

Questionnaire VSME Exposure Draft

EFRAG Public Consultation – January 2024

Q9. Additional question on Complying with this Standard. Undertakings should indicate which modules or which combination of modules they expect to use. This question aims at better understanding the market acceptance as a fundamental aspect of the standard on the two different sides of users and preparers (please refer to BC5 in Annex 2 *Basis for conclusions for VSME ED*). In this context, how do you anticipate to make use of the modular approach:

[MULTIPLE SELECTION POSSIBLE]

MULTIPLE SELECTION ALLOWED]

IF PREPARER:	Basic Module	Basic Module + Narrative Module	Basic Module + Business Partners Module	All 3	Rationale for your answer
Specify which approach(es) you would consider when applying VSME ED					Modules 2 and 3 contain demands that are sophisticated for the vast majority of SMEs (materiality analysis, alignment of decarbonisation trajectories with the Paris Agreement). In addition, all information must be disclosed, which is not possible/discouraging for most SMEs.

IF USER:	Basic Module	Basic Module + Narrative Module	Basic Module + Business Partners Module	All 3 Modules	Rationale for your answer
Specify which approach(es) you deem most appropriate to cover the information needs you require					



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

Yes/No.

If Yes, please specify the datapoint(s) and provide a rationale for your answer.

An important datapoint to disclose could be on the legal form and ownership of the undertaking. Such a datapoint should figure at the beginning of the VSME and require undertakings to explain whether they are incorporated, a partnership or self-employed. For the digitalisation of the VSME, that could create the specific applicable drop-down menus.

We propose the following:

"The undertaking shall disclose to understand its ownership, whether it is incorporated, a partnership or a sole proprietorship.

The disclosure shall include:

(a) The undertaking's legal form;

(b) A description of the ownership structure;

(c) In case of a company a description of roles and responsibilities of its owner or manager(s)."

Q31. FOR USERS ONLY: Disclosures in this module are reported if applicable, with the exception of BP 5, 7, 8, 9, 10 that are omitted when considered not material. Do you agree with this approach?

Yes/No/Please explain your answer.

Every datapoint should be reported *if applicable*. First, because a majority of preparers are not legally required to do what the VSME asks for. Secondly, this tool being voluntary, it will only discourage entrepreneurs to use it if they are placed in a position where they seem forced to reply to something they don't know or don't have to do.

Q40. If you want to provide additional comments in a document on aspects not covered in the questionnaire, please upload your file here.

SMEUnited insists the VSME should be the cap, not the LSME. The LSME requires a granular level of information that may be impractical for SMEs, given their limited resources and specific challenges. Compared to the VSME, the LSME requires two to three times more datapoints. Moreover, its lengthy (over 200 pages), technically worded format, and complex structure render it difficult to access for the market.

The LSME was prioritised by the European Commission following the sector-agnostic standards for



large undertakings to promptly reduce the reporting burden on SMEs, given the increasing demands for ESG information from financial market participants and large clients. When determining which datapoints to report, careful consideration should be given to the primary objective of reducing the burden on SMEs, alongside the evolving landscape of transparency requirements in sustainable finance.

Direct users do not need all information that is currently required through existing questionnaires. The LSME does not cater to the needs of users either due to the reasons outlined previously, including the lack of sector-specific information and the overly granular nature of the sector-agnostic information.

