

Présentation du communiqué de presse de la DFCG

Proposition de réponse au standard VSME

1. PART 1: General Key Questions

a. Objective, simplifications and modules

Q1. 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

DFCG supports the objective of European standardization in ESG information, as a tool to better understand ESG issues and respond to the demands of their various stakeholders. SMEs represent a key part in the transition of the European economy, an adequate reporting tool is therefore essential.

Replacement of questionnaires used by business partners: DFCG supports the objective of creating a standardised reporting tool for SMEs to address ESG data requests from business partners, in order to mitigate the risk for SMEs to receive fragmented, sector-agnostic ESG requests from different stakeholders notably their customers, still asking for specialized questionnaire. It is critical for all sizes of companies, notably small ones, that CSRD reports and questionnaires replaces most private base ESG questionnaires.

DFCG proposes that the VSME should be the backbone of the whole ESG communication of the SMEs and the cases where other datapoints would be requested by stakeholders to address sector needs should be identified and in a limited number.

In the CSRD, the “Cap in the value chain” is based on the broader LSME standard, which weakens the ability of the VSME standard to replace the questionnaires used by business partners. DFCG proposes that LSME standard should be articulated only around the 3 modules of the VSME, adding some potentially missing datapoints required by the CSRD, to meet the objective of a more proportionate level of requirements, avoiding the “one fits all” impacts

Monitoring of sustainability performance: DFCG also supports the objective of providing a simple tool to support SMEs in monitoring their sustainability performance. However, the standard needs to better consider the specificities of SMEs in line with the principle of proportionality. Consequently, several disclosures should be simplified, and recommendations should be introduced.

Q2. 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.

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The **Narrative-Policies, Actions and Targets (PAT) Module** is expected to be used by SMEs that have already in place some formalized 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?

YES

DFCG supports the general approach proposed in the VSME. The modular approach is an appropriate answer to very different levels of maturity, size and complexity of the targeted companies. The basic module offers a starting point, without requiring materiality analysis which is more more complicated to apprehend for small undertaking that not familiar with the ESG matters. The two other modules enable more mature undertakings to develop a more ambitious reporting or may offer the possibility to build a progressive path over time..

Nevertheless, DFCGDFCG considers that some modifications are needed, both in the presentation of the standard and in its content.

Presentation:

To obtain a high level of use of this standard by SMEs, it must be clear and simple. The modular approach is useful but should not impair the clarity of what is required according to the combination of modules chosen by the company. As there is no need to develop a legal instrument for VSME, this freedom in the form must be used to offer a more practical tool. The SME should be able to choose the module combination it deems appropriate for its needs and easily identify the corresponding list of requirements. In the proposed standard, it is not easy to find one's way, for instance using modules 1 + 2 or 1 + 3.

For those reasons, DFCG supports the ANC's recommendations to complement the VSME ED with a tool, while maintaining a "standard" format for specific stakeholders: prioritising a tool-centric design and a sequential approach over a modular one simplifies processes and improves preparers' use.

Guidance:

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A significant help for SMEs would be to develop a list of key issues for each sector so that the undertaking has the main 3 or 4 matters generally material in the sector it operates as SASB or GRI referential have developed overtime. All the necessary caveats could be added (non-binding guidance, subject to potential revision with the sector-specific standard development...)

For practical guidelines, DFCG suggests relocating the current guidance to hyperlinks within the text. This adjustment ensures accessibility and streamlined navigation, avoiding the inclusion of lengthy content in the main body.

Basic module: DFCG supports the basic module, recognising its capacity to standardise fundamental, sector-agnostic ESG information, with some slight adjustments (see answer to Q3). DFCG judges crucial to offer a first set of indicators without requiring any materiality analysis.

Narrative and business partners modules: Some SMEs can find these modules based on a double materiality analysis useful, in addition to the basic module. However, this is not yet pragmatic enough for SMEs, who find it difficult to grasp without support. Regarding the narrative module, the vocabulary should be simplified for an easier understanding; some slight adjustments in the organisation are also needed to avoid redundancies. Regarding the business partners module, although it is considered useful by financial partners, DFCG observes that some SMEs find it very difficult to tackle, requiring then an effort to better adapt the requirements to the specificities of SMEs. Furthermore, as stated below, guidance on sectoral and/or geographical material matters could be an option for improving its relevance.

Q3. 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?

YES

As explained in response to Q2, DFCG supports the basic module, provided that the below adjustments are made.

- **Basic information should be added.**
 - **Disclosure B 1 – Basis for Preparation:** disclosure of sector(s), turnover (range), and location(s) of head office and main sites
 - **Disclosure B2 – Practices for transitioning toward a more sustainable economy:** In addition to the examples provided which are very useful, mention the labels and certifications obtained, if any.
- **Certain disclosures should be adapted:**
 - **B 10 – Workforce – Remuneration, collective bargaining, and training:** simplify the training indicator: total cost of training divided by total payroll

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- **B 11 – Workers in the value chain, affected communities, consumers and end-user:** deletion of the disclosure

More details are provided in the response to Q13, in particular the comments on the guidance section.

Q4. 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 are relevant for the undertaking.

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

YES

As explained in response to Q2, we consider that a qualitative approach could add value if (i) it is not mandatory, (ii) the vocabulary is reviewed and general explanations are redrafted for an easier understanding by SMEs' executives who are neither familiar with ESG nor with standard setting way of expression, and (iii) some disclosures are simplified and streamlined.

The double materiality is not easy to understand for non-specialist. A specific effort should be made to explain the concept with references directly understandable from a practical, day-to-day perspective. SME executives are often very familiar with their sustainability issues and their associated specific transition levers, but a too conceptual and complex description of the materiality assessment may give them the impression that they are not. In our view, a conceptual approach is not fit for purpose in the VSME standard.

- **Certain disclosures should be simplified.**
 - **Disclosure N 2 – Material sustainability matters:** brief description of material sustainability matters, and if applicable, of associated impacts, financial effects and key stakeholders. Deletion of the details on financial effects, as those requirements have been identified as a difficult exercise in the full ESRS, justifying phase-in measures for large companies.
 - **Disclosure N 3 – Management of material sustainability matters:** consolidation of information on stakeholders in the value chain under disclosure N 3 on human rights policies (previously required in different locations of the basic and BP modules) and more generally for all sustainability matters
 - **Disclosure N 4 – Key stakeholders:** moving of information on key stakeholders to disclosure N 2 to avoid redundancies.
 - **Disclosure N 5 – Governance:** disclosure of whether the undertaking has governance in relation to sustainability matters
- **The disclosure of sustainability management should be streamlined under the same disclosure, while covering all the topics addressed in the standard.**

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Q5. 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?

YES

DFCG understands the interest of the module, but finds it too complex for SME to understand without support.that could be costly. Some adjustments are therefore required to enable a large use by SMEs, which is ultimately the key objective. DFCG fears that this voluntary tool may become mandatory, either through a market practice or by law. For that reason, it is of the utmost importance to adapt the content of the disclosure requirements to the capacities of SMEs.

Transition plans is also a very complex exercise even for large companies. DFCG thus considers that a specific effort should be made to highlight a proportionate approach for SMEs, focused on its actions plan to reduce GHG. DFCG considers that assessing the financial impacts generated by physical risks is a difficult exercise for SMEs. Methodological support to carry out these estimates would be necessary to assess the assets as well as the income at risk. It would therefore be appropriate to give concrete examples of these losses of value and in the manner recommended to identify and estimate them.

Sector guidance

Q7. 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.

1. Undertakings applying VSME ED should apply on a voluntary basis existing reporting practices, without specific EFRAG guidance.
2. Undertakings applying VSME ED should apply on a voluntary basis the content of the future Sector ESRS for large undertakings.
3. Undertakings applying VSME ED should apply on a voluntary basis sector specific guidelines and disclosures designed for non-listed SMEs, to be issued by EFRAG as a non-authoritative annex to the future sector-ESRS.
4. Undertakings applying VSME ED could apply on a voluntary basis sector specific guidelines and disclosures applicable to both listed and non-listed SMEs, to be issued asap by EFRAG as a non- authoritative annex to the future sector-ESRS.

DFCG recommends that sectoral disclosures can be adapted to companies of varying sizes and whose impacts and capability of action will be different.

Implementation guidance on sector-specific topics: DFCG totally supports the ANC's recommendation to develop an implementation guidance outlining material sustainability issues per sector in a concise <5-page table format. A first step could be to extract from the list of topics, sub-topics and sub-sub-topics in Appendix B those which are material sector by sector, at least covering the 40 sectors identified by EFRAG; then to complete this exercise as future sector-specific ESRS are published.

In France, lots of professional federations propose labels or guidance initiatives helping companies to identify and work on the most material matters. In addition, a guidance developed by Efrag would add a useful complement and improve comparison through Europe.

Consequently, we believe that this guidance will assist SMEs in seamlessly integrating sector-specific issues into their sustainability reporting and management, without overburdening standards or enduring prolonged waits for the development of sector-specific ESRS.

2. PART 2: Detailed questions on principles and datapoints

a. Principles for preparation

Q8. Do you agree with the proposed Principles for the preparation of the sustainability report in VSME ED?

	Agree	Disagree	Comment
<i>a) Complying with this Standard (paragraphs 9 and 10 in VSME ED)</i>	x		
<i>b) Preparation on a consolidated basis (paragraph 12 in VSME ED)</i>	x		
<i>c) Timing and location of the Sustainability Report (paragraphs 13, 14 and 15 in VSME ED)</i>		X	Flexibility: The management report is not always publicly available for SMEs. Moreover, if the VSME is presented as a standardised tool, the information could be expected online through this tool. More flexibility should be given.
<i>d) Classified and sensitive information, and information on</i>	x		

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<i>intellectual property, know-how or results of innovation (paragraph 16 in VSME ED)</i>			
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Q10. 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

Q11. 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

Q12. 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?

YES

Please refer to our comment on Q7 in favour of a short sector guidance

b. Basic Module

Q13. 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 the table below:

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VSME ED	Comments
<p>B 1 – Basis for Preparation</p>	<p><u>Additional disclosure on key features:</u> The basic module should require the disclosure of the undertaking’s sector(s), turnover (range), and location(s). Especially as this information does not increase the reporting burden as it is already available internally.</p>
<p>B 2 – Practices for transitioning towards a more sustainable economy</p>	<p><u>Additional indicative elements to be included in the "guidance" section:</u> It could, for example, propose that this free paragraph be used to:</p> <ul style="list-style-type: none"> - establish whether the company has defined objectives for the themes listed in Appendix B (list of material issues), - specify whether it has appointed an ESG manager, - whether it has one or more policies in this area, - whether it uses specific ESG labels and certifications (and if so, which ones)
<p>B 6 – Water</p>	<p>It's difficult to apply ERS principles to a services company that operates on site (e.g. cleaning companies), as this issue arises in ERSs without being specific to the VSME ED. It would be useful to include at least one example of this type of activity in the guidance, to reflect the diversity of situations.</p>
<p>B 7 – Resource use, circular economy, and waste management</p>	<p><u>Additional indicative elements to be included in the "guidance" section</u></p> <p>The guidance should clarify how companies that only produce waste that can be assimilated to household waste do not have to provide the waste indicators mentioned.</p>
<p>B 9 – Workforce – Health and Safety</p>	<p>It should be noted that large companies encounter difficulties to determine KPIs regarding work-related accident and ill-health in the CSRD implementation as national provisions differ across the EU. The proposed guidance is not clear enough for SMEs and should more directly refer to the national regulations as it is proposed for the accidents taking place when travelling (para 149). It would be easier to comply with the requirement for the</p>

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	<p>huge number of SMEs whose employees are all located in the country of incorporation.</p> <p>Alignment with SFDR: It should be noted that the calculation formula for the “rate of recordable accident” does not match the corresponding PAI calculation formula in SFDR. In the VSME ED, the denominator is the “number of hours worked in a year by employees”, while in SFDR, it is the “number of employees in the company.” To ensure consistency, the calculation formula should be revised either in the VSME ED or in SFDR.</p>
<p>B 10 – Workforce – Remuneration, collective bargaining, and training</p>	<p>Revision of the disclosure on training (36d): The disclosure of the average number of training hours per employee should be revised, because monitoring the number of training hours may be complex (especially regarding the proposed notions of formal or unformal forms of capacity building, which are too conceptual and unclear for SMEs), and may not necessarily indicate the quality of training or skill development. Instead, it should be required to disclose the share of training expenditure in relation to the total payroll.</p> <p>Revision of the disclosure on minimum wages (36a) the disclosure is unclear in its wording and would benefit from simpler wording, or at least more illustrative guidance. Furthermore, the usefulness of this datapoint is not demonstrated as SMEs are generally operating in the EU, issues on these aspects shouldn’t be frequent.</p>
<p>B 11 – Workers in the value chain, affected communities, consumers and end-user</p>	<p>Deletion of the disclosure on stakeholders in the value chain: This disclosure should be deleted, since none of the current frameworks specifically require this information. Such information is covered by the narrative module under the disclosures of material sustainability matters (including key stakeholders) and of the management of material sustainability matters (including human rights policies) (see response to Q18).</p>

Q14. FOR USERS ONLY: Is there any datapoint(s) missing from this module that you consider as essential to meet your information needs?

No

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Q16. 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

Q17. 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

The disclosure is unclear in its wording and would benefit from simpler vocabulary, or at least more illustrative guidance. In our view, SMEs may have difficulties to understand what they must do.

Q18. 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

This disclosure should be deleted in the basic module, since none of the current frameworks specifically require this information. It should be noted that workers in the value chain, affected communities, and consumers and end-users, are likely to concern a limited number of SMEs due to their limited size and geographical scope.

Q19. In order to help SMEs prepare the sustainability report, specific guidance has been developed for the Basic Module in paragraphs 87 to 167 of VSME ED. Do you think that it is useful for the preparation of the report? Do you think it is sufficient?

YES

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This guidance is useful for the preparation of the report. However, relocating it to hyperlinks within the text would ensure better accessibility and streamlined navigation (see response to Q2).

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

Q20. 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:

VSME ED	Agree / Disagree	Comment
<i>Impact materiality (paragraphs 46-50 in VSME ED)</i>	Disagree	<p>Simplification: The explanation of the materiality approach and principles should be simplified.</p> <p>As VSME is a voluntary standard, it is crucial to adapt the vocabulary in order to facilitate understanding by SMEs' executives who are neither familiar with ESG nor with standard setting way of expression. The standard cannot reach its goal if it is necessary to pay an expert to figure out its content.</p> <p>The double materiality is not easy to understand for non-specialist. A specific effort should be made to explain the concept with references directly understandable from a practical, day-to-day perspective. SME executives are often very familiar with their sustainability issues and their associated specific transition levers, but a too conceptual and complex description of the materiality assessment may give them the impression that they are not. In our view, a conceptual approach is not fit for purpose in the VSME standard.</p> <p>Moreover, it could be presented in the form of a flowchart to illustrate the reasoning that leads to determining whether or not a topic is material due to its impact or its financial consequences. This flowchart would represent as Yes/No choices the filtering of different criteria (severity, probability of occurrence...).</p>
<i>Financial materiality (paragraphs 51-55 in VSME ED)</i>	disagree	As stated for impact materiality, wording shall be reviewed to explain the financial materiality in a day-to-day perspective of the account statements. It wouldn't be detrimental to the objective of consistency with the full ESRS which would be reached with a final

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		sentence stating that there is no conceptual discrepancy with the ESRS approach.
<i>Stakeholders and their relevance to the materiality analysis process (paragraphs 56 and 57 in VSME ED)</i>	disagree	<p>Para 56 could be simplified, the distinction between (a) and (b) are not needed:</p> <p>Stakeholders are those who can affect or be affected by the undertaking, including for instance employees, clients, suppliers, worker representatives, authorities, investors, NGOs, etc., In the sustainability matter assessment, they may inform the list of identified sustainability issues. Dialogue with stakeholders may facilitate the undertaking's understanding of the interests and perspectives of stakeholders related to its business and organisation. SMEs often already have information available from their existing relationships with stakeholders which may usefully be considered."</p>

Q21. The VSME ED requires to perform 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

The explanation of materiality analysis principles should be retained in the standard as voluntary, but conducting a formal materiality analysis process should not be mandatory, in line with the proportionality principle, as SMEs may directly refer to the indicative table of material topics by sector (to be developed by EFRAG). We consider that SMEs, which have not conducted a formal materiality analysis, will be able to provide a concise qualitative description of material sustainability topics, including by referring to the indicative table of material sector-specific topics (to be developed by EFRAG as sectoral implementation guidance for SMEs). SME executives are generally familiar with their specific transition levers.

List of sustainability matters: The content and structure of the list of sustainability matters in Appendix B should be streamlined and simplified. For instance, social topics should be presented by topic only and not broken down by stakeholder.

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Q22. 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

It is difficult to answer with yes or no to this question:

We agree that it is necessary to distinguish between different categories of requirements to enable different types of SMEs to find the good level of effort corresponding to their situation, but those categories could be in a more limited number and with clearer explanations.

the choice to distinguish between "shall" and “may” in a voluntary standard is not helping. As it is consistent with the proposal to require a full application of a module rather than a fully free choice amongst the indicators, DFCG is not opposed to this view. Nevertheless, some stakeholders (large companies, investors...) highlight that any additional KPI is always a progress: for instance, they would consider positively an SME who would comply with the basic module and propose to add progressively overtime a selection of KPIs of the BP list.

Q23. 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?

a) Yes, reporting for financial opportunities should be optional

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

DFCG does not consider that the alternative is fairly dFinancial opportunities are complex to evaluate and may be sensitive information that could be used by the competition. : SME’s may anticipate commercial opportunity, competitive advantages but not a formal financial estimation of these opportunities. DFCG recommends to limit (if too complex or sensitive) the financial opportunity to a general description potential opportunities and a range of magnitude without Euro disclosure..

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

Q25. 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:

<p>N 1 – Strategy: business model and sustainability related initiatives</p>	<p>The description of main business relationships should stay at a category level in paragraph (c). to protect the confidentiality of strategic business relationships</p>
<p>N2 – Material sustainability matters</p>	<p>The qualitative description of the SME’s material sustainability matters provides value for users, but a formal materiality analysis process should not be required for SMEs in line with proportionality principle. It is expected that SMEs refer to the indicative table of material sector-specific topics (to be developed by EFRAG as sectoral implementation guidance for SMEs), and that executives already know their specific transition levers. Detailed description of financial effects on the financial position and performance, and activities and strategy should be removed as overly granular and unnecessary for SMEs. The description of impacts and financial effects should remain qualitative and be phrased as “if applicable”. Some impacts may not have direct financial effects at the strategic level for SMEs, and some financial effects may not be directly triggered by negative impact of SMEs</p>
<p>N 3 – Management of material sustainability matters</p>	<p>In paragraph 60. (b) v., the mention If applicable should be added as it is stated for para iii and iv.</p>
<p>N 4 – Key stakeholders</p>	<p>Key stakeholders: moving of information on key stakeholders to disclosure N 2 to avoid redundancies.</p> <p>Policies on human rights should be required in the narrative module by consolidating B 11 and BP 7 and 8 in one disclosure. SMEs are likely to cover human rights under the same policy, and not to have separate processes by type of stakeholder or mechanism. BP 8 and B 11 follow the same objective and cover the same processes (BP 8 regarding the own workforce of the undertaking and B 11 regarding the value chain). BP 7 encompasses the objectives of both B 11 and BP 8 within a more comprehensive framework.</p>
<p>N 5 – Governance: responsibilities in relation to sustainability matters</p>	<p>Simplify the paragraph to require disclosure stating whether the undertaking appointed responsibilities in relation to sustainability matters. Adapt the vocabulary for SMEs mentioning Board, CEO, CFO, ESG Director...</p>

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e. Business Partners (BP) Module

Q29. 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)”**?

YES

See answer on Q3 to Q13. This will only be possible in certain sectors where SMEs have reliable data.

Q30. 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:

VSME ED	Comments
Disclosure BP BP 3 – GHG emissions reduction target	<p>Disclosure regarding scope 3 raises a difficult question as it represents a very complex exercise for SMEs, but it is, in the same time, a very scrutinised data for several types of stakeholders (subcontractors and financial market participants). For that reason, SMEs should be encouraged to progressively produce this data, only if it is material and relevant in their sector. For that reason, at para 77 should be added the mention “where material.”</p> <p>Besides, we recommend EFRAG to make available to SMEs, a free online tool to estimate their Scope 3 GHG emissions.</p>
BP 4 – Transition plan for climate change mitigation	<p>Transition plans is a very complex exercise even for large companies. DFCG thus considers that a specific effort should be made to highlight a proportionate approach for SMEs, focused on its actions plan to reduce GHG.</p> <p>BP4 should therefore be merged with the disclosure BP 3 as it is unnecessary to distinguish GHG emission reduction targets and</p>

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	<p>transition plan for climate change mitigation at the level of SMEs in line with the proportionality principle.</p> <p>In any case, it would be advisable to provide for a transition period in this difficult exercise. Guidance needs to be strengthened so that SMEs which develop a transition plan can take advantage of it.</p>
BP 5 –Physical Risks from climate change	<p>These indicators seem complex for SMEs, with some data considered difficult to produce even for large companies, and potentially sensitive. Perhaps we should refocus on key sectors or significant assets? Replacing asset-based analysis with site-based analysis would be more practical for SMEs.</p> <p>In any case, the guidance (§ 180) should be developed to provide SMEs with precise, concrete examples of asset and revenue losses and of manner and method recommended to identify and estimate them.</p>
BP 7 – Alignment with internationally recognized instruments	<p>Those international instruments are specifically developed for multinational enterprises and countries, they shouldn't be used for SMEs, as they are obviously not fit for purpose.</p>
BP 8 – Processes to monitor compliance and mechanisms to address violations	<p>It would be relevant to group these three disclosures which are perceived as similar by SMEs</p>
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)	<p>No comment</p>
BP 10 – Work-life balance	<p><u>Deletion of the disclosure on family-leave:</u> This disclosure should be deleted as considered not necessary for users. Furthermore, it covers only one aspect of the work-life balance; all that is related to the day-</p>

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	to-day balance is not covered (certainly because it is not easy to find simple metrics).

Q33. 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”)?

NO

This is more likely to add to the complexity of reading the standard and/or constructing the voluntary report, without providing any real added value neither for preparers nor for the readers.

Q34. Some of the questionnaires of banks and other business partners analyzed 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

Q35. 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 VSME ED. Do you think that it is useful in the preparation of the sustainability report? Do you think it is sufficient?

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YES

This guidance is useful for the preparation of the report. We recommend relocating it to hyperlinks within the text to ensure accessibility and streamlined navigation. Guidance should not appear as other requirement paragraphs, because they are of a different nature. And guidance needs to be developed, particularly on BP 4 & 5 and 7 to 9, as explained above.

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

Q41. Do you agree with the approach taken by EFRAG on the Value Chain Cap?

NO

The success of the standard will only be achieved if the cap works: if it provides a solid basis for SMEs to respond to the requests addressed to them by their business partners, but while remaining pragmatic enough so that SMEs can take advantage of it at a reasonable cost.

In order to clearly define the cap of the demands made on SMEs by their business partners, the content of the two VSME/LSME standards needs to be well aligned. We are therefore in favor of identical content for both standards. The standard for listed SMEs should therefore be aligned with the voluntary standard, with the obvious addition of the elements required for compliance with the directive, such as the green taxonomy.

The single content should become the recognized basis for conversations between SMEs and their business partners on sustainability issues, replacing, unifying and streamlining the multiple questionnaires and requests addressed to them today. However, it would be misleading to suggest that this basis alone will always be sufficient while remaining feasible and not too costly for SMEs. In DFCG's view, it must be prioritised on the aspects able to respond to a large majority of requests and/or priority requests. In other words, the standard should not tend toward a maximum limit, but become the core basis validated by the economic players.

In addition, several companies, both SMEs and major groups, have highlighted the interesting synergies associated with their business relationships when it comes to specific sustainability issues and identified common transition levers. Thus, it is essential that the content of the standard be focused on a coherent and reasonable solid basis and let SMEs have the necessary margins to cooperate with their business partners on specific sustainability issues when necessary.