

May 21, 2024

EFRAG  
35 Square de Meeûs  
1000 Brussels (fifth floor)  
Belgium  
Attention: Patrick de Cambourg, Chair

**RE: Exposure Draft Voluntary standard for non-listed small- and medium-sized undertakings (VSME ED)**

Dear Mr. de Cambourg,

We write in response to the EFRAG Board's request for feedback to the proposed *Exposure Draft Voluntary standard for non-listed small- and medium-sized undertakings (VSME ED)* to support micro-, small- and medium-sized undertakings in sustainability related matters.

**About the International CFO Alliance**

**CFO Alliance is a collaborative network of CFO Associations with the objectives to:**

- Foster closer co-operation between participating organizations within the CFO Alliance;
- Maintain International CFO Work Groups on 1) Climate and Sustainability Reporting 2) Automation and Digital Transformation and 3) International Tax;
- Collect and represent the views of CFO Associations, on issues impacting the CFO community, to international standard setting organizations and authoritative policy making bodies, such as the IFEA, the US SEC, EFRAG, and the IFRS Foundation;
- Share best practice in CFO association management;
- Share local news and events from participating CFO Associations.

Our mission is to develop a collaborative network of CFO Associations that can serve as a collective voice on matters of mutual interest and concern, and in this way contribute to the efficiency of financial markets around the world, whilst ensuring a sustainable future for all.

Our work serves the public interest by fostering a culture of co-operation, sharing of ideas, and contribution to solving global issues affecting the CFO profession.

The alliance (originally formed in December 2021) of CFO organizations from Europe, Africa, and Latin America collaborate in areas of mutual interest to support the finance and accounting profession.

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**The associations represented by the International CFO Alliance include:**

- Association Marocaine des Consolidateurs Financiers – [AMCF](#) (Morocco),
- Associazione Nazionale Direttori Amministrativi e Finanziari – [ANDAF](#) (Italy),
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- Association Tunisienne des Contrôleurs de Gestion et des Responsables Financiers – [COGEREF](#) (Tunisia),
- Association des Directeurs Financiers et de Contrôle de Gestion – [DFCG](#) (France),
- Association of Chief Financial Officers Germany – [GEFIU](#) now CFO Forum Deutschland e.V. (Germany),
- Instituto Argentino de Ejecutivos de Finanzas, [IAEF](#) (Argentina),
- Instituto Mexicano de Ejecutivos de Finanzas – [IMEF](#) (Mexico),
- Portuguese Association of Financial Executives – [PAFE](#) (Portugal),
- Chartered Institute for Business Accountants – [CIBA](#) (South Africa),
- Hellenic Association of Chief Financial Officers – [SEODI](#) (Greece), and
- several groups from UEMOA West Africa.

Our main comments, incorporating outreach with our membership, for your consideration on the impact of the proposed *Exposure Draft Voluntary standard for non-listed small- and medium-sized undertakings (VSME ED)* are set out below and detailed comments to many of the questions in the Request for Feedback document, where relevant, are set out in Appendix A.

**Main comments:**

Broadly, we strongly support the objective of simplifying sustainability management and information reporting for micro, small and medium- sized entities. This principle is essential for these entity types to avoid financial and resource burdens that they are often unable to manage within their existing means. We further recognize the challenges associated with these constituents which are commonly part of wider value chains, where sustainability information requirements are required from other value chain entities, including those reporting under other sustainability standards including ERAG's LSME or ESRs, or other international sustainability reporting standards.

We have the following summary comments:

1. Value Chains: the value chain concept entails interdependence between actors who are creating value. By inference, this would also result in obligations imposed on one of the actors, especially if it is an influential one, determining obligations (albeit indirectly) for minor actors, whether or not those minor actors are ready to support said requests. Moreover, within the value chain one needs to consider the influence of stakeholders such as banks and investors, who can cause a change in

production processes (by virtue of their capital allocation decisions) and thus need to be considered when defining material and necessary information on sustainability matters.

2. Metrics: When considering appropriate sustainability metrics, it is important to recognise that the standard proposed often becomes a reference point for market requests to companies and, for this reason, it is necessary that the standard in this regard aligns as closely as possible actual market requests. In this context, the scale modules of the proposed VSME standard do not reflect what an SME will need to apply, for example, business partners module requests and for its own business continuity. The three modules are best contemplated with respect to the totality, containing essential elements which are likely to reflect requests that could come from larger companies and other entities along the value chain, such as banks. A gap between ESRS and LSME standard and the VSME standards, given that all entity types are part of the same value chain, may create ensuing metrics interdependence.

We hope that you find these comments helpful in assessing the readiness and suitability of the Voluntary standard for non-listed small- and medium-sized undertakings in protecting the public interest in this significant community of business entities. If you wish to discuss them in more detail, please contact the undersigned at [siege@dfcg.fr](mailto:siege@dfcg.fr). We would also be happy to meet with the EFRAG staff to further discuss our comments should you require it.

Sincerely yours,

International CFO Alliance (ICFOA)



David Wray

Chair, ESG Working Group

## Appendix A

### A) PART 1: General Key Questions (CRITICAL)

#### a. Objective, simplifications, and modules

***Please refer to the text of VSME ED in Annex 1 and to the text of Basis for conclusions for VSME ED in Annex 2.***

**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, we agree with the objective and its intent.*

**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.

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

*No, we believe that the basic module lacks completeness when a VSME is currently or will become a value chain entity for larger PIEs or listed entities, for instances with respect to some necessary information requests under SFDR or the value chain requirements of the ESRS. The three modules entail elements that are necessary for market requests.*

**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?

*No, we believe it is partially proportionate. As noted in Q2, the Basic Module risks being incomplete for market driven requests. We suggest considering the following minimum datapoint requirements:*

- *LSME – DR E1-2-GHG Intensity based on net revenue*
- *LSME – DR E1-1- Energy intensity based on net revenue*
  - *Business Partners Module - Disclosure BP 6 – Hazardous waste and radioactive waste ratio*
  - *Business Partners Module - Disclosure BP 9 – Violations of OECD guidelines by multinational enterprises or the UN Guiding Principles (including the principles and rights set out in the eight fundamental conventions of the ILO Declaration and the International Bill of Human Rights)*
  - *Business Partners Module - Disclosure BP 8: Processes to monitor compliance and mechanisms to address violations*
  - *Business Partners Module - Disclosure BP 2 – Gender diversity ratio in governance body*
  - *Business Partners Module - Disclosure BP 1 – Revenues from certain sectors*
- *LSME - Disclosure Requirement S1-9 – Incidents and severe human rights impacts Paragraph 47 (a)*
  - *Narrative PAT Module - Disclosure N 3 - Management of material sustainability matters*
  - *Narrative PAT Module - Disclosure N 2 – Material sustainability matters*
  - *Narrative PAT Module - Disclosure N 4 – Key stakeholders*

**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?

*No, absent some information elements on policies, objectives/goals and actions it may be prohibitively difficult for a company to trace its sustainability path and it follows that materiality assessments are the basis for meaningful sustainable planning and acting.*

**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, we agree, however we believe that many elements of the BP Module should be part of the Basic Module, because they will be immediately required of VSME entities when they are a player within value chains where other entity players require said information for their own reporting obligations.*

**Q6. FOR USERS and PREPARERS ONLY:** Kindly indicate the proportion of ESG questionnaires or other ESG information requests that are used to collect data from SMEs (both for reporting and managerial purposes) that could be replaced if the SMEs provide the information covered by the three modules of the VSME ED.

- **Below 20%; 20-50%; 50% -80%; above 80%**
- **Please explain what items are missing and your rationale.**

*Within the range of 50%-80% (as noted in Q5), we believe the following elements are missing:*

- *LSME – DR E1-2-GHG Intensity based on net revenue*
- *LSME – DR E1-1- Energy intensity based on net revenue*
- *LSME - DR S1-9 – Incidents and severe human rights impacts Paragraph 47 (a)*

## **b. 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.

### **[PLEASE SELECT ONE]**

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 should apply on a voluntary basis sector specific guidelines and disclosures applicable to both listed and non-listed SMEs, to be issued by EFRAG as a nonauthoritative annex to the future sector-ESRS.

Please note that your answer will be complemented by question 13 on the additional dimension of reporting including sectors.

*We support approach 4, Undertakings applying VSME ED should apply on a voluntary basis sector specific guidelines and disclosures applicable to both listed and non-listed SMEs, to be issued by EFRAG as a nonauthoritative annex to the future sector-ESRS.*

## B) PART (Detailed questions on principles and datapoints, complements part 1)

### a. Principles for preparation

**Please refer to the text of VSME ED in Annex 1.**

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

Principles for the preparation of the sustainability report (Basic Module, Narrative-PAT Module, Business Partners Module)			
	Agree	Disagree	Comment
a) Complying with this Standard (paragraphs 9 and 10 in VSME ED)	Agree		
b) Preparation on a consolidated basis (paragraph 12 in VSME ED)	Agree		
c) Timing and location of the Sustainability Report (paragraphs 13, 14 and 15 in VSME ED)		Disagree	Other document references may increase fragmentation and reduce information comparability
d) Classified and sensitive information, and information on intellectual property, know-how or results of innovation (paragraph 16 in VSME ED)	Agree		

**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]**

IF PREPARER:	Basic Module	Basic Module + Narrative Module	Basic Module + Business Partners Module	All 3 Modules	Rationale for your answer

Specify which approach(es) you would consider when applying VSME ED				X	As noted throughout, each option in isolation lacks some indicators that will certainly be required of micro, small and medium entities by other entities within the value chain
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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				X	As noted above, individual options lack some indicators that will certainly be required of SMEs by other entities in the value chain

**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, we agree with this approach.*

**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, we agree with this approach.*

**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, we agree with this approach.*

#### **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:

VSME ED	<b>IF PREPARER:</b>  <b>Feasible / Difficult to prepare /Already disclosed under other reporting schemes or regulations</b>  <b>(i.e. EMAS)</b>  <b>If answer is Difficult to prepare: Please explain the challenge and what would help you to prepare this disclosure.</b>  <b>Optional Comments.</b>	<b>IF USER:</b>  <b>This disclosure is essential/Not necessary</b>  <b>Optional Comments.</b>	<b>IF OTHER RESPONDENT: Do you have comments on the inclusion and content of this disclosure?</b>
Disclosure B 1 – Basis for Preparation	<i>Lacks Feasibility, as explained in Q2</i>		
Disclosure B 2 – Practices for transitioning towards a more sustainable economy	<i>Difficult to prepare</i>		<i>Sustainability training which is often difficult for an SME to obtain at a reasonable cost or in a reasonable time.</i>
B 3 – Energy and greenhouse gas emissions	<i>Feasible</i>		
B 4 – Pollution of air, water and soil	<i>Feasible</i>		<i>Note: The risk of losing comparability and creating fragmentation by referencing other documents.</i>
B 5 – Biodiversity	<i>Feasible</i>		
B 6 – Water	<i>Feasible</i>		

VSME ED	<b>IF PREPARER:</b>  <b>Feasible / Difficult to prepare /Already disclosed under other reporting schemes or regulations</b>  <b>(i.e. EMAS)</b>  <b>If answer is Difficult to prepare: Please explain the challenge and what would help you to prepare this disclosure.</b> <b>Optional Comments.</b>	<b>IF USER:</b>  <b>This disclosure is essential/Not necessary</b>  <b>Optional Comments.</b>	<b>IF OTHER RESPONDENT: Do you have comments on the inclusion and content of this disclosure?</b>
B 7 – Resource use, circular economy, and waste management	<i>Feasible</i>		
B 8 – Workforce – General characteristics	<i>Feasible</i>		
B 9 – Workforce - Health and Safety	<i>Feasible</i>		
B 10 – Workforce – Remuneration, collective bargaining, and training	<i>Feasible</i>		
B 11 <sup>1</sup> – Workers in the value chain, affected communities, consumers and endusers	<i>Difficult to prepare</i>		
B 12 – Convictions and fines for corruption and bribery	<i>Feasible</i>		

<sup>1</sup> This datapoint was not identified in any of the questionnaires analysed by EFRAG Secretariat but was inserted to keep consensus based on the recommendation by some EFRAG SRB members.

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

*Yes, there are data points we believe are missing. We would suggest adding the following ones:*

- LSME – DR E1-2-GHG Intensity based on net revenue
- LSME – DR E1-1- Energy intensity based on net revenue
  - Business Partners Module - Disclosure BP 6 – Hazardous waste and radioactive waste ratio
  - Business Partners Module - Disclosure BP 9 – Violations of OECD guidelines by multinational enterprises or the UN Guiding Principles (including the principles and rights set out in the eight fundamental conventions of the ILO Declaration and the International Bill of Human Rights)
  - Business Partners Module - Disclosure BP 8: Processes to monitor compliance and mechanisms to address violations
  - Business Partners Module - Disclosure BP 2 – Gender diversity ratio in governance body
  - Business Partners Module - Disclosure BP 1 – Revenues from certain sectors
- LSME - Disclosure Requirement S1-9 – Incidents and severe human rights impacts Paragraph 47 (a)
  - Narrative PAT Module - Disclosure N 3 - Management of material sustainability matters
  - Narrative PAT Module - Disclosure N 2 – Material sustainability matters
  - Narrative PAT Module - Disclosure N 4 – Key stakeholders

**Q15.** B3 to B7 require disclosure of environmental performance metrics. There are other schemes used by SMEs requiring reporting of similar metrics, such as the European Eco-Management and Audit Scheme (EMAS – Regulation (EC) No. 1221/2009). Do you see any potential for better alignment with those other reporting schemes?

*Yes, we believe that Scope 3 emissions reporting is missing, this measure is directly relevant for the value chain of PIEs and listed companies reporting under ESRS, for instance, and there are additionally other indicators required by SFDR that should be included such as those listed in Q14*

**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?

*Yes, we believe this requirement will provide relevant and comparable information.*

**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 particular requirement will be necessary to comply with market requests from non-SMEs subject to the ESRS.*

**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?

*No, we believe this is not sufficient for the reasons previously detailed in 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>	<i>Agree</i>	
<i>Financial materiality (paragraphs 51-55 in VSME ED)</i>	<i>Agree</i>	
<i>Stakeholders and their relevance to the materiality analysis process (paragraphs 56 and 57 in VSME ED)</i>	<i>Agree</i>	

**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?**

*Yes, we agree with the approach because the list of material matters is connected with the concept of risk management, it aids in understanding whether appropriate risk management initiatives have been implemented.*

**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 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?

*No, we believe that some mandatory elements need to be added which correspond to the ones required by non-SMEs under the EU Delegated Act to align reporting needs*

**Q24.** Do you agree with the proposed principles for the preparation of the sustainability report for the Narrative-PAT and Business Partners Module in VSME ED? Please include your feedback in the table below:

Principles for the preparation of the sustainability report (Narrative-PAT Module, Business Partners Module)			
	Agree	Disagree	Comment
a) Time horizons (paragraph 40 in VSME ED)	Agree		
b) Coherence and linkages with disclosures in financial statements ((paragraph 41 in VSME ED)	Agree		

#### 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:

VSME ED	USER = This disclosure is essential/Not necessary  PREPARER= Feasible/ Difficult to prepare/ Already disclosed under other reporting schemes or regulations	OTHER RESPONDENTS:
Disclosure N 1 – Strategy: business model and sustainability related initiatives	<i>Essential</i>	
Disclosure N 2 – Material sustainability matters	<i>Essential</i>	
Disclosure N 3 – Management of material sustainability matters	<i>Essential</i>	
Disclosure N 4 – Key stakeholders	<i>Essential</i>	
Disclosure N 5 – Governance: responsibilities in relation to sustainability matters	<i>Essential</i>	

#### 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)”**?

**FOR PREPARERS ONLY:** Is this disclosure feasible?

*Yes, note the datapoints required are necessary to meet the value chain and market requests but would benefit from simplification into a structured standard scheme.*

**Q32.** With reference to **disclosures BP 7, BP 8 and BP 9**, the objective of these three disclosures is to assess the SME's commitment to respecting human rights. The ED has used the terms in the Sustainable Finance Disclosures Regulation (SFDR), applicable to the financial market participants (for example banks), for consistency purposes. Are there alternative disclosures covering the same objective regarding the human rights of own workforce and that are more suitable than these disclosures?

*No, we do not believe there are alternative disclosures covering the same objectives.*

**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, we do not believe that such disaggregation is beneficial or cost effective for entities as it is not aligned with the natural operating model.*

**Q34.** Some of the questionnaires of banks and other business partners analysed 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 bestperforming alternative.

Do you think that VSME ED should include this additional datapoint to cover EU-Taxonomy disclosures?

*Yes, we believe affected SMEs should include this additional data point.*

**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?

**Yes/No/Please explain your answer.**

*No, it is insufficient because this module in isolation will not satisfy expected value chain or market requests.*

**Q36. FOR USERS ONLY:** Are there any datapoint(s) missing from this module that you consider as essential to meet your information needs?

*We believe that the following additional data points are required to meet such information demands:*

- *LSME – DR E1-2-GHG Intensity based on net revenue*
- *LSME – DR E1-1- Energy intensity based on net revenue*
- *LSME - Disclosure Requirement S1-9 – Incidents and severe human rights impacts Paragraph 47 (a)*
- *Narrative PAT Module - Disclosure N 3 - Management of material sustainability matters*
- *Narrative PAT Module -Disclosure N 2 – Material sustainability matters*
- *Narrative PAT Module - Disclosure N 4 – Key stakeholders*
- *All the Basic Module datapoints*

**Q37. FOR USERS ONLY:** Appendix C of VSME ED reflects the SFDR, Benchmark, Pillar 3 datapoints in VSME ED. This is to support particularly banks and investor to compare the data between SMEs and larger clients and to allow for aggregation. Is Appendix C clear?

*Yes, we believe appendix C is clear.*