

CEN-CENELEC Input on the VSME Exposure Draft

20 May 2024

Background

EFRAG is mandated to develop a standard for **listed** SMEs (**LSME**) to report in conformance with (EU) 2022/2464 Corporate Sustainability Reporting Directive (CSRD).

EFRAG is also tasked with developing a **voluntary** standard for non-listed SMEs (**VSME**). This standard aims to be a simple reporting tool used by micro-, small- and medium-sized enterprises (SMEs) to better monitor their sustainability performance and respond to ESG data requests from their business counterparts (i.e., banks, investors, larger companies in the upstream value chain).

EFRAG issued the LSME and VSME Exposure Drafts 22 January for a consultation period ending 21 May 2024. In parallel field testing of the draft standards is taking place with volunteer organizations.

EFRAG will finalize the LSME and VSME deliverables by the end of 2024.

Introduction

CEN and CENELEC and their national Members have a long-standing commitment to providing direct, tailored and local support about standards to SMEs to support their businesses.

CEN-CENELEC acknowledge that the mandatory reporting by micro-, small- and medium-sized enterprises (SMEs) on their environmental, social and governance performance is **not** foreseen in the CSRD (except for listed SME).

We also further recognise that there are clear benefits for both the SMEs themselves, the market and society at large that the SMEs make the first, voluntary steps in reporting on their sustainability performance. In addition, SMEs will be in many cases required to report this information as part of the value chain of organization that are within the scope of the CSRD.

Hence, the creation of a voluntary reporting standard for these SMEs (VSME) is an important opportunity – especially noting that these SMEs make up the vast majority of all businesses.

European standards play an important role to support the success of all businesses, including SMEs. CEN and CENELEC have long-standing commitment and experience through the CEN-CENELEC system to engage and support the SME community in Europe. The input provided through these comments aims to promote awareness about the VSME reporting standards, its accessibility and implementation by SMEs and the support they need to do so..

Whilst the comments from CEN and CENELEC presented here are predominantly intended to be addressed to the VSME reporting standard and its use, most if not all the comments are also relevant to the use of the LSME reporting standard.

Motivation

CEN-CENELEC recognize and align to the objectives of the voluntary SME [draft] Standard (VSME) as a means of supporting micro-, small- and medium-sized undertakings (SMEs) in:

- contributing to a more sustainable and inclusive economy;
 - improving the management of the sustainability issues (benefits and risks) they face;
 - providing information that will help satisfy info requests from lenders/credit providers and investors, therefore aid SMEs to gain access to sustainable finance;
 - helping raise the level of awareness about sustainability and availability of performance-related information, throughout the European economy;
 - implementing sustainability reporting stemming from the VSME and Taxonomy alignment;
-
-

CEN and CENELEC Comments

Comments on the Content of the VSME reporting standard

- **EFRA** to include in the VSME (as already in the LSME) the provision to disclose the use and reliance on European standards:

[from LSME] 'The undertaking may disclose whether it relies on any European standards approved by the European Standardisation System (ISO/IEC or CEN/CENELEC standards) as well as the extent to which data and processes that are used for sustainability reporting purposes have been verified by an external assurance provider and found to conform to the corresponding ISO/IEC or CEN/CENELEC standard.'

Rationale: benefits to SMEs from using European and international standards:

- Provide SMEs with the means to address topics including circular economy, gender balance, and climate change.
 - Enhancing the usability and transparency of VSME framework to simplify the reporting burden
 - In many cases SMEs are familiar with using standards since they have been used in the market for many years.
 - SMEs contribute during the development of CEN, CENELEC, ISO, IEC standards and the standards development process includes checks regarding SME relevance, SME participation and useability by SMEs (CEN-CENELEC Guide 17).
 - The VSME shall include information about the support and benefits available to SMEs from CEN, CENELEC, ISO, IEC standards to that it is coherent and in line with ESRS 2 'General disclosures', the LSME draft, and the (future) sector-specific reporting standards being developed by EFRA.
- **EFRA** shall ensure the final VSME reporting standard reflects the actual needs, capacities and resources of SMEs – SMEs shall be involved in the follow up of the publication consultation feedback on the VSME (and LSME).
-

Comments about supporting the use of the VSME reporting standard

The value and benefits of SMEs measuring, evaluating, reporting and reacting to their sustainability performance is evident. However, for many SMEs the challenges to do so will be daunting – so much so that many will be reticent to even take the first steps to do so.

Therefore, a range of support measures, including building on the practices and experiences of others (such as those of CEN and CENELEC and their Members) should be put in place **by the European Commission**. These include, but are not limited to:

- **Demand-oriented SME Helpdesks and Toolboxes** providing tailored guidance and support to comply with the CSRD in national languages and in line with the national arrangements and local experience. **The CEN-CENELEC Members in 34 countries have established such SME mechanisms/guides? for applying standards.**
 - Establish a network of business associations representing SMEs to promote the adoption of the VSME standard, through a continuous exchange of information about the support available including relevant standards.
 - Make the VSME standard available identically in all European languages.
 - Provide information on the European and international standards identified as supporting CSRD and Taxonomy alignment reporting.
 - Ensure that as sector-specific reporting standards (covering 35 sectors) become available they and information about them is coherent with the use of the VSME, including information on the European and international standards supporting the sector-specific standards.
 - Identify the actual, key challenges for SMEs in deploying the VSME standard, such as access to information, assessment of materiality, calculation methodologies in order to focus supportive measures and actions.
 - Develop support measures, including a checklist and tools to aid reporting using the VSME – inspiration can be taken from the approaches in CEN-CENELEC [Guide 17 Guidance for writing standards taking into account micro, small and medium-sized enterprises \(SMEs\) needs](#).
 - Develop a cross reference link between, VSME Standard, CEN CENELEC standards and IASB-IFRS accounting standards to provide guidance for sustainability
-

performance reporting over time;

- Quantify human and financial resource needs to use the VSME standard in its entirety or part, including:
 - Setting management priorities, plans and operations.
 - Impact of adopting new approaches, e.g., training and cost of new equipment.
 - Measurement, testing and information and data generation.
 - Consultancy.
 - Create forums for regular dialogue between SMEs, business associations representing SMEs, service providers, investor organizations.
 - Collect information on SMEs' experience of using the VSME standard and their feedback and outcomes and benefits to SMEs.
 - Support provision of sector-, technology-, business-specific training and guidance materials for SMEs – in relevant formats (online, printed...) and in all European languages.
 - Ensure a holistic approach to the use of the VSME standard: addressing interests and needs of SMEs and consider bodies they may engage with (many for the first time) including consultants, certifiers, testing organizations, laboratories, financing and investing organizations, upstream/downstream partners.
-

About CEN and CENELEC

CEN (European Committee for Standardization) and CENELEC (European Committee for Electrotechnical Standardization) are recognized by the European Union (EU) and the European Free Trade Association (EFTA) as European Standardization Organizations responsible for developing standards at European level, as per European Regulation 1025/2012. The members are the National Standards Bodies (CEN) and National Electrotechnical Committees (CENELEC) from 34 European countries. European Standards (ENs) and other standardization deliverables are adopted by CEN and CENELEC, are accepted and recognized in all of these countries. These standards contribute to enhancing safety, improving quality, facilitating cross-border trade and strengthening of the European Single Market. They are developed through a process of collaboration among experts nominated by business and industry, research institutions, consumer and environmental organizations, trade unions and other societal stakeholders. CEN and CENELEC work to promote the international alignment of standards in the framework of technical cooperation agreements with ISO (International Organization for Standardization) and the IEC (International Electrotechnical Commission).