

## Executive Summary

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- Eurosif welcomes this consultation on the VSME Exposure Draft. High-quality, comparable, and reliable corporate sustainability-related disclosures are a cornerstone of the EU sustainable finance framework.
- Sustainability-related disclosures are essential for accelerating the transition to a sustainable economy. The European Commission estimates that an additional €700 billion in investments is needed annually to meet the EU's climate targets<sup>1</sup>. A significant portion of these investments will have to be leveraged by the private sector. SMEs represent 99% of all business in the EU, constitute more than half of the EU's GDP and employ about 100 million people, hence they have a very important role to play.
- Disclosing quality, comparable, and reliable sustainability information is useful for companies to improve their reputation, better manage risks and attract further capital. These disclosure standards can help non-listed SMEs access financing from banks, private equity, venture capital and impact investors in particular.
- Voluntary standards have the potential to reduce the burden for companies as otherwise they would be receiving different questions from investors and in particular banks to fill in, each time requesting different information. A voluntary SME standard will hopefully make these questionnaires redundant if it includes the information business partners need.
- While we are calling for the standard for listed SMEs to be kept as aligned as possible to the sector agnostic standards for large companies to ensure comparability and investor protection, we fully agree that real corner-shop SMEs need much simpler and bespoke standards. These voluntary standards need to balance the information needs of investors – for example for compliance with other EU regulations – with the capacity of non-listed SMEs to execute detailed reporting to be successful. At the same time, to the extent possible, we suggest VSME follows the structure of the ESRS Set I and in particular the LSME standard. This would increase the usability of the reports by ensuring information is easily comparable, machine readable and accessible. We believe this would also be also beneficial to the reporting companies for several reasons. Firstly, as companies grow and moving on the funding escalator, it would be easier for them to adjust to the LSME standard and then to a standard for large companies. Secondly, some well-intentioned simplifications, resulting in some information not being disclosed, could lead to the opposite result when investors or other business partners continue to send bespoke questionnaires if the information they require is not included in the

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<sup>1</sup>[https://finance.ec.europa.eu/document/download/ff44591e-9d83-4027-a079-f3fe23bbaf41\\_en?filename=240129-sf-platform-report-market-practices-compendium-report\\_en.pdf](https://finance.ec.europa.eu/document/download/ff44591e-9d83-4027-a079-f3fe23bbaf41_en?filename=240129-sf-platform-report-market-practices-compendium-report_en.pdf)

sustainability reports prepared in line with LSME ESRS. Finally, there seem to be some open questions around the interaction between standards. For example, when an SME which is part of a group still wishes to report as a standalone business, eventually the investor would need to work with two different standards. Also, significant differences between the standards, especially in the structure, could create challenges regarding machine readability and how it would work in the European Single Access Point (ESAP).

- VSME standards should include all SFDR, climate benchmarks and Pillar 3 indicators (so EU data) and ensure their coherence with the corresponding indicators that are included in ESRS Set I rather than adjusting their scope. This is the case of BP-7, BP-8 and BP-9 which address policies, processes and violations respectively that concern UN Guiding Principles and OECD Guidelines. In the VSME, the scope of these disclosures is limited to the own workforce, whereas in the SFDR they cover all material impacts. This should be addressed.