
EN EFRAG “VSME” A01
MH/EDJ/AS

Brussels 21 may 2024

**OPINION
ABOUT
A VOLUNTARY STANDARD ON SUSTAINABILITY REPORTING FOR NON-LISTED
SMEs**

DISCLAIMER

This questionnaire supports the development of the Exposure Draft for a Voluntary Standard for nonlisted SMEs ('VSME ED'). The purpose of this consultation is to collect feedback from a variety of stakeholders on its content.

The VSME ED is the result of EFRAG SRB and SR TEG discussions and includes inputs from EFRAG Expert Working Group and the EFRAG VSME community as well as stakeholders outreach events. This work benefits from the research conducted by the SME working group "Cluster 8" of the EFRAG Project Task Force on European sustainability reporting standards.

The following background documents are included in the package (Annex 1 and 2 available [here](#)) to help respondents framing their responses:

- **Annex 1: VSME ED**
- **Annex 2: Basis for conclusions for VSME ED** illustrating the reasoning behind the content of the ED.
- **Annex 3: Approach to Value Chain Cap in ESRS LSME ED and VSME ED** ([link](#))

Deadline for answer is 21 May 2024 (EoD).

SURVEY INTRODUCTION

Thank you for taking the time to complete this survey.

The purpose of this survey is to receive feedback from constituents on the VSME ED. The feedback will be collated by EFRAG Secretariat and analysed by EFRAG SR TEG and SRB to finalise the VSME draft for delivery to the European Commission ('EC').

Why VSME? EFRAG's work on a voluntary standard for non-listed micro, small and medium undertakings is outside the Corporate Sustainability Reporting Directive (CSRD).

As specified in the EC Q&A accompanying the adoption of the Delegated Acts ESRS in July 2023, EFRAG is developing a simpler, voluntary standard for use by non-listed SMEs to enable *non-listed SMEs to respond to requests for sustainability information in an efficient and proportionate manner* as well as to facilitate their participation in the transition to a sustainable economy. The EC SME Relief Package of September 2023 refers to the VSME ED as a measure to support SMEs in *accessing sustainable finance* and to reduce the reporting obligations by 25%.

VSME ED will allow non listed SMEs (including micro) to face growing requests for ESG data and to lower the entry barrier to reporting. In addition, undertakings with no company statute (self-employed) are expected to use this VSME. The benefits of VSME will depend on market acceptance and recognition that the VSME ED is suitable to replace a substantial part of the various questionnaires (from lenders, corporates, investors) currently used to collect such information from SMEs.

Micro, small and medium undertakings are in number the vast majority of enterprises in Europe.

General approach to users' needs: When answering to the questions in this Survey and assessing the appropriateness of the proposed disclosures, respondents are invited to consider the perspective of the users' needs of this particular ED (users being primarily SMEs' business partners, i.e. lenders, other investors, corporates) and to take into account the capacities of the SMEs, especially as they are not in the scope of the CSRD. Such information is also expected to support the perspective of public interest.

In this questionnaire, if not differently specified, the terms “SMEs” and “undertaking(s)” refers to nonlisted micro, small and medium undertakings in the scope of VSME ED.

If you have no opinion on a question you can skip the question.

INFORMATION ON SURVEY PARTICIPANT

First Name : M a r c _____

Last Name : H o o g m a r t e n s _____

Name and Type of organization (Preparer, User, Other) :

- **Preparers** are identified as those which choose to prepare a sustainability report under the VSME ED.
- **Users** are identified as those using the sustainability information produced by applying VSME ED (in particular those are investors, lenders, large undertakings as SME's value chain partners).
- **If preparer**, please specify whether you are a:
 - Micro undertaking (below 10 employees)
 - Small undertaking (between 10 and 50 employees)
 - Medium undertaking (between 50 and 250 employees)
 - Small practitioner accountant (SMP) working with small and medium-sized enterprises (SMEs)
 - o Business / Sector, international/ European or national organizations (as proxy for SMEs)
 - Specify which sector.
- **If user**, please specify whether you are:
 - User of sustainability reporting information (e.g. bank or investor)
 - Large undertaking as SME's business partner o Rating Agency (as proxy for user)
 - Public authority in processing sustainability information for tenders
 - Business / Sector, international/ European or national organizations (as proxy for SMEs) ▪ Specify which sector.
 - Small and medium sized enterprise (SME) as SME's business partner
- **Other:**
 - National or European authority/Standard Setter
 - Non-Government Organization ("NGO")
 - Unions/Worker representatives
 - Academic or research institution
 - Accountant/Consulting services/Assurance provider
- **Other (please specify)**
High Council for the Self-employed and the SME (Belgian federal advisory council)
- Situation of the High Council for the Self-Employed and the SMEs

The High Council for the Self-Employed and SMEs is a Belgian federal advisory council established by the law of 24 April 2014 on the organization of the representation of the self-employed and the SMEs. It brings together more than 190 professional and interprofessional organizations recognized by the Belgian government that defend the interests of the self-employed and the small and medium-sized enterprises (SMEs). The High Council has existed in its current form for more than 70 years. He has three missions.

The High Council acts as the voice of the Belgian self-employed, liberal professions and SMEs. According to the Belgian definition, SMEs are those companies that are referred to as micro and small enterprises in the context of the European SME definition. The High Council fulfills this role, among other things, by providing formal advice, primarily to the relevant Ministers of the Belgian federal government, but also to the Belgian Parliament and to the European authorities. The opinions of the High Council cover all possible facets of the working life of self-employed persons and SMEs: general SME policy, professional regulations, commercial practices, the problem of late payment, administrative simplification, etc.

The High Council also has representative powers in the sense that it delegates representatives to management or advisory bodies of various socio-economic bodies. The High Council thus appoints representatives of the self-employed and SMEs in about thirty official bodies.

Finally, the High Council also forms a consultation platform for the self-employed and SMEs.

The High Council is included in the joint transparency register of the European Parliament and the European Commission under registration number 59919253482-83.

"Other" respondents can choose to respond either as Preparers (proxy) or as Users (proxy). In this case, in addition they can provide complementary comments to cover the other perspective, using the last open question in Part 2 of the questionnaire.

Main country of operations (choose from menu)

Belgium

Main sector of operations (choose from menu)

(Public) Services

Depending on the group you have selected, you will be asked different questions.

SURVEY STRUCTURE

This survey is structured as follows:

A) Part 1 : VSME ED – General key questions (CRITICAL, please consider answering all questions) (If you only wish to complete Part 3, please page through the questionnaire to there)

B) Part 2 : VSME ED – Detailed questions on principles and datapoints in the 3 modules (**ADDITIONAL, please complement your answers in part 1 by answering part 2 as much as possible**) (If you do not wish to complete this part, please page through to Part 3 on the Value chain cap or the submission page as relevant).

C) Part 3 : Value chain cap (Separate section on the role of VSME and LSME in respect to the trickle-down effect) value chain cap as determined by the ESRS LSME) (Please note that here you are requested to choose whether you want to respond in brief on this topic or in a more detail. Please note that the questions on the value chain cap here are the same as in the LSME questionnaire in part A2 and if you respond to both questionnaires, you do not need to repeat your answers).

You can choose to answer any part alone or in combination with the other parts.

SURVEY INSTRUCTIONS

Some questions in the survey will appear depending on your previous answers or choices. You will now be able to save your responses before final submission. **Please note that EFRAG only considers completed surveys - partial submissions cannot be technically processed. You will receive an email with your response on submission.**

QUESTIONS

A) PART 1 : General Key Questions clés (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/No/Please explain your answer.

Yes. We agree with the standard setting objective as SMEs will need a structure to start their own reporting and also to be able to provide data to the entities in scope of the CSRD for which they represent value chain actors.

However, the objective could be more clearly formulated, with less intricate sentences.

It should be better explained and motivated that it can also be used by SMEs that are not (yet) asked by business partners to prepare sustainability reports on a voluntary basis. In addition, it should be mentioned that it is likely that sustainability reports will also be requested by public authorities in the framework of public procurements, subsidies, permits,... This explanation given in Q1 taking into account our comments should be mentioned in para 1 of the VSME (Objective of this standard and to which undertakings it applies)

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?

Yes/No/Please explain your answer.

No. The basic module should also be the entry level for small and medium enterprises. The Business Partners module should not as it is stated now to be used when an SME faces data requests from its business counterparties. In principle the basic module should be sufficient for the majority of the cases to also fulfill data requests from the SMEs counterparts. If necessary it could be completed with a limited number of additional questions from either financial sector (possible split investors-lenders) and/or large businesses. (See also Q33)

It will depend on the input from the public consultation if the Basic Module is not sufficient and which Data Points in the Business Partners module are necessary for the financial sector and/or larger companies. But there should be only one module, apart from the Narrative module.

The Narrative Module should in the standard come at the end and as proposed to be used by SMEs that have already some formalised policies.

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/No/Please explain your answer.

If answer is NO, please indicate the relevant disclosure.

No in the sense that it is not written in our view in simplified language and that some disclosures are too complicated and not acceptable for SMEs (see our specific comments on the data points and Guidance). It is also, cfr our reply to Q2, not to be considered solely as a starting point. It should be in principle sufficient to satisfy most of the information requests. We agree however with the common sense principle that certain disclosures are only required if the undertaking considers them “applicable” and that there is no need for a materiality analysis.

It is noted that the metrics are still very demanding for micro or small entities (for example, the carbon footprint calculation remains a complex methodology even for scope 1, which may require the involvement of a consultant. We therefore recommends the use of more examples of how to approach metrics.

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/No/Please explain your answer.

Yes. We note that there is no specific guidance on the narrative PAT module and believe this would be a useful addition.

The PAT Module should be presented as the third part in the structure and not as the one between the Basic and the BusinessPartner Module as it is actually the case. Or as we suggest as the second, next to the Basic Module that has been transformed to serve also the Business partners needs.

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/No/Please explain your answer.

No, it is in its totality too complex and too costly for an SME and certainly not to be considered as a possible feasible standard for the majority of SMEs to be used when banks/business partners need information. However we can accept some of the requests if there is a justified need to. For more details we refer to our specific comments on the standard and Guidance.

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.**

Not applicable. Cf. question 39.

b. Objective, simplifications and modules

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.

We are not in favor of this question as it is not possible to answer it properly at the moment as there are too many uncertainties. It will all depend on the final content of the VSME and its acceptance by the market as well on the discussions on the sectoral standards.

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

Please provide your comments, if any.

We believe that LSME are often very similarly organized as non-listed SMEs. We therefore think that it would be useful to develop sector-specific guidance applicable to both LSME and VSME .

**B) PART 2: Details questions on principles and datapoints
(ADDITIONAL, to complement 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) | | | |
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| | Agree | Disagree | Comment |
| a) Complying with this Standard (paragraphs 9 and 10 in VSME ED) | | Disagree | <p>Para 9 a) starts negatively by mentioning “negative impact”. To formulate it more positively we suggest to replace “likely to affect” by “can have”.</p> <p>Para 10: In our view this para is mixing two issues: 1. The objectives of the standard and 2. How one should make the report. As the standard states that “<i>The sustainability report shall provide information that is comparable</i>”, it implies an obligation which cannot be guaranteed, as it is not mentioned to what it should be compared with and it will depend on what others will put in their reports to be able to judge if it is comparable. Probably the aim of this metric is a message to the preparers that the report has to provide indeed information that is relevant, faithful, understandable (although this is also a subjective issue) and verifiable. Another interpretation of comparable could be: comparable with the previous year, but then it should be better phrased. (argument see para 17!).</p> |
| b) Preparation on a consolidated basis (paragraph 12 in VSME ED) | Agree | | <p>We agree that it is recommended to prepare on a consolidated basis as it leaves the choice to the SME itself. <u>However it has to be guaranteed that this choice whatever it will be is respected by its business partners.</u></p> <p>In addition this para 12 should become para 16, meaning to figure at the end of this section as it only</p> |

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| | | | applies to a minority of SMEs. |
| c) Timing and location of the Sustainability Report (paragraphs 13, 14 and 15 in VSME ED) | Agree | | <p>We support the disclosure of sustainability information in the management report under condition that para 13 will be rephrased: ... “shall be ideally be prepared on an annual basis as business partners will need it annually. “</p> <p>Para 14: should provide a “click trough” feature to check if national legislation requires a management report.</p> <p>We welcome <u>para 15</u> as it is the application of the “once only principle”.</p> |
| d) Classified and sensitive information, and information on intellectual property, know-how or results of innovation (paragraph 16 in VSME ED) | | Disagree | <p>We believe that it is important that the use of this exemption is clearly mentioned in the report</p> <p>The sentence “<i>The undertaking may omit such classified or sensitive information if a) the information has commercial value because it is secret and b) the publication will likely negatively affect the financial performance or position of the undertaking</i>” has to be skipped. Conditions a) and b) are unacceptable and not justified at all. In addition we see already a tendency that business partners under the pretext of “sustainability information reporting needs” are asking for information not necessary for their sustainability reporting but for their other commercial activities.</p> |

[PER EACH ‘DISAGREE’: please explain your reasoning]

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:

Cf. question 39

[MULTIPLE SELECTION ALLOWED]

| IF PREPARER: | Basic Module | Basic Module + Narrative Module | Basic Module + Business Partners Module | All 3 Modules | Rationale for your answer |
|--------------|--------------|---------------------------------|---|---------------|---------------------------|
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| Specify which approach(es) you would consider when applying VSME ED | | | | | |
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[MULTIPLE SELECTION ALLOWED]

| 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 | | | | | |

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/No - Please explain your answer.

Yes. We support the preparation of a consolidated sustainability report to reduce the administrative burden on SME groups.

What is the difference with Q8 b)?

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/No - Please explain your answer.

While the issue raised is relevant, the question as such is not correct. Indeed as there is no obligation that applies to SMEs, one can also not speak of an exemption. Subsidiaries of non listed SMEs are simply not in the scope of the CSRD neither. The question to be asked is if SMEs should apply consolidated sustainability reporting or not. We would recommend to leave this choice to the SME itself. However it has to be guaranteed that this choice is respected by its business partners.

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/No - Please explain your answer.

Yes. Additional information: we can agree if voluntary and a recommendation. We suggest however to use instead of “appropriate” to write “recommended” or even “always welcomed”. But it may never lead to a situation that SMEs have to report the same information as large companies. We fear that this could be the case when “issues that are common in the undertaking’s sector issues” are interpreted too broadly. It will consequently be necessary to clearly define in the standard the meaning of what “issues that are common in the undertaking’s sector” are.

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 | IF OTHER RESPONDENT: Do you have comments on the inclusion and content of this disclosure? |
|---|---|
| Disclosure B 1 - Basis for Preparation | <p>Para 21 a) as already mentioned before we do not agree with the proposed concept. The Basic Module should suffice to report to business partners for most SMEs. The more “advanced” can use in addition the Narrative Module (but should be called differently).</p> <p>Para 21 b) individual basis should be mentioned first before consolidated basis (argument: more common)</p> <p>Para 21 c) should be “... IF covered...”</p> |
| Disclosure B 2 - Practices for transitioning towards a more sustainable economy | <p>No justification is given why philanthropic activities may not be mentioned. It is voluntary, so one may mention what seems important. We insist that this should be possible and that the reference to philanthropic activities is skipped. In any case nobody can forbid or sanction an entrepreneur to mention it.</p> |
| B 3 - Energy and greenhouse gas emissions | <p>it could be difficult for SMEs to provide the information on Scope 1 emissions from controlled sources</p> <p>This metric should be kept very simple. Requesting annual electricity, gas and heating oil consumption (in MWh, or in liters) (para 24) is certainly acceptable and feasible as everybody can find these data on its energy bills or delivery notes. We see also room to ask instead/also for the building energy performance certificate and/or the vehicle emission standard.</p> <p>We wonder why one has to give its total energy consumption and in addition its estimated greenhouse gas emissions. The total energy</p> |

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| | <p><u>consumption should suffice.</u></p> <p>The request on GHG emissions (para 25) from energy consumption, the draft standard refers to a Protocol, see https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf. This is a document of around 116 pages in English only that “should be considered” when disclosing its estimated gross greenhouse gas emissions. No further detail is given on what in the document should be considered. One cannot expect from an entrepreneur to read such a document (which takes at least a working day). While we welcome and recommend even the link to external documents for further details and information when necessary (see for example B5), we cannot agree that any reference is made to any kind of extensive external annexes. SMEs are not going to constantly click through to external links or external documents, and if they do they will give up when they see that they have to read through more than 110 pages!</p> <p>Here we propose to refer to simple GHG calculation tools and that allow for a simple GHG emission estimate based on consumption data of gas, electricity, fuel oil, etc..... Such freely available tools are already available but we suggest to refer to a general accepted standardised tool, to be provided by the European Commission as soon as possible (thus before the end of 2024).</p> |
| B 4 - Pollution of air, water and soil | <p>The draft para 26 states that “The undertaking shall disclose, if applicable, the pollutants (with respective amounts) it emits to air, water and soil in its own operations, that it is required by law to report to competent authorities (e.g. under the Industrial Emissions Directive and the European Pollutant Release and Transfer Register) or that it already reports according to an Environmental Management System such as Eco-Management and Audit Scheme (EMAS). If this information is already publicly available, the undertaking may alternatively refer to the document where it is reported, for example, by providing the relevant URL link or embedding a hyperlink. “ As many, for not saying a majority of the SMEs, do not have to report their emissions to the competent authorities, it is only logic that the drafts states “if applicable”. We agree with this para. In addition not many SMEs do have an EMAS certification, due to its complexity. There are also very few SMEs that have another certified environmental management system (ISO14001 or another one).</p> |
| B 5 - Biodiversity | <p>This metric requires specific knowledge of concepts that will probably be unknown to a large proportion of the potential user base for the VSME. This metric should be simplified</p> <p>In line with our general comment that “general issues” should come first (see above) this metric should come together with B4 at the end of the metric module.</p> |

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| | <p>There is a contradiction between para 27 that states that land-use “<u>shall</u>” be disclosed and para 29 “<u>may</u>” be disclosed. In our opinion land-use “<u>may</u>” be disclosed.</p> <p>In <u>para 27</u> reference is made to “ecosystems”, but this is nowhere further mentioned under B 5 and no metrics are requested on this issue. This can consequently be skipped.</p> <p>In <u>para 29</u> the words “<i>such as</i>” should also be skipped, to ensure legal certainty as nothing else on land use can/should be disclosed.</p> <p>Taken into account what has been mentioned we propose <u>to merge para 27 and 28.</u></p> <p><u>Para 28:</u> biodiversity sensitive areas: the information on what is a biodiversity sensitive area, provided in the Guidance para 118 and 120, is absolutely insufficient for an average entrepreneur. The future VSME should provide (for example through a click through function in the template) a direct link to the national/regional biodiversity sensitive areas. (It has to be noted that the link to “Natura 2000” does not work in the document, so we cannot check its content. Link to site of KBA is only in English and not detailed enough to be able to see if an undertaking site is near a sensitive area. Unesco link is misleading what has Grand Place Brussels (and other urban Unesco protected areas) to do with biodiversity?).</p> <p>The concept "Biodiversity sensitive areas" raises many questions: does it refer to only European protected nature, such as NATURA2000 areas, or also nationally/regionally protected nature? The Guidance does not offer any information on this, on the contrary. It refers for example to Appendix D of Annex II to Commission Delegated Regulation (EU) 2021/21398. This Regulation does not exist... probably it is Delegated Regulation (EU) 2021/2139 ...but if you have scrolled through a 349 pages document you will discover that there is the same sentence as in para 118, (For sites/operations located in or near biodiversity-sensitive areas including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas...), so not adding any useful information while one would have expected to read more information on what is meant with “other protected areas”.... (Reference in Appendix A Defined terms is correct, but does also not give any further information on the scope of biodiversity sensitive areas). The term "Biodiversity sensitive areas" should be better and more exact defined.</p> <p><u>Guidance para 120:</u> this para states that “<i>For the purposes of this [draft] Standard, the term ‘near’ should be interpreted as meaning an area that is (partially) overlapping or adjacent to a biodiversity sensitive area</i>”. This is a more than necessary precision. However this should be specified in the standard itself not in the Guidance. See our proposal below for B5. In addition, “<i>adjacent</i>” should be interpreted in its strictest sense and not referring to a certain perimeter.</p> <p><u>Guidance para 121:</u> we reject the reference to EMAS guidance on how to calculate and report land use. Only a tiny minority of undertakings are using EMAS and are familiar with it. One cannot expect from entrepreneurs to dive into EMAS (and by the way nowhere any detail is given where one can find in EMAS the information) on their own in a legislation that is not applicable to them. We also do not see what kind</p> |
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| | <p>of Guidance on the requested data is needed. In case this would be necessary, this should be explained in the Guidance.</p> <p><u>Appendix A Defined terms</u>: the definition given of “land-use” is completely not understandable. It is simply a juxtaposition of some sentences without any linkage.</p> <p><u>Our proposal for B5 – Biodiversity</u></p> <p><u>Proposed new text:</u></p> <p>Para 27. “ <i>The undertaking shall disclose, if applicable, metrics related to its impacts on biodiversity by disclosing the number and area (in hectares) of sites that it owns, has leased, or manages in or near biodiversity sensitive areas.</i>”</p> <p>Para 28 “<i>For the purposes of this [draft] Standard, the term ‘near’ should be interpreted as meaning an area that is (–partially) overlapping, overlapping or adjacent to a biodiversity sensitive area.</i>”</p> <p>Para 29 “<i>The undertaking <u>may</u> disclose the following metrics related to land-use such as:</i></p> <p>(a)...</p> <p>...</p> <p>(d)....”</p> |
| B 6 - Water | <p>Para <u>30</u> is confusing. As mentioned before the situation of an undertaking with different sites should be mentioned separately and always as a final point or in an additional part of the standard.</p> <p>Para 30 is confusing for the majority of undertakings that are located at one site. Indeed the standard states that “<i>in addition, the undertaking shall separately present the amount of water withdrawn at sites located in areas of high water stress.</i>” There is only one site, so only one amount to declare. So we propose the following something like: “<i>If applicable the undertaking shall declare if the sites is located in an area of high water-stress</i>”. The format / template should take this into account and foresee a separate location in that case to declare the amount of water withdrawal.</p> <p>Para 30 should be more precise in order to avoid that the entrepreneur has to refer to the Appendix A Definitions. In addition there is no need to use the term “<i>organisation (or facility)</i>”, as it is here used for the first time in this sense and not defined, instead of “undertaking”. We recommend to integrate the definition of appendix A in Para 30 (can be consequently be skipped in the appendix and become shorter).</p> <p><u>Proposed new text:</u></p> <p>30. “<i>The undertaking shall disclose its total water withdrawal, i.e., the amount sum of <u>all</u> water drawn into the boundaries of the organisation (or facility) undertaking from all sources for any use over the course of the reporting period; in addition, the undertaking shall separately present the amount of water withdrawn at sites located in areas of high water - stress. in addition, If applicable the undertaking shall declare if the sites is located in an separately present the amount of water withdrawn at sites located in areas of high water stress.</i></p> |

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| | <p><u>Guidance 123 and 124.</u> The status of “Rainwater” is not clearly defined. According to Guidance 123 “Rainwater collected by the undertaking is not considered as water withdrawal”. Guidance 124 states that “Collected rainwater can be considered in the calculation of water consumption, as a separate input from water withdrawal”. What does “as a separate input from water withdrawal” mean?</p> <p><u>Guidance 127</u> states that “The undertaking may provide additional explanatory information <u>to contextualise</u> its water withdrawals or consumption.” One should avoid difficult words, such as “contextualise”. In addition its use here is not necessary. The sentence can be simplified as follows: “The undertaking may provide additional explanatory information to contextualise about its water withdrawals or consumption”</p> <p><u>Guidance para 128</u> : The example given is not fitted for the majority of SMEs as they do not have different sites. The example should apply to a undertaking with one site. In addition it does not show where the amount of collected rainwater should be mentioned.</p> <p><u>Guidance para 129:</u> The guidance for determining if the undertaking operates in an area of high water stress is not sufficient. It refers only to one available tool, the WRI’s Aqueduct Water Risk Atlas. This tool is not detailed enough and only in English, so not usable for entrepreneurs. In addition one cannot expect entrepreneurs to use this kind of tools, which you need to explore. As mentioned already, the necessary information should be provided in the language of the entrepreneur per country / region. We also fear that the areas of high water stress cannot be clearly defined at local/regional level as different definitions are used due to the local situation.</p> <p>In order to streamline and consequently limit the reporting obligations and use as much as possible existing reporting obligations it would be recommendable to assess the different existing national obligations in this regard and to take them better into account in this standard. (For example in Flanders (B) anyone consuming more than 500m³ of water (big-users) per year pays a levy on this and must <u>submit</u> an annual <u>declaration of their water consumption</u>. This kind of declarations could then be used in the standard. (Once Only Principle))</p> |
| B 7 - Resource use, circular economy, and waste management | <p>Para 32 is narrative. In the Guidance it is not well described what is expected. Consequently is it not clear at all what should be reported according to para 32. Guidance should be provided on the “how”.</p> <p>Para 33: point (a) and (b): “if” should be changed in “when”.</p> <p>Para 33 (a) and (b): Reporting recycled content is doable for e.g. an undertaking that produces for example its own products (a.o. plastic recycling), i.e. for real production companies, but not for companies that use (imported) plastics etc.. use for packaging, among other things. For plastics, packaging, products, etc imported and further</p> |

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| | <p>used in the production process/business process, one does not know what the "recycled content" is.</p> <p>Para 33 (c) and (d) : here reference to the invoices (and tonnages) of the waste collection company should suffice. However for some activities (services...) the amount of waste is negligible (only a few batteries, paper,...). Reporting (and keeping track of) the weight of this waste would be ridiculous (e.g. 5 AAA batteries...of with one should weight or calculate the volume!!!)</p> <p>The text of the Guidance 131 is too complicated and should give useful and practical guidance and information. The sentence with reference to McArthur Foundation and Commission should be skipped as it is not relevant and useful information for an entrepreneur.</p> <p>Guidance Para 135. Waste: instead of indicating the weights of some hazardous waste (such as batteries, fluorescent lamps,...) which will be neglectable and too burdensome to keep a record on, the undertaking could suffice by stating that, (if applicable of course) batteries, fluorescent lamps, etc are always diverted to recycle.</p> <p>Guidance para 136: It is not clear at all what hazardous waste for an SME can be. The reference to Annex III of directive 2008/98/EC is not sufficient. First of all the text of this Annex should be provided in the Definition itself (or through a link), but in addition for the different hazardous characteristics such as 'Flammable', 'Irritant' 'Harmful', 'Toxic', etc... it should be made clear how they can be recognised as having these characteristics, for example by adding the respective pictograms. It would also recommendable to give more practical examples of what hazardous products can be (eg. Fire alarms,...)</p> |
| B 8 - Workforce – General characteristics | <p><u>Para 34:</u> "<i>If applicable</i>" has to be added as also self-employed with no personnel are in the scope of the VSME.</p> <p>There is no problem to provide this information, but it is normally already reported according to other obligations. The gender disclosure seems to us not necessary. Need for "once only principle" and "click-through" function.</p> <p><u>Para 34: c)</u> "country if applicable" can be misleading: does it mean country of origin of the employee or country where the employee is employed? (thus in the case the undertaking has subsidiaries in another country). Should be reformulated as follows: "<i>if applicable : headcount of employees per subsidiary. "</i> or "<i>in case of subsidiaries in multiple countries, the headcount per country</i>".</p> <p>A suggestion for the future digital template to be developed could be that in the beginning of the report the undertaking should indicate if it has subsidiaries in other countries. If you click yes, automatically questions dealing with this situation (such as 34 c) should automatically appear. If one does not reply "yes", these questions should not appear.</p> <p>The <u>Guidance provided (para 138 -143)</u> and the Guidance on how to present information about employees' contract types for example, where all hours worked by employees must be reported, is actually much more complex than it appears.</p> |

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| | <p>Do we mean actual hours worked, or also hours treated as benefits (holiday, illness, etc.)? Hours worked by employees, or also by students, apprentices, freelancers...?</p> <p>To ensure that the burden remains limited, we propose to limit the answer to this question to reporting the contractually provided working hours from the employment contract (how much full-time, how much part-time).</p> <p>However on “gender” we would suggest to add “<i>as communicated by the employee to the employer</i>” to avoid discussion on this issue.</p> |
| B 9 - Workforce - Health and Safety | <p><u>Para 35.</u> “<i>If applicable</i>” has to be added as also self-employed with no personnel are in the scope of the VSME.</p> <p>This disclosure asking for data on ‘recordable work related accidents’ and the ‘number of fatalities as a result of work related injuries and work related ill health’. These are indeed important data with a huge impact on the employees and the undertaking in general. We have however strong reservations to include these metrics in the VSME.</p> <p>Indeed, this KPI will vary a lot between sectors and /or activities due to the fundamental difference in accident risks (physical activities - seated activities). This is why this KPI would only be comparable within the same sector and should thus not feature in this sector-agnostic reporting standard.</p> <p>Also, no distinction is made between minor and serious workplace accidents. At the very least, it should be clarified that this refers only to serious workplace accidents. A 'minor accident' could then be defined as “<i>an accident that resulted in neither loss of wages nor disability (temporary or permanent) for the victim, but only required care that was administered immediately after the accident at the place of performance of the employment contract.</i>”</p> <p>In addition, the concept of an accident at work or work-related ill health is legally defined in each country by the insurance system that compensates claims. Definitions vary widely from one country to another. The more demanding the country in terms of obligations, the more the local insurance system accepts a broad and "generous" definition of accident and illness, the more easily it accepts to recognise declared accidents and illnesses, the more it compensates them, and the "worse" the company's “results”. In other words, the more favourable the system is to victims, the worse the statistical results of companies. Commuting accidents should be excluded as the employer has no impact at all on it and they are not at all linked with the activity of the undertaking.</p> <p>‘Commuting accidents’ have nothing to do with sustainable business practices (bicycle accidents that lead to absences certainly occur more than car accidents, but bicycles are more sustainable).</p> <p>If our requests are not taken into account, it will be necessary and essential to foresee in the report template in any case that the disclosure of the required information will be preceded by a formal warning to</p> |

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| | <p>the reader pointing out on those two issues (sector relation and that the definition can vary). If this warning is not included, the information disclosed may be misleading and unreliable.</p> <p>We also strongly advocate to apply the ‘once only principle’ as in some countries some undertakings have already to report on workplace accidents (E.g. In Belgium through the annual report of the internal service for prevention and protection at work and minor accidents do not have to be reported...)</p> <p><u>Guidance para 150</u>: “Mental illness” (is this burn-out?) can never be considered an occupational disease because work is not the main cause of the disease. Indeed, work is never the sole cause of these illnesses. Other personal aspects or circumstances in the private sphere also play a role (to a greater or lesser extent). Moreover, today there is also no unambiguous diagnostic and sufficiently transparent definition of what exactly burnout is. There is also still no consensus on how to diagnose burnout. Therefore, this illness should not and cannot be included.</p> <p><u>Additional comments</u>: On the Guidance, more specifically: para 144-146 and 149.</p> <p>We ask to provide only the number of accidents. In our opinion, the percentage does not provide any additional information, and anyone interested in the percentage can calculate it themselves. Cf. comment on previous question regarding the number of hours.</p> |
| B 10 - Workforce – Remuneration, collective bargaining, and training | <p><u>Para 36</u>: “<i>If applicable</i>” has to be added as also self-employed with no personnel are in the scope of the VSME.</p> <p><u>Point a)</u> states “<i>when a significant proportion of employees</i>”. It is not clear at all what “<i>significant</i>” means and this leads to legal uncertainty. The Guidance in Para 152 states that “<i>it refers to the majority of employees in the undertaking without considering internes and apprentices</i>”. This is clear, so we propose to replace in para a) the words “<i>when...employees</i>” by “<i>when the majority of employees are compensated...</i>”. The Guidance can then be skipped as internes and apprentices are not employees and be added in the Appendix A: Defined terms to the definition of employee.</p> <p>The <u>Guidance (para 153)</u> mentions the “<i>lowest employment category</i>.” It is not at all clear what this means and needs to be explained.</p> <p><u>Point b)</u> Such requests only applicable to a minority of undertakings, should, as mentioned already before, come always at the end of the relevant metric. (b) has to be rephrased as the actual phrasing can mislead an undertaking below 150 in the sense that it <u>will</u> indicate the percentage. Point b has to be reformulated (and become point (d)) as follows: “<i>in case the undertakings has more than 150 employees, the percentage gap in pay between its female and male employees</i>”.</p> |

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| <p>B 11¹ - Workers in the value chain, affected communities, consumers and endusers</p> | <p>It has to be noted that the questionnaire in a footnote to this disclosure states that: “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.”</p> <p>We would like to stress that a disclosure in the VSME should not be added “to keep unanimity in EFRAG SRB” but to respond to a real need of the SME business partners to be able to fulfill their reporting obligations based on the CSRD and possibly on other European legislations. And even then only under condition that the disclosure is proportionate and relevant to the capacities and the characteristics and the scale and complexity of their activities. Not more and not less. As already stressed the VSME is not aimed to fulfil the so-called “information needs” of other stakeholders.</p> <p>It should in any case remain a voluntary disclosure. Having said this, the metric para 37 is difficult to understand. In addition there is no Guidance foreseen. It should be explained how SMEs can respond to this requirement in a proportionate way: how to detect and evaluate “negative impacts”, what are negative impacts. What are “impacts”? (See also Q18)</p> |
| <p>B 12 - Convictions and fines for corruption and bribery</p> | <p>While we would welcome the inclusion of information on corruption and bribery, as data shows that 34 % of companies see corruption as a serious problem, we are against the inclusion of the proposed metrics concerning convictions and fines for corruption and bribery. It is not acceptable that one should be obliged to publish its convictions, some of them are not even mentioned on someone’s criminal record. What is not asked from the biggest criminals should certainly not be asked from an enterprise. It would be a precedent that a person would be obliged to make public its convictions and punishments. Only a judge can normally decide as part of the punishment that the conviction has to be published somewhere. Finally we are of the opinion that so far there are not that many convictions amongst SMEs. If it is really important information for the business partner to know, the SME can always be asked to provide this information bilateral and confidential, but the publication is not necessary (and once again: the VSME is there to cope with the trickle down and not to inform other stakeholders). It would be better to ask for something positive than negative, for example <u>if</u> it has a policy in place to prevent and detect corruption and bribery. The standard should provide examples to illustrate the information to be provided. However most toolkits to help companies are not tailored to SMEs. For an SME, there are no off-the-shelf solutions to express its responsibility towards corruption practices. Any SME approach must reflect the personality of the company manager, the company culture and the specifics of its activity sector. It should also be proportionate to the resources of the SME.</p> |

¹ 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.

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| | <p>Guidance para 164- 167: is consequently to be rejected. Besides para 164 and 165 are not adding any additional information and should be in any case skipped. In para 166 it is not clear to which “individual” reference is made... Para 167: a penalty is always mandatory in our opinion....</p> |
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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.

Not applicable (see below)

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/No/Please explain your answer.

No, we would also like to contest the general statement in the question that “*EMAS is used by SMEs*”. Also EMAS is too complicated. Although it has some sections which try to simplify it for SMEs, it is still too complicated, burdensome, and costly for them (and also even for large businesses): this is why there so few EMAS registered companies in the EU. It is an instrument that one can only apply with the help of an external consultant and that it is certainly too much for a micro and for a small business. The environmental impacts of most microbusinesses are not so relevant to justify its introduction with all the red tape and the costs associated to it.

EMAS is not to be recommend for micro and small businesses. However, it is very difficult to remove its reference because EMAS was set up by the EU Commission taking as a basis ISO 14.000 and making it more stringent to achieve a better environmental performance.

Efforts should be made to implement simple environmental management systems. Are there any alternatives? The EU would only recognise formal, documented environmental management systems (which are based on the wrong approach for micro and small businesses: they follow the quantitative approach, by which everything must be measured and documented on paper, while for micro and small businesses the best would be the qualitative approach, by which the authorities check that the result is achieved without imposing a documented procedure). Therefore, the only one available is ISO 14.000, which is still too expensive and bureaucratic but less than EMAS.

See also Q 28. Similar question.

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/No/ Please explain your answer including references to the relevant legislation.

Yes. We refer to the work accident act of April 10, 1971.

We note that this question is not relevant at all as the question itself states that the categorization of work related accidents is regulated by national legislation...It is not because a national legislation includes commuting accidents in the definition of work related accidents, that a standard cannot exclude them. See our comments on B9 for further details.

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/No/Please explain your answer.

Yes, it will relevant and comparable information. However the basic/entrance wage will vary in function of the country. What in situations with only female employees? Adequate wages is too complex concept.

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?

Yes/No/Please explain your answer.

Yes. We agree that there is a need for SMEs to consider and potentially disclose value chain information. However introducing the concept of materiality only for B11 could complicate understanding of SMEs.

The way this is formulated now, is it in line with the United Nations Guiding Principles on Business and Human Rights ?

See our comments on B11. The content is not clear.

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/No/Please explain your answer or add suggestions.

Yes, useful and necessary but see above our General Comments and our specific comments made alongside the Basic Module disclosures. Some Guidance needs to be substantially improved. It has to give direct access to the necessary information in the national language, be short and

concise. One should not be obliged to read hundreds of pages to understand a disclosure (as it is now the case). Some other Guidance can be simply skipped as it is repetitive and does not give any additional information. Some elements should be added in the guidance such as a guidance on B11 to help SMEs to report on their value chain. We also consider it really relevant to add further practical examples in the guidance.

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 |
|---|------------------|--|
| Impact materiality (paragraphs 46-50 in VSME ED) | Disagree | This part, with the exception of Para 56 and 57, is <u>not at all understandable or adapted to be used by SME entrepreneurs</u> . The concept of (double) materiality is too complex to be used by SMEs, as it is for the public in general, and should consequently <u>be skipped in its integrality</u> . |
| Matérialité financière (paragraphes 51-55 de l'exposé-sondage sur les micro-environnements) | Disagree | Cf. above |
| Les parties prenantes et leur importance dans le processus d'analyse de la matérialité (paragraphes 56 et 57 du document VSME ED) | Agree | It has to be stressed again that SMEs are NOT in the scope of the CSRD. Consequently the VSME is there only to help the SME owners to cope with the “trickly down” effect and constitutes a standard to reply only to the information requests of their business partners and not at all of other stakeholders. Para 56 and 57 are only relevant when the undertaking prepares the Narrative Module. |

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?**

a) **For all respondents: Yes/No/Please explain your answer.**

No, we reject that the VSME ED requires to perform materiality analysis in order to disclose which of the sustainability matters listed in Annex B (*probably it is meant Appendix B*) are material for the undertaking. We also reject any reference to the ESRS 1. This Appendix is only a long list of words without any further information or explanation about their exact meaning and scope and not apt for use by non-experts. It is only acceptable as an addendum to the Narrative Module.

See our comments on Appendix B. It is proof of the top down approach of the ones that have drafted the VSME ED.

b) **For users only:** Is the list of material matters essential for you?

Yes/No - Please explain your answer.

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/No/Please explain your answer.

No, We fully agree with the notion "*report only if applicable*" as it is the logic itself. Not applying this notion would add completely unnecessary administrative work for entrepreneurs. However we do not agree with what is stated in Q22 namely that "*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 organization.*". Indeed para 25 of BP 5 states "if applicable", while in BP 5, 7, 8, 9 and 10 "if applicable" has to be added as the authors of the draft standard have forgotten that also self-employed with no employees fall in the scope of the VSME.

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).

a). Yes, reporting for financial opportunities should be optional

Please explain your answer.

The possible answers and their justification given in the questionnaire are misleading and lead to confusion. We do agree that financial opportunities have been included only on an optional basis in VSME ED. However not because of the CSRD focused on negative impact when addressing SMEs. As it is a voluntary standard it is up to the SMEs what they disclose, taken into account their capacities and time constraints. SMEs are not in the scope of the CSRD so they are also not addressed. However listed SMEs are addressed and there is indeed only a focus on negative impacts, which we regret.

Answer b meaning No to the question is in fact giving a justification for answer a).

Our answer is: reporting for financial opportunities should be optional as it is not needed for non-listed SMEs and there is a focus on negative impacts of SMEs.

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) | | | |
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| | Agree | Disagree | Comment |
| a) Time horizons (paragraph 40 in VSME ED) | X | | Para 39: this para can be skipped as it is simply repeating the title of the section. Para 40: we agree with the proposed time horizons |
| b) Coherence and linkages with disclosures in financial statements (paragraph 41 in VSME ED) | X | | Para 41: This para mentions “financial statements and other regulatory reports”: It is preferable to write “financial statements and / or other regulatory reports”. It should be explained what should be understood under “other regulatory reports”. In addition robust guidance should be given on how in a feasible way for SMEs “the information could be presented in a way that facilitates the understanding of the linkages that exist with the information reported in the financial statements”. |

[PER EACH ‘DISAGREE’: please explain your reasoning]

Please add your comments, if any.

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

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 | OTHER RESPONDENTS: Do you have comments on this disclosure? |
|---|---|
| Disclosure N 1 - Strategy: business model and sustainability related initiatives | <p>Para 58. (a) and (b): no problem to provide this. In our view this should be part of the Basic Module, to identify the undertaking. In addition the undertaking should indicate if it is incorporated or not.</p> <p>Para 58 (b): it should be clarified what is meant with “operating in countries”: does it also include the countries an undertaking is exporting to.</p> <p>Para 58 (c): it cannot be the case that the key suppliers are mentioned nominative or can be identified as this is part of the business secrets.</p> <p>It should be clarified what “customers distribution channels” means, what is the scope?</p> <p>It should also be clarified what has to be reported on “consumers”. (see 56 and 57)</p> <p>Para 58 (d): guidance should be given on what could be mentioned under “key elements of the undertaking strategy that relate to or affect sustainability matters”.</p> |
| Disclosure N 2 - Material sustainability matters | Question only for the SME itself. |
| Information N 3 - Management of material sustainability matters | / |
| Disclosure N 4 - Key stakeholders | / |
| Disclosure N 5 - Governance: responsibilities in relation to sustainability matters | / |

Q26. FOR PREPARERS ONLY: If you anticipate that you will apply the Narrative-PAT module, have you implemented policies, actions and targets (PAT) and/or climate transition plans due to requests of counterparties in the value chain?

Yes /No - Please explain.

Not applicable.

Q27. FOR USERS ONLY: Are there any datapoint(s) missing from this module that you consider as essential to meet your information needs?

Yes/No - Please specify the datapoint(s) and provide a rationale for your answer.

Not applicable. Cf. question 39.

Q28. N3 requires the disclosure of policies, actions and targets to manage material sustainability matters. There are other schemes used by SMEs requiring reporting of similar information, such as the European Eco-Management and Audit Scheme (EMAS – Regulation (EC) No. 1221/2009) regarding environmental policies, actions and targets. Do you see any potential for better alignment with those other reporting schemes?

Yes/No - Please explain your answer.

No.

The general statement in the question that “*EMAS is used by SMEs*”. Also EMAS is too complicated. Although it has some sections which try to simplify it for SMEs, it is still too complicated, burdensome, and costly for them (and also even for large businesses): this is why there so few EMAS registered companies in the EU. It is an instrument that one can only apply with the help of an external consultant and that it is certainly too much for a micro and for a small business. The environmental impacts of most microbusinesses are not so relevant to justify its introduction with all the red tape and the costs associated to it.

EMAS is not to be recommend for micro and small businesses. However, it is very difficult to remove its reference because EMAS was set up by the EU Commission taking as a basis ISO 14.000 and making it more stringent to achieve a better environmental performance. Therefore we ask to accept and to recognise easier environmental management systems and to attempt to introduce EMAS as a reference whenever there is a chance. Are there any alternatives? The EU would only recognise formal, documented environmental management systems (which are based on the wrong approach for micro and small businesses: they follow the quantitative approach, by which everything must be measured and documented on paper, while for micro and small businesses the best would be the qualitative approach, by which the authorities check that the result is achieved without imposing a documented procedure). Therefore, the only one available is ISO 14.000, which is still too expensive and bureaucratic but less than EMAS.

(Same reply as to Q15)

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/No - Please explain your answer.

No.

We agree that Scope 3 emissions are relevant metrics for SMEs working towards net-zero and a potential demand from the supply chain. However, taking into consideration resource constraints and a relative lack of power up and down their value chain, many SMEs will find it very difficult to obtain accurate Scope 3 emissions figures. This is one area where we believe that an EU GHG emissions calculator would be extremely useful so that SMEs could provide an comparable approximation of their Scope 3 emissions based on an EU agreed methodology.

Para 69: scope 3 is not doable for an SME, as they will in general not have the possibility nor the power to get this information from their value chain. Although it is mentioned “depending on the type of activities”, this is too vague. This request for information can only be accepted in some very specific cases and should be part of the sector specific standards.

Para 70: *indirect GHG emissions that derive from an undertaking’s value chain, upstream.... and downstream of the undertaking’s operations (e.g., transport and distribution of the undertaking’s products, use of sold products, investments, etc).*

This disclosure is very far-reaching. If one want to report on this at all, one would have to click through to external documents, such as Corporate Value Chain (Scope 3) Standard | GHG Protocol and others. And if does that, one is not there yet, because those documents refer to others, so one has to click through, read through, download PDFs, etc..... Perhaps scientifically trained people from specialized study bureaus will do that, but it will take a lot of time and a lot more money and an SME entrepreneur will never (be able to) do that himself....

Para 69, 70 and 71 should be skipped.

FOR PREPARERS ONLY: Is this disclosure feasible?

Yes/No - Please explain your answer.

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 | Comment (FOR ALL CATEGORIES OF RESPONDENTS) |
|---|--|
| Disclosure BP1- Revenues from certain sectors | <p><u>Para 74.</u> The disclosures of revenues from certain sectors requested in BP 1 are not at all problematic for SMEs. In our view it <u>can even be added to the Basic Metric Module without any problem</u>. It should then be put at the end of the Basic Module or in the beginning to identify the undertaking (if a digital format will be available, the BP should only appear if applicable). However the words “and/or” in this para should be replaced by “or”. (Please note that in the Guidance these words are not repeated and does not give guidance).</p> <p><u>Para 74 (a):</u> States that “Controversial weapons such as...”. The use of the words “such as” indicate that there are more / possible more controversial weapons than the ones mentioned. It cannot be left to the interpretation, individual opinion of the entrepreneur/prepare if a weapon is controversial. Consequently the words “such as” should be skipped to ensure legal certainty. <u>Guidance para 169</u> in its entirety does not add any useful information. Point a) and b) are simply repeating what is already mentioned in BP 1, so it does not give any guidance. On the contrary it is time consuming to read. In</p> |

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| | <p>addition the whole sentence about why controversial weapons are prohibited should be skipped as it is not relevant and is only adding text.</p> <p><u>Para 74 c)</u> For our member organisations, (and the broader European SME context) the most and probably only relevant sector in this context that comes into play here is the distribution of fossil fuels (including transportation, storage and trade. This point c) is however not well formulated. It gives the impression that an undertaking selling oil has also to give a disaggregation of revenues derived from coal and gas, even if there are no revenues from these two sectors. This should not be the case.</p> <p>In addition the reference to an article in a Regulation is not acceptable. One cannot expect from an entrepreneur that he is going to search for this article. The necessary information has to be mentioned in the Guidance document itself. It has to be mentioned that in the Guidance there is even less information on this point, what is in contradiction with a Guidance document.</p> <p><u>Para 74 d)</u> Very badly formulated and in addition there is a reference to a footnote. Here again it is not acceptable that one has to look for this article. Reading the footnote it gives the impression that point d) only applies to “the manufacture of pesticides and other agrochemical products”. If this is so, point c) should clearly mention this, if not, it should be made clear in its generality. The full information (if any) can then be given in the Guidance.</p> <p><u>Para 170 of the Guidance</u> document should be skipped, as it does not give any additional information for the entrepreneur. However we understand that it gives a justification for the requested information, which is appreciated in the context of a consultation, but it should not remain in a standard. However it gives only a vague justification as it does not mention which legislation(s) are requesting this. It should have been mentioned here as a footnote. We also do not understand the meaning here of the word “criteria”.</p> |
| Disclosure BP2 - Gender diversity ratio in governance body | <p>It is unacceptable that through a standard new obligations are imposed on SMEs while they are excluded from the scope of the legislation. Indeed article 2 of Directive (EU) 2022/2381 on improving the gender balance among directors of listed companies and related measures clearly states that it only “applies to listed companies” and “This Directive does not apply to micro, small and medium-sized enterprises.” The Directive excludes thus explicitly SMEs from the yearly reporting (article 7). The disclosure request information on which SMEs in general do not have an influence as they are very often family businesses or a partnership so they have no choice on whom will be in the board.</p> <p>There is also no legislation that would request the business partners of an SME to provide them this information. As already mentioned it is not correct at all what is stated in para 67 that “This module provides additional datapoints in relation to the information that is generally needed by the undertaking’s business partners, investors and lenders.”</p> <p>While this Disclosure Point has to be skipped, as well as the corresponding Guidance 171-173, we propose to add in line with what Cluster 8 had proposed, to give the necessary information on the ownership, which is important information for all stakeholders. This (new) Disclosure Point should then be part of the Basic Module:</p> |

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| | <p>“The undertaking shall disclose to understand its ownership, whether it is incorporated, a partnership or a sole proprietorship.</p> <p>The disclosure shall include:</p> <ul style="list-style-type: none"> (a) The organisation’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).” |
| Disclosure BP3 - GHG emissions reduction target | <p><u>Para 76</u> As we can accept that SMEs have to calculate/estimate GHG emissions according to B3 anyway, <u>under the condition that a free and simple calculation tool is provided</u>, the logical next step is indeed to set an annual GHG emission reduction target, it may be in absolute figures or percentage....</p> <p>The <u>Guidance</u> given in <u>para 174-176</u> should be rewritten and simplified. We question why “removals and avoided emissions do not count as emissions”. In addition what should be considered as “a removal and/or avoided emission.” These terms need to be clarified, if kept, but we do not see any reasons not to include them.</p> <p><u>Guidance para 177</u> is then again a too far-reaching condition, "... undertakings should consider the existing scientific evidence on GHG mitigation, ... cross-sector target in GHG emissions reduction, etc.... ", one cannot expect from entrepreneurs to be informed about existing scientific evidence on GHG mitigation, to research and study all that. This should be skipped.</p> <p><u>In our opinion, if our remarks are taken into account, this Disclosure BP3 could be added to the Basic Metric Module.</u></p> |
| Disclosure BP 4 - Transition plan for climate change mitigation | <p>Para 78: “The undertaking shall provide information about its transition plan for climate change mitigation with an explanation of how GHG emission reduction targets are compatible with the limiting of global warming to 1.5°C in line with the Paris Agreement.” Even if this disclosure is only applicable if the undertaking has adopted such a transition plan, the link to 1.5°C of the Paris Agreement is nonsensical for any SME as it is putting one single micro/small enterprise versus an overall global target. This is a purely political statement. To make it relevant it should frame European, national or regional GHG emission targets.</p> <p>Guidance para 179: As already mentioned before, the corresponding Guidance is adding a very complex number of additional information disclosures, not requested in the standard itself. This goes against good standard setting practice which requests that the necessary disclosures are part of / mentioned in the standard itself.</p> <p>(c) “pathways as well as quantifiable indicators that can be monitored throughout predefined timeframes”: this should be limited to GHG emissions, if too many indicators have to be identified, monitored, targets set, etc... , it becomes too complex and SMEs drop out.</p> <p>(d) allow for regular reviewing and updating after stakeholder consultations when appropriate: Fortunately, it says here "when appropriate". But the stakeholder consultation should be skipped here as it is not adapted to the SME reality.</p> <p>(e) cover the entirety of its own operations and, to the largest possible extent, the value chain or else provide an explanation as to any limitation: if you have to involve your entire value chain, in practice this means a lot of</p> |

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| | <p>administrative clutter, many SMEs receiving a questionnaire or checklist to fill in (because this is necessary to draw up that comprehensive transition plan), etc.... This should be skipped.</p> <p>This Disclosure BP 4 is too complex for the majority of SMEs and should not be requested to report on as it goes against article 29c of the Directive which states that SME standard need to be” proportionate and relevant to the capacities and the characteristics of small and medium-sized undertakings and to the scale and complexity of their activities” which is not the case.</p> <p>It is also not clear which legislation is requesting the business partners this disclosure from their SME partners.</p> |
| Disclosure BP 5 - Physical Risks from climate change | <p>Para 79: “The undertaking shall disclose the anticipated financial effects that physical risks from climate change may have on the company. This disclosure is applicable only if the undertaking is exposed to material physical risks. In particular, it shall disclose: (a) the monetary amount and the percentage of the undertaking’s total assets that can be subjected to material physical risks over the short-, medium- and long-term before considering climate change adaptation actions disaggregated by acute and chronic physical risk; (b) the proportion of assets at material physical risk addressed by the climate change adaptation actions; (c) the location of the significant assets affected by material physical risks; (d) the monetary amount and proportion (percentage) of net revenue from its business activities at material physical risk over the short-, medium- and long-term..... etc....”</p> <p>We see clearly the usefulness of this Disclosure for many SMEs that are indeed exposed to those risks (which are well and further described in Guidance 180) and that may have an interest in mapping that once and reporting on it voluntarily (!) We do indeed see a number of SMEs suffering from:</p> <ol style="list-style-type: none"> 1. prolonged droughts, which also have economic consequences for the agri-food chain with many SMEs. Examples include fruit and vegetable processing companies receiving significantly lower numbers and more irregular supplies of products, resulting in higher production costs and lost sales. Ornamental growers, horticulturists, etc. are trying to arm themselves for future droughts (with capture bans) by constructing buffer basins on their sites, which also costs money. There are implications for inland navigation and the supply of water-bound SMEs by barges: more frequent and prolonged droughts lead to more water-level problems, making inland waterways navigable for fewer days a year. Perhaps this will encourage some shipping companies to use smaller vessels to transport goods, but this increases transport costs, thus directly and indirectly affecting water-bound SMEs that need to be supplied. In industry, water is also used for cooling. Low water levels in rivers during dry periods and associated capture restrictions make cooling water more scarce and can jeopardise production within certain companies/sectors. SMEs are trying to reuse water as much as possible or have invested in water-saving interventions, larger cisterns and buffer infrastructure in recent years. They are trying to prepare and this requires financial resources. 2. Floods and flood risk: the changing climate not only leads to more periods of prolonged drought and heat waves, but also to periods of locally |

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| | <p>intense rainfall. This can lead to catastrophic floods with massive damage to infrastructure, as well as damage to buildings, machinery, supplies, production and services of local SMEs.</p> <p>3. Heat waves in summer periods, with locally very high temperatures that cause "sunburn" on fruit, e.g. on apples burnt spots occur making them unmarketable, thus with direct economic consequences.....</p> <p>Guidance 180: Climate-related physical risks arise from the effects that climate change has on the undertaking.</p> <p>Should be doable to describe that. As mentioned above: this could be useful for SMEs that are indeed exposed to risks such as prolonged droughts, flood risk, etc..., and may have an interest in mapping that once and reporting on it voluntarily (!). However the last sentence is not understandable for an average person as reference is given to IPCC SSP5-8.5 which is only known by experts (and no further reference or information is given). Here a more concrete guidance and tools should be developed and made available for free to the SMEs.</p> <p>This Disclosure B5 could consequently be accepted in the basic module.</p> |
| Disclosure BP 6 - Hazardous waste and/or radioactive waste ratio | <p><u>Para 80</u>: <i>"If the undertaking generates hazardous and/or radioactive waste, the undertaking shall disclose the total amount of hazardous waste and/or radioactive waste generated (radioactive waste is defined in Article 3(7) of Council Directive 2011/70/Euratom)."</i></p> <p>As mentioned before in our comments on Basic module B7: first, it must be clear to the SME what is meant by "hazardous waste" in this context: does it include lamps, discarded and empty batteries, etc.? Then it has to be clarified (in Guidance) what all can be radioactive waste: refer to a Council Directive Euratom is not acceptable. This constant reference to external documents should be avoided, as this is how people get turned off. In addition the definition in the referred article 3(7) does not give any useful information to an entrepreneur ((7) 'radioactive waste' means radioactive material in gaseous, liquid or solid form for which no further use is foreseen or considered by the Member State or by a legal or natural person whose decision is accepted by the Member State, and which is regulated as radioactive waste by a competent regulatory authority under the legislative and regulatory framework of the Member State;)...</p> <p>It should be better by referring in the Guidance 181 to more concrete examples in an SME context, such as smoke detectors, or to sectoral examples such as certain types of medical equipment (for the medical sector).</p> |
| Disclosure BP 7 - Alignment with internationally recognized instruments | <p>We believe that this is too heavy a burden for SMEs</p> <p>Entrepreneurs and citizens are not expected to know the UN Guiding Principles on Business and Human Rights. They must know and respect national legislation. Not proportional.</p> |

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| Disclosure BP 8 - Processes to monitor compliance and mechanisms to address violations | <p>We believe this is a too heavy constraints for SMEs</p> <p>Entrepreneurs and citizens are not supposed to know the UN Guiding principles on Business and Human Rights or the OECD Guidelines for Multinationals. They have to know and respect the national legislation. How can one request from a micro enterprise to have a monitor system in place which is developed for multinational enterprises? Not proportional.</p> |
| Disclosure 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>We believe this is a too heavy constraints for SMEs</p> <p>See BP 7 and 8: In the case of an infringement of a national legislation it is not up to a citizen/entrepreneur to assess this towards the mentioned international texts. This has nothing to do with sustainability. Not proportional.</p> |
| Disclosure BP 10 - Work-life balance | <p>We believe (just like for ESRS) that the metric is irrelevant to correctly assess work-life balance</p> <p><u>Para 84.</u> This disclosure is not relevant. Indeed who is entitled to take family-related leave and the scope is defined in the legislation and thus generally known. The information requested does not give any relevant information about the sustainability of the undertaking or the work-life balance. The request for the percentage who took family related leave is also not relevant.</p> <p><u>This disclosure should be skipped.</u></p> <p><u>Guidance 189, 190 and 191</u> do not add any useful information and <u>should be skipped</u> anyway.</p> |
| Disclosure BP 11 - Number of apprentices | <p>We do not consider this disclosure relevant for most sectors (in particular as measure of a negative impact).</p> |

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.

Not applicable. Cf. question 39.

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?

Yes/No - Please explain your answer including updated/proposed text.

No.

We consider it unlikely that SMEs will have the resources to collect information from long, complex and often high-level documents such as the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises and the ILO Declaration on Fundamental Principles and Rights at Work and business partners should be recognizant of that fact.

We suggest to replace these disclosures with simple, objective metrics that should be relatively easily achievable with the information that most SMEs will possess on their workforce etc.

We reject the inclusion of these disclosures. See our comments on BP 7-9. Alternative disclosures are already available in BP10. We are not convinced that these disclosures are necessary according the SFRD.

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")?

Yes/No - Please explain your answer.

Yes, we think it would be very beneficial to split, if necessary, the VSME standard depending on the nature of the user (banks, investors, large corporates) with a as broad as possible common body. However the aim should remain to have one single set. It will depend on the outcome of the actual consultation if splitting will be necessary.

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/No - Please explain your answer.

No. We think this is also premature to add such disclosure that would be irrelevant for a majority of SMEs.

As only the SMEs whose activities fall under enabling activities of the Climate Delegated Act should report voluntarily this datapoint we are of the opinion that this should have in principle its place in a sectorial SME standard. An alternative could be to include it as an additional datapoint at the end of the VSME clearly indicating that it only applies to the mentioned sectors.

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.

Guidance is useful and necessary however the Guidance provided for the Business Partners Module is not sufficient and of a very low quality as said probably due to time constraints.

More guidance, more tools and more practical examples need to be provided.

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

Yes/No - Please specify the datapoint(s) and provide a rationale for your answer.

Not applicable.

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/No - Please explain your answer.

Not applicable.

Q38. FOR USERS ONLY: Do you think that the ability of VSME ED to replace the existing ESG questionnaires or other ESG information requests can be further increased, if some datapoints were added to VSME ED?

Yes/No.

IF YES: please explain your answer.

Cf. question 39.

IF NO: Why do you think that the ability of VSME ED to replace the questionnaires cannot be increased?

[select one or more]

- Sector-specific data is not suitable for a sector-agnostic VSME ED
- Data demands that are specific to your relationship with the SME and cannot be standardized ○ In this case: please explain your reasoning.
- Other reasons ○ In this case: please explain.

Not applicable.

Q39. Please provide any further comments not addressed in part 1 or 2 of the questionnaire here:

[Comment box]

Specific comments

- A great deal of effort will be required at both European and Member State level to inform SMEs as to the existence of the VSME, its objectives and the benefits that should accrue to them should adopt sustainability reporting using the VSME as a basis.
To achieve the objective of reducing the administrative burden of supply chain sustainability reporting the same awareness building and education as to what the VSME represents will also be required for **larger** companies. It is vitally important to gain broad acceptance from large businesses that the BP module is a suitable analogue for their own information requests.
- On page 2 it is mentioned that “In this questionnaire, if not differently specified, the terms “SMEs” and “undertaking(s)” refers to non-listed micro, small and medium undertakings in the scope of VSME ED.” In principle, it should also refer to listed-micro enterprises as they are also not in the scope of the CSRD. However it is toe expected that they will apply the LSME standard.
- We have concerns about the “information on survey participant” to be filled in. Although business organisations and especially SME organisations are an important part of the target group of this consultation, their exact composition and origin cannot be deducted from the preprepared questionnaire. Indeed these organisations can only reply under “other”. It will in our view be impossible to deduct the SME point of view of the business community. EU wide organisations cannot identify themselves. For sectors: one can only select one sector while SME organisations are cross sectoral. This is essential information that is missing. Horizontal SME organisations reflect indeed the common position of all sectors.
- Under “preparer” one can only choose to be an SME or an SMP, not a large accountancy company. Probably large accountancy companies will reply as SMPs, which will jeopardise the results.
- It would have been useful under “user” to also have split SMEs in micro/small/medium.
- We fear a biased outcome of the consultation as on the questions one has to choose either Yes / No and/or Agree / Disagree which does not leave any room for a more balanced or more nuanced answer.
- Question 6. Not applicable. This question and request is in our view misleading and not relevant: it should have asked for the percentage of information requests necessary to fulfill their own sustainability legal obligations that are covered by 1. the Basic Module and 2. The Business Partner Module. It should also be questioned if the questionnaires they use are adapted to SMEs as most of those questionnaires used so far are size agnostic (and oriented towards large companies)!
- Question 9. is question for undertakings and users only, not for organisations. However we refer to our position mentioned in Q2.
- In Question 13 preparers are asked to indicate and to choose between “feasible”/ “difficult to prepare”/ “already disclosed under other reporting schemes or regulations”. It has to be

stressed that issues that are already disclosed under other reporting schemes or regulations, can nevertheless be difficult to prepare. This should also be taken into account as the Commission promised to reduce the reporting obligations with 25%. Even if some information is not difficult to prepare or obtain, it should be assessed if this information is really necessary to disclose. The cumulative effect of all the disclosures has to be taken into account in order to assess if this standard is “*proportionate, relevant to the capacities and the characteristics of SMEs and to the scale and complexity of their activities*” as requested by article 29c.1 CSRD. In addition it is not clear what is exactly meant with “other reporting schemes or regulations”. This will probably also vary depending on the country. But it is an important point in order to apply the “once only principle”.

- It has to be stressed that SMES are NOT in the scope of the CSRD. Consequently the VSME is there first and foremost to help the SME owners to cope with the consequences of the “trickly down” effect and constitutes a standard to reply to the information requests of their business partners and not at all of other stakeholders.
- In the questionnaire the question (Q27) to users is asked “if data points are missing that they consider as essential to meet their information needs”. As stated already the VSME is only conceived to cope with the trickle-down effect and the information requests from SMEs business partners, not from other stakeholders. In addition nowhere a definition is given of what “information needs” mean. Information needs are huge, but this does not mean that one can request this from somebody without justification and abusing its market power. The question should have specified if the information is needed to be able to respond to the CSRD obligations. We fear that “users” from all sides will put here an enormous list of “information needs” which are nice to have for them and does not cost them anything.

- Part 1, b Basic Module

Q13.

We disagree with the statement in Q13 that “*the undertaking should be able to produce these disclosures “with limited help of consultants”*”. The VSME should be feasible for SMEs from all sizes and especially micro enterprises with no help at all of consultants in order to limit the cost and time constraints. In addition tools should be made available for free by the public authorities to respond to some of the disclosures requests. The fact that these requested disclosures are recurring in existing questionnaires is not only questionable but also not at all relevant. The only relevant reason to include a disclosure is if it is needed to fulfill the “business partners” information needs as a consequence of the CSRD or other EU legislations in the field of sustainability.

Para 18: As we are against materiality analysis as being too complex for SMEs, no reference at all should be made to materiality in the standard. Consequently the sentence “*and no materiality analysis is needed*” should be skipped.

Para 20: is to be welcomed.

General remark : no Guidance at all is given on the paras 17-19, 21 (Disclosure B1- Basis for preparation), 22 (Disclosure B2 -Practices for transition towards a more sustainable economy)

As mentioned in our “General comments on the questionnaire itself” in this question it is asked preparers to indicate and to choose between “feasible”/ “difficult to prepare”/ “already disclosed under other reporting schemes or regulations”. It has to be stressed that issues that are already disclosed under other reporting schemes or regulations, can nevertheless be difficult to prepare. This should also be taken into account as the Commission announced to reduce the reporting obligations with 25%. Even if some information is not difficult to prepare or collect, it should be assessed if this information is really necessary to disclose. The cumulative effect of all the

disclosures has to be taken into account in order to assess if this standard is “*proportionate, relevant to the capacities and the characteristics of SMEs and to the scale and complexity of their activities*” as requested by article 29c.1 CSRD. In addition it is not clear what is exactly meant with “*other reporting schemes or regulations*”. This will also vary depending on the country. But it is an important point in order to apply the “once only principle”.

- **Q14. YES.**

We propose to add in line with what Cluster 8 had proposed, to give the necessary essential information on the ownership, which is important information for all stakeholders. This (new) Disclosure Point should then be part of the Basic Module:

“The undertaking shall disclose to understand its ownership, whether it is incorporated, a partnership or a sole proprietorship/self-employed.

The disclosure shall include:

(a) The organisation’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).”

- **Part 1, d) Narrative-Policies, Actions and Targets (PAT)**

Q25: General remark to be mentioned : there should also Guidance to be provided for this Module. The acronym PAT does not bring any additional information, has to be skipped. Also the title of the Module should be changed. However we are of the opinion that at this moment the PAT module should not be part of the VSME. While it can be a valuable instrument, it is not urgent and it would be better to await the application of the VSME and its evaluation to come to a more robust standard for more “advanced” SMEs, that should be developed in cooperation with the SME organizations and building on their experiences.

Q 27 : Not applicable. Question only for users. But we should mention that the question is too broad (see general comments) should be limited to information needed to fulfill the users legal obligations deriving from the CSRD and other European legislation and limited to the business partners of the SMEs, not all stakeholders.

- **Part 1, e) Business Partners (BP) Module**

Q30: We do not agree with the name of this Module nor with the proposed structure. As a general comment we are of the opinion that the content of the Guidance document on this part is of a very poor quality, probably due to time constraints. In addition the Disclosures are misleading and of a disguised simplicity. They give the impression to be very simply, concise and limited but the corresponding Guidance is adding a very complex number of additional information disclosures. This goes against good standard setting practice which requests that the necessary disclosures are part of / mentioned in the standard itself. We also contest that “*This module provides additional datapoints in relation to the information that is generally needed by the undertaking’s business partners, investors and lenders.*”. This has not been confirmed in the preparatory work done in C8 and the SR TEG. In addition it is not because some of this information is asked by some business partners on their own initiative or due to existing national legislations that it has to be

part of a European standard which has the aim to reduce multiple questionnaires and to have the broadest possible common content. It has to be ensured that the public consultation brings proof for adding certain datapoints. It is not because some business partners need from specific SMEs from a specific sectors certain information that it has to be part of a general VSME standard. This kind of information has possibly its place in the sector specific standards. The argument that some information is asked in existing questionnaires is not an argument at all, as these questionnaires were drafted before the CSRD and often without any relation with sustainability.

It has also be ensured that some business partners do not under the pretext abuse the situation by asking information not related to sustainability but to be used for their (other) commercial activities.

Para 67: has consequently to be skipped.

Guidance para 168: this para should be skipped as it is unnecessary ballast and does not add any additional information. The title “Guidance” is in our opinion clear on its own.

List of material matters

Para 68. As mentioned before (principles of materiality to be applied) as the materiality analysis is completely not adapted to SMEs and too complicated to fulfill, it **has to be skipped**. Also this **para 68** and Appendix B: List of sustainability matters, have to be skipped. This Appendix is only a long list of words without any further information or explanation about their exact meaning and scope and not apt for use by non-experts.

- Q31: Not applicable. For users only. We wish to note that we fully support the used approach that disclosures in this module are reported if applicable, as it is for the Basic Module. However also BP 7, 8, 9 and 10 should fall under this approach as also self-employed without employees are covered by the VSME. We reject however the inclusion of the mentioned BPs 7-10.
- Q38: Not applicable. For users only but we are of the opinion that the reference to existing questionnaires is exaggerated and given to much importance. These questionnaires were developed before the adoption of the CSRD, SFRD. We think that due to these legislations these questionnaires will/should be adapted anyway in line with the ESRS.

Appendix A: Defined terms

See our specific comments on some defined terms in our comments on the standard. These list should be shortened and improved.

Appendix B: List of sustainability matters.

This Appendix is only a long list of words without any further information or explanation about their exact meaning and scope and not apt for use by non-experts. It is only acceptable as an addendum to the Narrative Module.

As it refers to the topical ESRS, it goes against the principle accepted in the PTF Lab Report, point 176 “... *For the above-mentioned reasons, SME sustainability reporting requirements should not simply be a dumbed down or simplified version of the sustainability reporting requirements for large reporting entities. These would likely not be fit for purpose and prove difficult and costly to produce. Instead, so far as is reasonably practicable, SME-specific sustainability reporting standards should be designed for SMEs on a stand-alone basis (‘think small first’) while ensuring that sustainability information provided by SMEs using such standards remains relevant for the owner-manager, users in general, and particularly for larger stakeholders that are themselves subject to sustainability reporting requirements. This would*

facilitate the SMEs interaction with their stakeholders based on standardised, yet decision-useful sustainability information. “

General comments

- Despite the good intentions, we are not actually sure whether this initiative will effectively contribute to the announced and necessary reduction of 25% in the reporting obligations of SMEs. However, this is absolutely necessary.
 - We are facing a huge transition in terms of climate and reduction of CO2 emissions. That is also an enormous challenge for our SMEs. We believe that the VSME should actually limit itself to this, and by extension to the E of the ESG. The added value of reporting obligations for the S and G is extremely limited for Belgian small businesses and self-employed people and for society.
 - We particularly emphasized the importance of the principle that reporting should be carried out as much as possible by the contractor itself (with minimal input from external consultants).
 - More generally, we believe that "unlawful" reporting requests should be avoided (those requiring extensive investigation/consultation, see above). Belgian SMEs should not be required to report more than in other countries, nor should they use what is done in other countries to impose additional reporting obligations on Belgian SMEs. EFRAG reporting should be able to replace other types of reporting (no "stacking" of reporting). Furthermore, reporting should never be used to provoke an inspection.
 - A great deal of effort will be required at both European and Member State level to inform SMEs as to the existence of the VSME, its objectives and the benefits that should accrue to them should adopt sustainability reporting using the VSME as a basis. To achieve the objective of reducing the administrative burden of supply chain sustainability reporting the same awareness building and education as to what the VSME represents will also be required for larger companies. It is vitally important to gain broad acceptance from large businesses that the BP module is a suitable analogue for their own information requests.
- Still too much jargon; (see are specific comments) Too many abbreviations, terminology is too difficult for modal entrepreneurs.
 - We welcome the Guidance provided but... see our comments on the Guidance.
 - “General issues” (topics that are common to the majority of micro and /or small enterprises) should come always first in the standard. This is a general accepted rule of good practice for drafting forms and/or questionnaires. Questions or requests for information that are only valid for some or a minority of the respondents should in principle come at the end. Otherwise the respondent will have the impression that the author of the form/questionnaire has no understanding of the situation of the respondent which will create aversion. (See below B4, B5,)
 - In line with the previous comment there should be a general statement in the standard that all information in the report is considered to refer to the country where the undertaking is registered. This will indeed be the case for probably 99% of the SMEs. This will avoid red tape : e.g. see metric B5 where the table (Basic Module Guidance page 27-para 119) asks to fill in the country.
 - While it is a good second (as C8 provided the first one) draft, well presented and comprehensive it can and should significantly be improved upon as it is not fitted to be used by entrepreneurs of small enterprises. The VSME needs to be complemented by a reporting

template. A well-designed template can provide a structured format that simplifies the reporting process for SMEs and allows stakeholders to easily interpret and analyze the information provided. It is crucial that the reporting standard offers clear and concise guidelines that are specifically tailored to the unique characteristics and needs of SMEs. Especially undertakings that are new to reporting ESG information will need guidance on how the VSME should be applied in practice. Fill-in guides, examples of completed templates along with the reporting template can prove highly beneficial for SMEs. These guides should offer explanations and instructions on how to complete each section of the template, ensuring that SMEs can accurately present their information. Including illustrative examples of completed reporting templates can be immensely valuable for SMEs, especially for those with limited experience in reporting.

- Real-life examples can serve as practical references and demonstrate the application of the standards in different scenarios. The VSME should be designed to help those SMEs that are motivated to voluntarily report and to serve as a sustainability performance management tool. At the same time it should consider the minimum requirements from financial institutions and large enterprises in the supply chain to reply to their information needs. It is vital the VSME is written using a common language without jargon so that it can be readily understood and applied by SME owner managers and / or their advisers. We, therefore, urge the draft undergo a thorough plain* English review to cleanse the final text of unnecessary technical jargon and adopts layman's language as far as possible. This may demand departing from the precise terms, definitions, and articulation in the ESRS. The writing style of this document should be much simpler and more accessible, and above all different from the ESRS, which is too complex. This is a voluntary standard: the language used should not become a barrier to entry for an SME manager who is not familiar with this type of text. If difficult jargon stays, what we certainly not want, guidelines have to be provided to "translate" content in language understandable for small companies, otherwise all undertakings will be forced to hire external services for this reporting. Consider that the underlying aim of this voluntary standard, is to involve and encourage not listed SMEs to report sustainable information and think about their business model in a different way, and therefore we must help them making their initiation in sustainable reporting as easy and engaging as possible.
- Structure: Disclosure N1 should in my view be part of the basic Module. B8 Workforce should be put in the beginning of the standard as all general information on the undertaking should be in the beginning as proposed by C8.
- It goes against the European rules of better regulation that the official consultation document (the draft VSME) and the questionnaire are only available in English.

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

[Browse document]

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

Non-listed SMEs receive data requests from large undertakings, including due to reporting obligations in the CSRD.

Jointly with the consultation on VSME ED to the consultation on this voluntary standard for non-listed SMEs, EFRAG is also consulting on the content of ESRS for listed SMEs (ESRS LSME ED). While ESRS cannot result in large undertakings having to request disclosures that are not included in ESRS LSME ED (which sets the value chain cap from a legal perspective), the VSME ED is intended to play a key role in supporting SMEs, when they prepare the information needed by large undertakings for ESRS reporting, as well as for other obligations including for business purposes. Therefore, VSME ED includes simplified disclosures that generally correspond to the reasonable expectations of ESRS Set 1 preparers (i.e. large undertakings that prepare their sustainability statement under ESRS). As a consequence, non-listed SMEs that apply VSME ED will in general be able to meet the data requests defined for value chain in ESRS LSME ED, except for very specific cases. These cases correspond to disclosures which are included in ESRS LSME ED (therefore SMEs may receive data requests from large undertakings relating to these disclosures, either due to their ESRS reporting obligations or for other obligations and business purposes), but are not included in the VSME ED, due to their excessive complexity for non-listed SMEs in general. They are principally of a sectorial nature (GHG Removals, substances of concern/high concern, resource inflows), mainly needed for management or specific arrangement purposes. More information is provided on these disclosures in Annex 3 [link].

Please note that the questions on the value chain cap here are the same as in the LSME questionnaire in part A2 and if you respond to both questionnaires, you do not need to repeat your answers.

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

Yes/No.

If Yes: Please explain your answer.

If No: Are you willing to provide detailed feedback based on Annex 3?

- **If No: please explain your answer in brief.**
As mentioned previously, we believe that the LSME should be closer in length and complexity to the VSME. We also believe that an important part of the business partners disclosures causing concern arise from sectorial requirements and that a simplified set of sector-specific disclosures should be built into the VSME. We believe that it would be better that, when large companies ask their small suppliers for sustainability information to meet their own reporting obligations, the large companies are obliged to apply the voluntary SME standard instead of the standard for listed SME companies as the maximum limit.
- **If Yes:** Select the areas of disclosure (from the table below) for which you disagree with EFRAG conclusion (For further details please refer to Annex 3 [link])

| AREA OF DISCLOSURE | DISAGREE [ALLOW MULTIPLE SELECTION] | IF DISAGREE: EXPLAIN WHY REFERRING SPECIFICALLY TO CONTENT OF ANNEX 3 |
|--|--|--|
| 1. SBM-1, SBM-3, IRO-1 : for both LSME and VSME EDs the conclusion is that no undue effect expected from ESRS reporting | | |
| 2. Policies, Actions and Targets (PAT): for both LSME and VSME EDs the conclusion is that no undue effect expected from ESRS reporting | | |
| 3. Climate Transition plan (Section 3 Actions - AR 6 and AR11): for both LSME and VSME EDs the conclusion is that no undue effect expected from ESRS reporting | | |
| 4. GHG emissions (E1-2 GHG emissions – Scope 3): for both LSME and VSME EDs the conclusion is that no undue effect expected from ESRS reporting. | | |
| 5. GHG removal (E1-3 GHG removals): No undue effect on LSMEs expected from ESRS reporting. Additional information (not for ESRS reporting but for the implementation of possible specific arrangements) may be needed beyond VSME but is too specific to be covered by VSME ED. | | |
| 6. Substances of concern and substances of very high concern (E2-2 Substances of concern and substances of very high concern): No undue effect on LSMEs expected from ESRS reporting. Additional information (not for ESRS reporting but for the implementation of possible specific arrangements) may be needed beyond VSME but is too specific to be covered by VSME ED. | | |
| 7. Resource inflows (E5-1 Resource inflows): for both LSME and VSME EDs the conclusion is that no undue effect expected from ESRS reporting | | |

| | | |
|---|--|--|
| <p>8. Entity specific disclosures: For both EDs: Perspective 1: Possible trickle-down effect under specific arrangements to allow Set 1 preparers to cover material sector and/or to disclose entityspecific information including value chain. Perspective 2: not applicable, as the datapoint cannot be defined (due to entityspecific nature of the disclosure).</p> | | |
|---|--|--|

Q42. Do you have any other comment on value chain?

[Cf. above](#)