. But, if this consumption is weighted based on the production level or undertaking size (employees or sales), its relative measure would allow the adequate evaluation of which one is more efficient. In addition, in case of Spanish companies, it would be also interesting to consider in the measure if the undertaking is in a water stress area.





It is positively valued that VSME ESRS pursues the better level of alignment with other reporting schemes in the context of non-listed SME. This effort is already being made by EFRAG with set 1, and it would be very interesting if it were extended in relation to the VSME ESRS. It would be welcome that those undertakings that measure some datapoints following other frameworks, such as EMAS, would know if they do not need to re-calculate it and could use in their sustainability statements, particularly for those datapoints which are not Value Chain datapoints.

In the case of non-listed SME undertakings, it would be recommendable to analyse the convenience and effects of not omitting any piece of information (know-how, “report if you have”) particularly in Basic Module, and if the disclosure is not going to be reported some kind of explanation should be included. In this sense, the assumption behind VSME ESRS is that the lack of reporting about a requirement is due to the undertaking do not have specific policies, actions or targets on this issue (ie, B12 and B2). Thus, in the case, for example, that a company does not have fines for corruption (B12 – Convictions and fines for corruption and bribery), it might be advisable to state this clearly. It would allow the undertaking to enhance its sustainable behaviour and differentiate their situation from companies which do not control it. The complexity of sustainability statement for preparers would not change much, but users would increase the understanding of the undertaking. About B2 (Practices for transitioning towards a more sustainable economy), only needs to be disclosed if undertakings carrying out practices as long as they are not formalized since if they are formalized, they should be in the PAT Module. Consistently, undertakings should report if they carry out practices in this sense or not, and in case they are formalized indicating that they would be more developed in PAT Module.

ICAC agrees the transition period of one year for the inclusion of comparative information since it does not oblige non-listed SME to carry out extra efforts. Through this Module, the term “if applicable” means different things and it could be found in 8 of the 12 disclosure requirements of this Module, so that it would be relevant to clarify which exactly means to avoid misunderstandings.

Thus, B4 (Pollution of air, water and soil) and B5 (biodiversity) should be reported by all non-listed SME. Just in case, if the undertaking would not be obliged by law to develop an activity which has no pollution/impact on the biodiversity, instead of reporting the specific datapoints





it should include the explanation. Regarding to water (B6), water consumption should be reported by all undertakings regardless of its activity. If undertaking do not have any water discharge from its activity, it should be pointed out. In case of B7 (Resource use, circular economy and waste management), paragraph 33 a and b could be more generic so that all non-listed SME could disclose about it, for example, total amount of recycled inputs used and total amount of outputs that are recycled. Moreover, in B10 (Workforce – Remuneration, collective bargaining and training) there is a datapoint that undertakings with less than 150 employees could omit (paragraph 36 b). The limits are established based on the Pay Transparency Directive. Based on the target undertakings of this Module, this datapoint would be changed to Business Partner Module.

We would like to point out that, considering the question 18 from the VSME Questionnaire about materiality analysis, it would be advisable to clarify when the disclosure B11 must be reported since, materiality analysis would not be consistent with the approach of not having to carry out the materiality assessment in Basic Module.

PAT Module has been designed such as a simplification of ESRS Set 1 and LSME ESRS which is consistent. In this Module, the term “relevant” appears. Although it is said at the beginning of the Module that relevant means “material”, it would be better to use only one term to refer it. In this sense, “material” would be better for consistency with the ESRS Set 1 and LSME ESRS. In addition, “if applicable” is also mentioned several times in this Module. It seems that it means “report if you have” but it is not clear enough.

Regarding the requirement of Scope 3 of GHG emissions (BP3), it is confusing its placement in the Basic Module if materiality analysis states that Climate Change is material, since the content of the disclosure is included in Business Partner module. The placement in Business Partner module would be clearer.

If EFRAG decides to develop a sectorial ESRS adapted to SME (listed and non-listed), it would be convenient to delete all reference to sector in the VSME ESRS (ie. B6, B7, BP1, BP3 among others) in order to have a sector agnostic standard such as ESRS Set 1 and LSME ESRS. If not, more references to sectors would be needed to consider all particularities.

It should also be taken into account that since non-listed SMEs are outside the scope of CSRD, it would be necessary to consider whether the exemption provided for in the directive for





MINISTERIO  
DE ECONOMÍA, COMERCIO  
Y EMPRESA

**icac** Instituto de Contabilidad y  
Auditoría de Cuentas

subsidiaries would be applicable to them. The inclusion of this “exemption” would be an incentive to apply consolidated sustainability reporting, although in case that an individual undertaking needs to provide their customers data for its inclusion in their sustainability statement as part of the Value Chain, they will need to present them at individual level.

VSME ESRS is mainly focused on the negative impact and risks and social topics have less importance (lower number of datapoints) than others sustainability topics We would support the inclusion of some social requirements if EFRAG detects this demand of information from the stakeholders.

Finally, we would like to point out that it would be really useful to have a Q&A platform specific for VSME ESRS or a specific section in the current Q&A of ESRS.

The ICAC would like to finalize by acknowledging the work done by EFRAG preparing the draft.

Please do not hesitate to contact us if you would like to clarify any point of this letter.

Yours sincerely,

Santiago Durán Domínguez

Chairman of the ICAC

