

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of the EFRAG SR TEG. The paper does not represent the official views of EFRAG or any individual member of the EFRAG SRB or EFRAG SR TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG SRB, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

SME Forum – Executive and Detailed report Survey on Support Guide C3 (GHG Reduction targets and climate transition) & C7 (Severe negative human rights incidents)

About this report

- 1 EFRAG has conducted an online questionnaire-based survey to gather views from SME Forum stakeholders on elements of a draft support guide on Disclosure C3 (GHG Reduction targets and climate transition) & C7 (Severe negative human rights incidents) to be produced as complementary additional material to the VSME Standard.
- 2 This online questionnaire-based Survey was composed of 16 questions. **A total of 28 out of 47 SME Forum members responded to the Survey.** In this document, the responses have been analysed for each question, and the analysis includes insights at the aggregated level and key insights by SME Forum stakeholder group.
- 3 The key messages emerged in from the survey are analysed by stakeholder category: “preparers” (SMEs and SMEs associations), “users” (including banks and large corporates heads of supply chains), “platforms” (including digital platforms), and “observers” (including national-level and EU-level policymakers). **A separate document also analyses the responses to the same survey for the VSME Community.**
- 4 This report uses the following terms to describe the extent to which particular feedback was shared by respondents (both when referring to total respondents or a subset of respondents).

All: 100% of respondents
Most: 80% to 99% of respondents
A majority: 50% to 79% of the respondents
Some: 20% to 49% of the respondents
A few: 1% to 19% of respondents
None: 0% of respondents

About the SME Forum

- 5 The objective of the SME Forum is to contribute to the development of the VSME Ecosystem by facilitating exchanges between initiatives, raising awareness, promoting best practices, fostering the adoption and market acceptance of the VSME, and mapping (digital) platforms, consortia, and tools related to the VSME.

- 6 Through this, EFRAG aims to contribute towards the uptake of the VSME Standard across the EU. This forum will serve both for EFRAG to understand the perception of the VSME by market players, as well as for market players to exchange information and raise awareness on the content of the VSME.
- 7 The SME Forum is an institutional forum, as such it is composed primarily of associations representing preparers, users and accountants. In addition (digital) platforms or consortia that are VSME based (or inspired), accountants, rating agencies and other stakeholders that contribute to the VSME Ecosystem are invited to join.
- 8 The SME Forum participants are expected to share relevant documentation and supporting materials (included in different language) that they have developed to facilitate the VSME's market adoption.
- 9 Additionally, the European Commission, the SME Envoy network in parallel with other EU and national public players will be part of the SME Forum in the role of observers. The SME Forum may collaborate with the EFRAG VSME Community.

Executive Summary

The key messages emerged from the online survey are as follows:

Part 1 – C3 (GHG reduction targets and climate transition)

- 10 Most respondents (81%) agreed with the aim of the support guide as an overview on how to report on Disclosure C3 (Q1). A majority of preparers (80%) and users (83%), and most observers (83%) and platforms (80%) agreed.
- (a) A national representative preparer organisation and a national standard setter (33% of comments) cited a need for clarification on scope 3 emissions, as the current guidance is too vague (e.g. when to report in relation to paragraphs 50-53).
 - (b) There was a consensus among all stakeholder types on the need to clearly define high-impact sectors and support SMEs within those sectors.
- 11 A linkage between C3 and C2 was considered useful and proportionate (Q7) by a majority of respondents (77%). Specifically, most preparers (80%), a majority of users (67%) and observers (60%), and all platforms (100%) agreed.
- (a) A national representative preparer organisation and a national standard setter suggested clearly identifying the initiatives in C2 that would be relevant to the topic.
 - (b) One European user representative organisation suggested addressing the SMEs financial capacity and competence for the planned actions.
 - (c) The same European user representative organisation pointed out that references to scope 3 and highest-level leadership within the support guide are lacking.

GHG Reduction Targets

- 12 According to a majority of respondents (56%) the steps outlined represent an adequate and proportionate approach to structure GHG reduction targets (Q4), specifically most observers (80%), all platforms (100%), a majority of preparers (50%) and a few users (14%) respondents. The following remarks were made:
- (a) Observers, preparers and user called for more **flexibility** in target-setting. Specifically:
 - (i) A few suggested that companies should be able to set targets that are adaptable to company-specific conditions, such as growth rates, and should have flexibility in choosing their baseline and target values.
 - (ii) Some user representative organisations suggested that to set targets, SMEs need to put a Transition Plan in place.
 - (iii) Regarding the linear reduction approach, an observer respondent notes that targets and timeframes may not follow a linear path, while a user respondent promote the adoption of this approach.
 - (iv) A European user representative organisation points out that reference to scientific evidence in Step 5 should be clearer and more proportional.

- (b) A national standard setter suggested expanding the approach to developing a decarbonization pathway by starting with a GHG emissions inventory and focusing on key mitigation actions (decarbonization levers). They outlined the following steps: establishing a GHG inventory (aligned with B3), identifying source-specific mitigation actions with costs, incorporating business outlook projections for medium-sized companies, defining clear reduction targets, conducting sensitivity analyses, and ensuring credibility by linking financial planning to mitigation actions.
 - (c) Preparers, users, and observers propose adding to the guide:
 - (i) A national standard setter suggested that step-specific guidance should include selecting a reference year within the past three years, setting a five-year target aligned with financial plans, and establishing long-term targets supported by intermediate milestones. For GHG targets, the respondent recommended expressing them primarily in absolute terms—excluding removals, offsets, or avoided emissions—and using intensity targets for Scope 3 where appropriate.
 - (ii) A European preparer representative organisation suggested adding a proportionality filter to help SMEs assess the relevance of the methodology.
 - (iii) A user respondent suggested to add Scope 3 in the guidance.
- 13 Regarding the example outlined in **Q5** concerning the application of the **steps for short-term target setting**, a majority of respondents (58%) agree that it is useful and clear, in particular, a majority of Observers (60%), most Platforms (80%), a majority of Users (50%) and Preparer (50%) respondents. Those who disagreed commented as follows:
- (a) Preparers and users ask for the integration of additional detail, such as:
 - (i) A European preparer representative and a national user representative request more detailed examples of the actions needed to reduce Scope 1 emissions, emphasizing the need to capture their complexity.
 - (ii) A few European and national user representatives suggested providing additional guidance regarding the development of the targets, figure calculation, and an example for Scope 3. Additionally, they recommended offering a free tool.
 - (b) One platform highlighted **a conflict in the guidance**, noting that the use of a four-year short-term target contradicts the VSME ED, which defines short-term as 'one year,' while Section 221 describes short-term as one to three years. The guidance should clarify and consistently define short-term, medium-term, and long-term timeframes to resolve this inconsistency.
 - (c) One national standard setter recommended providing a clearer explanation of the percentage change when the baseline and current report differ. They also suggest giving context for determining when to set short-, medium-, or long-term targets, outlining the factors to consider, and including brief definitions for more technical terms.

- 14 A majority of respondents (50%) agree that the example on **long-term targets setting** is clear and useful (**Q6**), specifically, a majority of Observers (60%), a majority of Platforms (60%), a majority of Preparers (50%), and some Users (57%). Those who disagreed commented as follows:
- (a) A few European preparer representatives and a national standard setter pointed out that a linear approach may not be realistic or useful for all companies.
 - (b) One national user representative organisation pointed out the absence of a clear link between Scope 1 and Scope 2 targets, highlighting that reductions are influenced by factors such as timing, action types, production levels, site locations, and other operational variables. They recommended integrating this with point 7 to provide a clearer explanation of how the reductions will be achieved.
 - (c) Preparers, Platforms and Observers asked for some more explanation regarding:
 - (i) One national preparer representative on whether the target is calculated as a percentage or in absolute values.
 - (ii) Another national preparer representative suggested explaining how the reductions will be achieved within the examples.
 - (iii) One platform requested further explanation on the method selection for target setting.
 - (iv) One national standard setter recommended providing a clearer explanation of the percentage change when the baseline and current report differ.
 - (d) Users and Platforms ask for the integration of additional detail, such as:
 - (i) A national user representative suggested incorporating a table that provides guidance for target setting.
 - (ii) One user suggested including a qualitative column to disclose the actions the undertaking seeks to implement to reduce its GHG emissions (in line with C3 53 (e)).
 - (iii) A platform suggested including an example of an entity within a sector with high climate impact to illustrate Scope 1 and 2 (e.g. a transportation company).
 - (e) One national standard setter suggested that GHG emission reduction targets should be set for a five-year period, allowing for alignment with a technical and financial plan. Longer-term targets, extending to 2050, focus on cumulative reductions across past, ongoing, and future five-year periods. However, these longer-term targets carry greater uncertainty, as they are not directly tied to financial reporting within shorter timeframes.

Climate Transition Plan (Q8, Q9)

- 15 For **Climate Transition Plan**, 58% of the respondents agreed with the examples and approaches provided.
- (a) The question on whether the example integrating the plan into the undertaking's business strategy and financial planning is sufficiently clear and useful (Q8), found a majority of respondents (58%) agreeing on its adequacy. In particular, 50% of

preparers, 33% of users, 60% of observers and 100% of platform respondents agreed with the example provided. Below are the main additional suggestions provided by respondents.

- (i) A few preparers and users found this example too superficial/ academic/ not realistic enough, with a preparer proposing to use an actual example of an anonymized transition plan as an example.
 - (ii) A few European user representatives suggested providing specific clear transition plan actions to be taken, along with guidance on how to quantify, estimate and disclose the targets.
 - (iii) A national standard setter proposed an exhaustive list of examples of strategic actions for SMEs' Transition Plans and ensure that the information remains useful for users (quantitative information is more valuable than qualitative).
 - (iv) A national preparer and a European user representative stated that the reference to the Code of Conduct is too vague and is unrealistic.
- (b) A majority of respondents (58%) found the **proposed approach to a simplified pathway clear and useful (Q9)**. In particular, 60 % of preparers, 33% of users, and 80 % of platforms and 60% of observers. Below are the main additional suggestions provided by respondents.
- (i) One European preparer representative and one national user representative noted that the estimation of expected costs may be challenging due to limited resources. Additionally, coming up with the goals, actions, and policies to support implementation along with CapEx for the transition plan are also an issue.
 - (ii) One European user representative noted potential difficulties to calculate and report these figures, with another user noting that external advisors might be needed to prepare the VSME report.
 - (iii) One platform mentioned that only presenting long-term goals may make it impossible to see what investments are planned in the near future.
 - (iv) A national standard setter recommended labelling Scope 1, 2 and 3 examples, offering sector-specific measurement guidance and tools, and providing a comprehensive list of decarbonisation levers.
 - (v) Another national standard setter requested for an exhaustive list of decarbonisation levels as similarly listed in C2.

Additional Topics

- 16 A majority of respondents (73%) considered it **useful to add FAQs to the support guide (Q10)**. This was supported by a majority of preparers (80%) and users (50%), as well as most observers (80%) and platform (80%).
- (a) Some comments from national and European preparer representatives and from national and European user representatives suggested additional topics/questions for the FAQ (e.g. tables or databases for CO2 equivalent values, assistance in estimating cost of various actions, definitions of complex/technical terms, what is included in scopes 1-3 examples of sector-specific decarbonisation pathways).

- (b) One national standard setter suggested including additional questions that are not covered in the VSME guidance and that it may evolve over time. At the same time a user respondent stated that the FAQs should be short, structured and meaningful (without there being the need to create lengthy and complex Q&As).
- 17 Support for **more guidance on Scope 3 GHG emissions (either for calculation or target setting) (Q11)** was strong, with most respondents (93%) agreeing it should be provided. This included most preparers (80%) and all (100%) users, observers, and platforms.
- (a) There was broad agreement among all stakeholder types on the need for clear and simplified guidance on scope 3 given the complexity of the topic and the limited resources of SMEs. A few (preparers, users, platforms) mentioned explaining the 15 scope 3 categories from the GHG protocol. However, a platform respondent also stated that references to the GHG protocol may be overwhelming/ too technical for SMEs (calculation tools would be preferred).
 - (b) Some respondents from all stakeholder groups said the guidance should include practical examples, calculation methods, and estimation tools. A few stated that the current approach on scope 3 is insufficient.
 - (c) A few comments (European preparer representatives, platforms) addressed the value chain approach: clarification on how SMES should handle their value chain, suggestion that SMEs should focus on their upstream emissions first (especially tier 1 suppliers), and providing a set of questions to address the value chain.
 - (d) One European preparer representative proposed translating the VSME documentation into all EU languages once it will be adopted by the European Commission.

Part 2 – C7 (Severe negative human rights incidents)

- 18 Regarding the aim and need of Support Guide C7 (Q1), a majority of respondents (73%) agree. Including a majority of preparers (70%) and users (67%), and most observers (80%) and platforms (80%).
- (a) A few respondents (preparer and user representatives, national standard setter) commented on the need for guidance on broader social issues that would be pertinent to more SMEs, such as those covered in 62(a). A respondent also suggested for introducing examples of successful remediation actions.
 - (b) A platform preparer suggested providing practical tools, stakeholder mapping guidance, and simple templates for identifying vulnerabilities.
 - (c) One European preparer representative suggested coordinating with trade associations, for example those in high-risk sectors.
 - (d) A European preparer representative suggested providing templates for SMEs to report severe negative human rights incidents in a structured and consistent manner.
 - (e) A European preparer representative suggested that existing EU legal frameworks would not necessarily render this guidance as needed. A European user representative suggested focusing on own-workforce points.

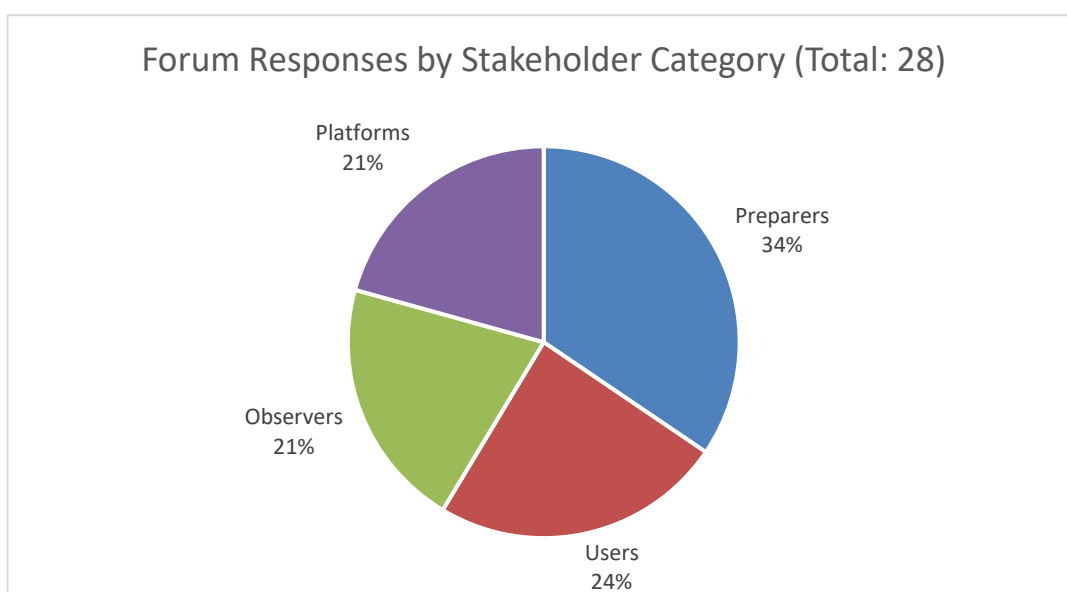
- 19 Most respondents (91%) think the support guides should include educational aspects for SMEs to become familiar in anticipating severe negative violations (Q4). Most preparers (86%) and platforms (80%) and all (100%) users and observers showed support.
- (a) Some respondents from all stakeholder groups justified support by citing the need of under-resourced SMEs for quick access to information on the topic.
 - (b) A few respondents (European preparer and national user representative) said that SMEs should focus on compliance, and that anticipating violations would just add to their burden, especially if they don't have control/ power to influence their value chain.
 - (c) One user respondent recommended focusing on higher-risk sectors (e.g. cleaning and construction).
 - (d) A few national standard setters recommended guidance and examples on due diligence assessments and processes.
 - (e) A European preparer representative and a national standard setter suggested creating trainings program, workshops, videos etc. to help SMEs.
- 20 For the three **confirmed incident** examples provided (Q2), a majority of respondents (54%) felt the examples were sufficiently comprehensive and clear to enable awareness of a confirmed incident. However, **positions were sharply divided among stakeholder groups**, with only some preparers (40%) and a few users (17%) in agreement, as opposed to most observers (80%) and all platform respondents (100%) that agreed. Most comments came from preparer and user respondents.
- (a) Some European and national preparer and user representatives asked for a clearer definition of a “confirmed incident” and when an issue should be reported.
 - (b) A few respondents (national standard setter and European and national preparer representatives) asked for more diversity of examples including: where the SME has little leverage over the supplier, consumer and end-user cases, and discrimination.
 - (c) One national preparer representative was concerned that examples could reinforce negative stereotypes against certain territories (e.g. Spain) and urged keeping a geographically neutral tone.
 - (d) One European user representative questioned whether the affected community example actually illustrates a confirmed incident, and suggested revision to make this clear.

Detailed Report

Overview of SME Forum respondents

21 Total SME Forum members 47. Total SME Forum respondents 28. Response rate: **58%**

SME Forum stakeholder	Response rate
Preparers	77%
Users	58%
Platforms	100%
Observers	38%



Part 1 – C3 (GHG Reduction targets and climate transition)

Question 1

Do you agree with the aim of this Support Guide as an overview on how to report on Disclosure C3 of the VSME? If **NO**, please explain.

Key insights (aggregate):

- 22 **Most of respondents (81%)** agreed with the aim of the Support Guide as an overview for Disclosure C3. The main comments emerged:
- All categories agreed on supporting the SMEs in high-impact sectors to develop practical emission reduction plans and on the need for clearer guidelines regarding Scope 3 emissions reporting and its industry-specific implications
 - Preparers suggested revising the guide title for consistency, as it currently suggests a focus on emissions reporting rather than helping SMEs develop emission reduction targets.
 - Users proposed separating the reporting guidelines from the management system development sections to address the different needs of SMEs.

- (d) Platform respondents recommended specifying units and values (e.g., percentages) for emissions reporting, and adding a simplified sector list for high-impact industries; and providing a simplified double materiality analysis to meet regulatory requirements.
- (e) Observers suggested prioritizing complex sustainability subjects and improving the workability of the VSME; and called for more detailed guidance on reporting GHG reduction targets and breaking down target-setting and transition plans.

Key insights (by respondent type):

- 23 Most **PREPARER respondents (80%)** agreed with the support guide priorities tested. The following points were made:
- (a) One respondent mentioned that SMEs only rarely have access to emission data and typically do not formalise emission reduction target. Companies with high climate impact should be supported in making solid and executable transition plans.
 - (b) One national representative organisation pointed out that the question of when to report Scope 3 emissions in relation to paragraphs 50 to 53 should also be answered. This is likely to be one of the most frequently asked questions in practice.
 - (c) One national representative organisation noticed that the title of the guide suggests a focus on informing/disclosing about greenhouse gas reduction targets and transition plans in sectors with high climate impact while the content aims to help them to establish these. Or the title should be changed “General guide for the development of ...”, or the approach. Otherwise, the wrong companies will consult the guide.
 - (d) One European representative organisation proposed separating Targets and Transition Plans. Targets only in the Guidance and Transition plans in the Support Guide.
- 24 **Most of USER respondents (83%)** agreed with the support guide priorities tested. The following points were made:
- (a) One respondent suggested distinguishing the guideline for reporting purposes and the guideline to start developing the management system (target setting & developing plans) itself because the readers might be different.
- 25 **Most PLATFORM respondents (80%)** agreed with the support guide priorities tested. The following points were made:
- (a) One respondent suggested to have the types of units and values to be specified when the undertaking reports on targets, e.g. percentages. The guidance could also benefit from including a simplified list of sectors with high climate impact in addition to the current reference to Regulation (EC) No 1893/2006. Finally, it was suggested that a simplified double materiality analysis would address the information requirements in C3.

26 Most **OBSERVER respondents (83%)** agreed with the support guide priorities tested. The following points were made:

- (a) One national standard setter mentioned that the VSME is vague concerning the disclosures relating to Scope 3 emissions. There is need for more clarification on whether reporting it is voluntary and what are the consequences for certain industries.
- (b) Another national standard setter mentioned that the workability of the VSME could be improved, prioritising support for sustainability subjects that are expected to be requested most often and more complex.
- (c) The respondent then mentioned to provide an overview on how SMEs can report on GHG reduction targets, breaking down technical aspects of target-setting and climate transition plans.

Question 2

Are there any reliable and currently used sources (websites/ tools etc.) that could be further referenced or used by EFRAG in the Support Guide? IF YES, please specify and provide link.

Key insights (aggregate):

- (d) **A majority of respondents (73%)** knew of reliable sources to be referenced.

Key insights (by respondent type):

27 Most **PREPARER respondents (80%)** provided further sources to be referenced. These are the following:

- (a) A few respondents mentioned Carbon/GHG Calculators (Polish Chamber of Commerce GHG Calculator <https://esgstandard.pl/kalkulator-sladu-weglowego-online/>, SME Climate Hub Carbon Calculators <https://smeclimatehub.org/start-measuring/>, ecocockpit Tool <https://tool.ecocockpit.de/signup>, Energie-tool.de <https://www.energie-tool.de/#!>, Klimakompasset (Denmark) <https://klimakompasset.dk/klimakompasset/>).
- (b) A few respondents mentioned Guides (Carbon/Transition Plans) (MITECO Carbon Footprint Guide (Spain) www.miteco.gob.es/content/dam/miteco/es/cambio-climatico/temas/mitigacion-politicas-y-medidas/guia_huella_carbono_tcm30-479093.pdf, DIHK, UNK, VÖB Transition Plan Guide https://www.voeb.de/fileadmin/Dateien/Fachthemen/Sustainable_Finance/KM_U-Leitfaden_zur_Transitionsplanung.pdf, Fédération Française du Bâtiment – Baticarbone Tool <https://www.ffbatiment.fr/outils-modeles-document/outils/calcul-empreinte-carbone>).
- (c) A few respondents mentioned Reference Frameworks and Standards (ISO IWA 48:2024 ESG Framework, GHG Protocol and Science Based Targets initiative (SME Route)).
- (d) A few respondents mentioned Educational Platforms and Toolkits within the SME Climate Hub (SME Climate Commitment <https://smeclimatehub.org/sme-climate-commitment/>, Reporting Tool <https://smeclimatehub.org/report-your-progress/>, Action Space <https://smeclimatehub.org/action-space/>, 1.5°C Targets Guide <https://smeclimatehub.org/guides/setting-1-5c-aligned-targets/>,

Operational Emissions Course: <https://smeclimatehub.org/action-space/operational-emissions/#climate-action-for-your-operations>).

- (e) A few respondents mentioned Educational Platforms and Toolkits within the SME Climate Hub (SME Climate Commitment <https://smeclimatehub.org/sme-climate-commitment/>, Reporting Tool <https://smeclimatehub.org/report-your-progress/>, Action Space <https://smeclimatehub.org/action-space/>, 1.5°C Targets Guide <https://smeclimatehub.org/guides/setting-1-5c-aligned-targets/>, Operational Emissions Course <https://smeclimatehub.org/action-space/operational-emissions/#climate-action-for-your-operations>)
- (f) One respondent mentioned a EU Climate Platform (EU Climate-ADAPT <https://climate-adapt.eea.europa.eu/en>).
- (g) One respondent mentioned an External Guidance Link (ESRS Navigator (RVO) https://www.rvo.nl/sites/default/files/2025-01/ESRS_Navigator_januari_2025.pdf).
- (h) Additional comments were:
 - (i) One respondent pointed out that currently disclosure C3 includes references as notes to high climate impact sectors. To make it easily readable, it would be better to include all the references to other regulations or definitions in the text, indicating the source. Not as it is now: a text full of notes and references that does not include all the content, and where it is necessary to look for additional information. For example, the text should include the meaning of high climate impact sectors and a transition plan for climate change mitigation.
 - (ii) One respondent suggested adopting a pragmatic approach when incorporating tools or references into any EFRAG guide. So that there can be common references in English for all countries, but also country-specific references in their respective languages. Moreover, the respondent was concerned about the fact that EFRAG is proposing examples that imply stigmatizing companies in certain territories (Spain).

28 Most **USER respondents (83%)** provided further sources to be referenced. These are the following:

- (a) A few respondents mentioned Carbon/GHG Calculators and Tools (GHG Protocol Tools <https://ghgprotocol.org/calculation-tools-and-guidance>,).
- (b) A few respondents mentioned Science-Based & Climate Goal Frameworks (SBTi – Science Based Targets Initiative <https://sciencebasedtargets.org/>, and UNEP FI).

29 Some **PLATFORM respondents (20%)** provided further sources to be referenced. These are the following:

- (a) One respondent proposed SBTi (<https://sciencebasedtargets.org/target-services>), the GHG Protocol (<https://ghgprotocol.org/deep-dive-science-based-target-setting>) , the TCFD Knowledge Hub (<https://www.tcfdhub.org/metrics-and-targets/>), the EPA (<https://www.epa.gov/climateleadership/target-setting>)

and the following document
(http://pdf.wri.org/ghg_protocol_2004_chp011.pdf).

- 30 All **OBSERVER respondents (100%)** provided additional sources that could be referenced:
- (a) A few respondents suggested National Bodies and/or initiative sponsored by governments (such as Dutch Government SKAO <https://co2emissiefactoren.nl/>, Agence de l'environnement et de la maîtrise de l'énergie (ADEME) <https://www.bilancarbonate-methode.com/> , Banque de France <https://www.banque-france.fr/fr/espace-presse/communiqués-de-presse/la-banque-de-france-mettra-disposition-des-entreprises-son-indicateur-climat>) and the GHG Protocol (<https://ghgprotocol.org/corporate-standard>).
 - (b) One respondent suggested the SBTi (<https://sciencebasedtargets.org/>).
 - (c) One respondent proposed initiatives like the MVO Risk Checker <https://www.mvorisicochecker.nl/en>), New Economy Index (NEx) (<https://www.mvonderland.nl/nex>) and the Milieubarometer (Environmental Barometer) (<https://www.milieubarometer.nl/en-gb/home/0>).
 - (d) One respondent mentioned the Assessing Low Carbon Transition (ACT) methodology (<https://actinitiative.org/>).
 - (e) One respondent mentioned the ESG Hub developed by the UN Global Compact Network Malaysia & Brunei (<https://www.esghub.my/>).

Question 3

Should EFRAG explore other forms of cooperation in this domain? With whom? IF YES, please specify and provide link.

Key insights (aggregate):

- (f) **A majority of respondents (65%)** agreed that EFRAG should explore other forms of cooperation.

Key insights (by respondent type):

- 31 **Most PREPARER respondents (80%)** thought that EFRAG should explore other forms of cooperation.
- (a) A few respondents mentioned collaborating with Science-Based Targets & Climate Tools (SBTi – Science-Based Targets Initiative <https://sciencebasedtargets.org/> and SME Climate Hub).
 - (b) A few respondents mentioned GHG and Carbon Accounting Frameworks (GHG Protocol Tools <https://ghgprotocol.org/calculation-tools-and-guidance>, UNEP FI).
 - (c) A few respondents mentioned Climate/Carbon Organizations (International Carbon Action Partnership (ICAP), World Resources Institute (WRI), Partnership for Carbon Accounting Financials (PCAF), Climate Disclosure Standards Board (CDSB)).
 - (d) One respondent mentioned the Global Covenant of Mayors for Climate & Energy.
 - (e) A few respondents mentioned National and Sectoral Entities and software providers.

- 32 A majority of **USER respondents (67%)** thought that EFRAG should explore other forms of cooperation, following remarks were made:
- (a) One respondent suggested an easy-to-use and free of charge standard tool and national platforms that collect ESG data, such as the OeKB ESG Data Hub
 - (b) One respondent noted that according to the OECD, Transition planning is a complex process, particularly for micro and small businesses. The main challenge resides in calculating and estimating the figures contained in the transition plan: "from thought to finish" process. This might involve access to additional resources, which may be scarce, costly or difficult to use depending on the country context. Developing a transition plan implies complex and interconnected actions, such as scenario analysis, integrating the targets into the entity's financial planning and value chain engagements.
- 33 **No PLATFORM respondents (0%)** thought that EFRAG should explore other forms of cooperation.
- 34 **All OBSERVER respondents (100%)** thought EFRAG should explore other forms of cooperation. These forms of cooperation were mentioned:
- (a) One respondent suggested cooperating with industry associations and trade unions for implementation support and best practices, as well as universities and academic research to support scientifically substantiated guidance. The following forms of cooperation were also mentioned Social and Economic Council of the Netherlands (SER) (<https://co2emissiefactoren.nl/>), CSR Risk Checker (https://www.rvo.nl/sites/default/files/2025-01/ESRS_Navigator_januari_2025.pdf).
 - (b) One respondent mentioned Ademe (<https://www.ademe.fr/>), ABC (<https://abc-transitionbas carbone.fr/association-pour-la-transition-bas-carbone/>), Banque de France (<https://www.banque-france.fr/fr>) .
 - (c) One respondent proposed directly collaborating with companies already implementing ESG practices.
 - (d) One respondent mentioned to continue collaborating with CEN-CENELEC (<https://www.cencenelec.eu/news-and-events/news/2024/press-release/2024-02-27-efrag-mou/>).

Question 4

Are the steps an adequate and proportionate approach to structure GHG reduction target for SMEs? Please put the focus on the content of each step. YES/ NO, please explain. For comments on a specific step please mention it by number.

Key insights (aggregate):

- 35 **A majority of respondents (56%)** agreed with the proposed approach.
- (a) Observers and Users pointed out that it linear targets are not realistic and that visuals would help.
 - (b) Observers suggested expanding the approach for developing a decarbonization pathway. Preparers similarly suggested providing additional guidance on target

setting and follow-up, as well as guidance on whether to select market- or location-based Scope 2 emissions, highlighting SMEs freedom in target setting.

- (c) Preparers proposed to make the proportionality filter more explicit and help SMEs determine if such methodology is relevant for them.
- (d) Preparers pointed out that the decarbonization of certain sectors and activities is particularly complex and that it must be translated into different paths and objectives.
- (e) Preparers suggested explaining to SMEs the rationale behind timeframes.
- (f) Users questioned the choice of limiting the Guidance to Scope 1 and 2.

Key insights (by respondent type):

36 A majority of **PREPARER respondents (50%)** regarded the steps to be adequate and appropriate. The following remarks were made:

- (a) Some respondents seem to assume that the guidance would apply to all of the SMEs, for example: “Step 1, in particular, assumes that all enterprises can and should assess their quantitative climate impact and determine the necessity of setting GHG targets.”
- (b) One European representative organisation suggests that the guide includes a more explicit proportionality filter to help SMEs first determine whether such a methodology is truly relevant and necessary for them.
- (c) One European representative organisation states that a few elements missing from the proposed additional guidance:
 - (i) An option or guidance on setting target type (e.g. intensity based or absolute emissions)
 - (ii) Guidance on whether to select market based or location based scope 2 emissions
 - (iii) Additional actions once a business has set a target, e.g. getting internal buy-in, tracking and communicating progress
- (d) One national representative organisation highlights that the decarbonization of some sectors and activities is particularly complex and, therefore, this must be translated into different paths and objectives. This reality must be clearly communicated to companies at all times in order to set objectives appropriately adapted to their circumstances.
- (e) One national representative organisation stresses that it should be made clearer that companies have flexibility in their choice of baseline and target values and that companies should also be able to set targets relative to their growth.
- (f) One suggestion from a national representative organisation is that to determine the time frame, it might be useful to give an idea of why 2030 (short term) could be a useful timeframe for the company. For example, comparability, 3-5 years for implementation and target achievement, then 10-20 years to long term, etc.
- (g) One European representative organisation suggested:

- (i) Step 1: not logically phrased with point 3 proposed to become point 2;
 - (ii) Step 2: 1-3 year targets should come first;
 - (iii) Step 3: should be made clear that it is optional, and replace 'undertaking' with 'company';
 - (iv) Step 5: consider that GHG mitigation is not adapted to SMEs.
- 37 A few **USER respondents (14%)** regarded the steps to be adequate and appropriate. The following remarks were made:
- (a) Some European representative organisations ask why the guidance is limited to scope 1 and scope 2.
 - (b) Some European representative organisations consider the reference to scientific evidence in step 5 not proportional.
 - (c) Some respondents suggest that the cited reduction ranges are not realistic or that the timeframe is too long.
 - (d) Some representative organisations consider that setting targets requires a transition plan first.
 - (e) One respondent proposes some clear simplifications:
 - (i) Part 1: on step 2, 1-3 years time frames/short-term targets can be removed to favor simplicity.
 - (ii) Part 2: on step 6 we recommend simply mentioning that a linear reduction approach can be adopted instead of the current explanation.
- 38 All **PLATFORM respondents (100%)** regarded the steps to be adequate and appropriate.
- 39 Most **OBSERVER respondents (80%)** regarded the steps to be adequate and appropriate. The following remarks were made:
- (a) One national standard setter mentioned that realistically the steps will not be linear since targets and timeframes are independent. Considering it will be challenging to set realistic targets one or more examples on how to work with high-level steps with visuals would help.
 - (b) Another national standard setter mentioned expanding the approach for developing a decarbonization pathway by considering the starting point (GHG emissions inventory) and focusing on climate mitigation actions (or decarbonization levers).
 - (i) The proposed way:
 - (ii) **GHG Inventory:** Establish a GHG emissions inventory using recognized data and methodologies, as required under Disclosure B3 (aligned with Step 4 of the proposed approach).
 - (iii) **Mitigation Actions:** Identify major mitigation actions or decarbonization levers per emission source, including associated costs and investments (e.g., energy/material efficiency, consumption reduction, fuel switching, low-carbon energy use, or process/product substitution), in line with Disclosure C2.

- (iv) **Business Outlook [for medium-sized companies]:** Factor in expected business developments (e.g., activity volume forecasts) to assess the evolving impact of mitigation actions over time.
- (v) **Target Setting:** Define GHG reduction targets based on a recent, reliable reference year (Step 1) and a target year (Steps 2–3), accounting for the expected impact of mitigation actions (Steps 5–6).
- (vi) **Sensitivity Analyses [for medium-sized companies]:** Evaluate how changes in key variables (e.g., climate scenarios, customer preferences, technology) may affect outcomes. This supports target robustness regarding boundaries (Scopes 1–3, in absolute or intensity terms), timeframes (base year, milestones through 2030 and beyond), and ambition (gross reduction percentage).
- (vii) **Context and Guidance:** Clarify that target credibility depends on the accuracy of financial planning and emissions impact assessments tied to mitigation actions. Provide support in selecting reference and target years.
- (viii) Step-specific guidance:
- (ix) **Reference Year:** Choose a year from the past three with the most reliable GHG data.
- (x) **Target Year:** Set a five-year target, aligned with a credible technical and financial plan, to ensure actionable and funded emission reductions.
- (xi) **Long-term Target:** Use long-term targets to signal ambition, but support them with intermediate milestones (e.g., pre-2030) to ensure measurable progress.
- (xii) Key principles for GHG targets:
- (xiii) Express targets primarily in absolute terms (e.g., 20% reduction in tCO₂e over five years). Use intensity targets (e.g., tCO₂e per unit of production) where appropriate, especially for Scope 3.
- (xiv) Only gross emissions should be counted. Exclude GHG removals, offsets, or avoided emissions.

Question 5

Do you think this example is sufficiently clear and useful? If NO, please specify why.

Key insights (aggregate):

- 40 **A majority of respondents (58%)** agreed with the example’s clarity and usefulness.
- (a) Observers, Preparers and Users mentioned the need for simplification and flexibility in the steps.
 - (b) Observers and Preparers emphasized starting with GHG emissions inventory, considering decarbonization levers, and assessing mitigation actions with associated costs and investments.
 - (c) Preparers and Users consider the reduction ranges and long timeframes (e.g., to 2030) unrealistic or overly rigid; provide context for choosing timeframes. Moreover, there is the need to tailor guidance to SMEs’ capacities, including a proportionality filter to assess whether full methodology is applicable. It was also noted that Scope 3 has been excluded, and clarification is needed on Scope 2 reporting.

- (d) Observer and Preparers suggest more guidance on target types (absolute vs. intensity) as well as ensuring target credibility and supporting planning with sector-specific guidance.

Key insights (by respondent type):

41 A majority of **PREPARER respondents (50%)** regarded the example to be clear enough. The following remarks were made:

- (a) One European representative organisation found the point clear but noted that reducing Scope 1 emissions typically involves more than just switching to electric vehicles, it requires examining production processes, technological changes, and systemic shifts. They suggested including a more detailed example to capture this complexity. They also questioned whether the figures alone were sufficient, as reductions might lead to other environmental trade-offs. Clarifying how the reduction is achieved within the example, possibly by merging it with point 7, would enhance clarity and completeness.
- (b) Another European representative organisation pointed out that a short-term target of "0" for scope 2 is over-simplifying how achievable this is for businesses and may mislead them. A business could only get their scope 2 to "0" if its market based, so clarity over market based or location-based approaches is also needed. Additionally, SMEs then need advice around what mechanisms they can use to reduce market-based scope 2.
- (c) One national representative organisation thought that the example had weaknesses. For example, it should be made clear that the impact of fleet electrification in terms of CO2 emissions is known because emissions from transport equipment are part of the information integrated in the Scope 1 data. In addition, the decarbonization objective must be linked to the necessary investments in order to make the roadmap realistic. It is true that such an approach would introduce additional complexity, but it is also necessary to adopt a realistic approach.
 - (i) Simplicity is one thing and falling into simplism is another. Sustainability goals cannot be separated from the company's economic capacity to achieve them.
 - (ii) Any proposed example should make it clear that the possibility of implementing the proposed measures will depend on the financial situation of the company, the productive sector or activity it carries out. So, there are different measures that can be used, even combining partial actions in different areas. In this sense, it is very important to link what is stated in this example with what is contained in question 14 and, specifically, in "Box 1: Example of main actions to Implement the company CHG reduction targets".
- (d) One national representative organisation pointed out that guidelines should address more specific climate protection measures (e.g. increasing the energy efficiency of production, heating or air conditioning systems). If the examples are to remain, it would be helpful to provide a justification or reference to the overview and definition of the time frame in 2030 (see step 2 for the target year)

- (e) One national representative organisation questioned if it is necessary to divide scope 1 and 2 - or should scope 1 and 2 be in the same row? Target setting needs more explanation. Also, the connection between the short-term target and the long-term target. Should scope 3 be included as optional?
- 42 **A majority of USER respondents (50%)** regarded the example to be clear enough. The following remarks were made:
- (a) One national representative organisation pointed out that Scope 1 emissions are more complex than what suggested in the example, requiring more thorough reflection on the production process, changes in technology, and broader systemic shifts. It was also questioned whether the figures provided are sufficient, as they could lead to other forms of harmful waste or pollution. Therefore, it would be helpful to explain how this reduction is achieved within the example itself.
- (b) One European representative organisation pointed out that SMEs need concrete guidance for developing targets and calculating the actual and projected figures. Therefore, they need also an easy-to-use and free-of-charge-tool. Scope 3 is also missing in the example.
- 43 Most **PLATFORM respondents (80%)** regarded the example to be clear enough. The following remarks were made:
- (a) One respondent mentioned that the use of short-term target (4-years) conflicts with the previous description in VSME ED related to time horizons, where short term is described as "one year." Simultaneously, short term is described in 221 as one to three years. The guidance should clearly define what constitutes short term, medium term, and long term consistently.
- 44 A majority of **OBSERVER respondents (60%)** regarded the example to be clear enough. The following remarks were made:
- (a) One respondent suggests explaining better the % change when the baseline and current report differ. Give context to explaining when to set a short-, medium-, or long-term target, and what factors to consider and incorporating a short definition for more technical terminology.
- (b) One national standard setter suggested providing a table to track progress between year n-1 and year n (reduction percentage) to allow to compare emissions reduction performance over time. It was then pointed out that the short-term target in the example is set at 2030 while step 2 of the flowchart mentions that the short-term target should be 1-3 years from now (this example it is 4).

Question 6

Do you agree that this example is sufficiently clear and useful? If NO, please specify why.

Key insights (aggregate):

- 45 **A majority of respondents (50%)** agreed with the example's clarity and usefulness. The main comments emerged:

- (a) All categories agreed that the linear emissions reduction path may not reflect real-world conditions. Respondents called for clearer guidance or alternative methods that consider non-linear progress;
- (b) Preparers and users emphasized that targets should reflect operational realities (e.g. production levels, locations, timing of actions), and that the guide should better explain how reductions will be achieved;
- (c) Observers recommended focusing on short-term targets (e.g. five years) tied to financial plans, as long-term targets carry more uncertainty;
- (d) Platforms requested guidance on choosing between linear and non-linear methods for target setting and proposed including sector-specific examples to improve clarity;

Key insights (by respondent type):

46 **A majority of PREPARER respondents (50%)** regarded the example to be clear enough. The following remarks were made:

- (a) A few representative organisations mentioned that the example was clear but that it doesn't reflect what it would actually happen in the field, as there is no direct link between the evolution/targets on Scope 1 and Scope 2 emissions. Targets will depend on which actions are taken and when, and the evolution influenced on factors like production levels, site locations, and other operational variables. In addition, in many cases, most emissions savings are made in the short term.
- (b) One European representative organisation suggested explaining how reductions will be achieved within the example. Although point 7 touches on this, combining both explanations would make the message clearer and more complete.
- (c) A few representative organisations (3) pointed out that a linear approach may not be realistic or useful for all companies. One respondent explained that the conception of CO2 emission reduction targets in absolute terms generates an important problem in terms of companies experiencing significant organic growth. Companies' growth can mask their efforts in terms of emissions reduction. For example, they may have developed organic growth that leads to a 50% increase in production between 2026 and 2030, resulting in stable emissions or moderate emissions cuts. However, in this example, at least, there would be a 33% reduction in emissions per unit produced. Setting targets for emissions per unit produced is another valid way to achieve emission reduction goals, which can then be translated into a figure in absolute terms.
- (d) One national representative organisation asked for clarifications on whether the target is calculated in “%” or in “absolute values”. Referring to SBTi could be helpful to understand this method. Moreover, the example with the short-term target does not seem to comply with the example with both a short term and a long-term target.

47 Some **USER respondents (33%)** regarded the example to be clear enough. The following remarks were made:

- (a) One national representative organisation pointed out that there is no direct link between the evolution/targets on Scope 1 and Scope 2 emissions and that the targets will largely depend on which actions are taken and when, as well as being influenced by factors such as production levels, site locations, and other operational variables. It would be more useful to explain how this reduction will be achieved within the example. Although point 7 touches on this, combining both explanations would make the message clearer and more complete.
 - (b) One European representative organisation respondent noted that the real challenge for SMEs resides on calculating the actual and projected figures, and how to report it. This includes how to quantify, estimate and project targets in Tco2eq.
 - (c) One national representative organisation noticed that the path towards the final target is not always linear, and therefore suggest integrating this part with a table that guides the setting of target disclosure.
 - (d) One respondent suggested inserting a qualitative column where to disclose the actions the undertaking seeks to implement to reduce its GHG emissions (in line with C3 54 (e)).
- 48 **A majority of PLATFORM respondents (60%)** regarded the example to be clear enough. The following remarks were made:
- (a) One respondent commented that it should be explained when which method of targeted setting (linear decrease or not) is to be selected.
 - (b) One respondent suggested including an example of an entity within a sector with high climate impact to illustrate Scope 1 and 2 (e.g. a transportation company).
- 49 **A majority of OBSERVER respondents (60%)** regarded the example to be clear enough. The following remarks were made:
- (a) One national standard setter suggests explaining better the % change when the baseline and current report differ, providing some context. Furthermore, the rationale behind the proposed linear decrease was challenged as reality is not linear.
 - (b) One national standard setter mentions that GHG emission reduction targets should be set over a five-year period to rely on a technical and financial plan. Longer-term targets, extending to 2050, focus on the cumulative reductions from past, ongoing, and future five-year periods. These carry more uncertainty compared to short-term targets, as they are not directly linked to financial reporting within shorter timeframes.

Question 7

Do you find this linkage between C3 and C2 a useful and proportionate way of ensuring that the setting GHG reduction target actions remains manageable for SMEs while still being useful for users? If NO, please specify why.

Key insights (aggregate):

- (c) **A majority of respondents (77%)** agreed on the linkage between C3 and C2 to be useful and clear. The main comments emerged:

- (d) Observers and preparers suggested including examples of key mitigation actions (e.g. energy efficiency, electrification, fuel switching) and linking them clearly to C2, along with details such as scope, timeframe, expected outcomes, and how these actions are financed;
- (e) Users highlighted the need to consider SMEs' financial and technical capacity to implement planned actions and to clarify the timing of implementation; and suggested that examples should better reflect Scope 3 emissions and include senior-level accountability for planned actions;

Key insights (by respondent type):

- 50 Most **PREPARERS respondents (80%)** found that the linkage between C3 and C2 to be appropriate. The following remarks were made:
- (a) One European representative organisation suggested having a list of options (like a checkbox) and an open field, to facilitate the filling of information and help SMEs to have possible good practices.
 - (b) One national representative organisation recommended being more specific in which initiatives in C2 could be relevant in this matter.
 - (c) One European representative organisation suggested making examples more complete and adding sector specific topics/suggestions.
- 51 **A majority of USER respondents (67%)** found that the linkage between C3 and C2 to be appropriate. The following remarks were made:
- (a) One European representative organisation respondent commented that Scope 3 and the highest senior level is missing in the example. In addition, information on when an SME has the financial capacity and competence for the actions planned is missing, as well as the timing for the planned implementation.
- 52 **All PLATFORM respondents (100%)** found that the linkage between C3 and C2 to be appropriate.
- (a) A majority of **OBSERVER respondents (60%)** found that the linkage between C3 and C2 to be appropriate. The following remarks were made:
 - (b) One national standard setter suggested providing Scope-1 examples including estimated effects (e.g. this represents approx. 60 % of scope 1 emissions).
 - (c) Another national standard setter suggested providing a list of key mitigation actions (decarbonisation levers) as examples (e.g. energy efficiency, electrification, fuel switching, use of renewable energy, product changes, and supply-chain decarbonisation) and linking this with Disclosure C2. It was also suggested to present good practices with key actions, scope, timeframe, current or expected outcomes (GHG emission reductions) and mentioning the financing of these actions through current or future financial resources.

Question 8

Do you consider the example provided on integrating the plan into the undertaking's business strategy and financial planning sufficiently clear and useful? If NO, please specify why.

Key insights (aggregate):

- (d) **A majority of respondents (58%)** agreed with the example's clarity and usefulness. The following remarks were made:
- (e) All the categories agreed on the shared need to make it more concrete and actionable, especially by including realistic SME examples and actual strategic actions for climate transition;
- (f) Preparers, observers and users requested the inclusion of quantified impacts, such as GHG reductions and financial effects, noting that narrative elements alone are not sufficient; and suggested adding clear examples or lists of strategic actions (e.g. via dropdown menus or checklists) to guide SMEs in building their transition plans;
- (g) Preparers and observers highlighted the need for simplified financial figures and language better aligned with SME capacities, especially regarding capital expenditure and customer cost sensitivity.

Key insights (by respondent type):

- (h) A majority **PREPARERS respondents (50%)** found example provided was sufficient. The following remarks were made:
 - (i) One European representative organisation pointed out that the example could be more concrete, with the inclusion of actual actions to be potentially included in the Transition Plans for Climate Change Mitigation.
 - (j) One European representative organisation suggested providing a list of options (checkbox) with pre-established values to choose from and an open field. In the example, the financial impact is quantified, something difficult to plan for SMEs given their greater difficulty in securing financing and setting investment budgets for years ahead, much more common in large companies.
 - (k) One European representative organisation noted that this is a not a typical example of what an actual transition plan looks like. They suggested using an actual transition plan (anonymized) or at least an example that looks like a real company's transition plan. SMEs should also be aware that they need to have quantified emissions before talking about the financial effect of it.
 - (l) One national representative organisation felt it lacks realism in certain areas. For Low-Carbon Transport, factors like fleet ownership and Capex should be considered, as access methods impact emissions and costs. In point 2, flexibility was seen as relating to cost savings rather than actual energy efficiency and may conflict with labour rights if not aligned with regulations. Regarding point 3, applying the supplier code uniformly is unrealistic, many clients value sustainability but are unwilling to cover the added costs, affecting profitability rather than just sales. A more nuanced approach is recommended.
 - (m) One national representative organisation suggested linking it with C3, 55 (How it is contributing to reduce GHG emissions). The interlink between the different initiatives should be more clear as impacts can occur in different areas.

- (n) On respondent commented that the formulation is not very clear and too technical for an SME.
- (o) **Some USERS respondents (33%)** found example provided was sufficient. The following remarks were made:
- (p) A few representative organisation suggested the example being more concrete and including actual actions for the Transition Plans and how to quantify, estimate and project. More guidance should be given for calculations and reporting.
- (q) One European representative organisation found Example 3 unclear and overly academic, particularly the reference to the client's CoC and the vague link to financial impact. The measurements were seen as superficial, with no clear pathway for GHG reduction, making it difficult for SMEs to understand how to align with emission targets. The example should fully meet the disclosure requirements by including all relevant data points, outlining the reporting process for a typical SME, and presenting a complete reporting example. There were also concerns about its suitability for voluntary ESEF reporting.

53 **All PLATFORM respondents (100%)** found example provided was sufficient.

- (a) **A majority of OBSERVER respondents (60%)** found example provided was sufficient. The following remarks were made:
- (b) One national standard setter remarked that the positive effects should also be quantified.
- (c) Another national standard setter suggested noting amounts with K, not in millions, and better aligning the language with SME's capabilities. It was also noted that policy documents might be more useful for finance partners than value chain partners. Narrative information seems to be valued less than quantitative.
- (d) A third national standard setter suggested providing an exhaustive list of examples of strategic actions to implement in their Climate Transition Plan, with a scroll-down menu similar to the one in guide C2.

Question 9

Do you consider that this approach to a simplified pathway is sufficiently clear and useful? If NO, please specify why.

Key insights (aggregate):

- (e) **A majority of respondents (58%)** agreed with the approach's clarity and usefulness. The following remarks were made:
- (f) Observers, platforms and preparers highlighted the shared need to explicitly specify which examples relate to Scope 1, 2 and 3 emissions; additionally, a detailed list of decarbonisation levers (e.g., energy efficiency, electrification) was suggested for inclusion in the Climate Transition Plan, with a preference for interactive tools like a scroll-down menu;

- (g) Preparers, users and observers noted that small undertakings struggle with estimating costs due to limited resources, which affects their ability to plan and set goals effectively;
- (h) Preparers and users emphasized the importance of clearly outlining actions and policies necessary to support transition plans;

Key insights (by respondent type):

- (i) **A majority PREPARERS respondents (60%)** found the approach was sufficient. The following remarks were made:
 - (j) One European representative organisation noted that for small undertakings the estimation of expected costs may be challenging due to limited resources. Furthermore, while the goals are appropriate, how will the undertaking come up with them? And is it necessary to illustrate that specific actions and policies are required to support their implementation?
 - (k) One European representative organisation pointed out that in this case the VSME is acting as a management tool and that it is forcing SMEs to create pathways and plan aspects of internal management.
 - (l) One European representative organisation suggested including a list of key sectors that are at high climate risk, allowing SMEs to easily identify if they would be expected to produce such a transition plan.
 - (m) One national representative organisation commented that the example didn't address other decisive issues for a company like CapEx needs.
 - (n) **Some USER respondents (33%)** found the approach was sufficient. The following remarks were made:
 - (o) One national representative organisation pointed out that for small undertakings the estimation of expected costs could be challenging. Furthermore, questions were raised concerning how to come up with the goals and if it is necessary to illustrate that specific actions and policies are required to support their implementation?
 - (p) One European representative organisation raised concerns on the SMEs' abilities to prepare a VSME Report without the assistance of an external advisor.
 - (q) One European representative organisation noted that the real challenge resides on calculating the actual and projected figures, and how to report them. In other words, how are those targets quantified, estimated and projected.
- 54 **Most PLATFORM respondents (80%)** found the approach was sufficient. The following remarks were made:
- (a) One respondent pointed out that presenting only long-term goals may make it impossible to see what investments are planned in the near future (next 3 years).
 - (b) A majority of **OBSERVER respondents (60%)** found the approach was sufficient. The following remarks were made:

- (c) One national standard setter mentioned that it would be useful to explicitly state which examples are scope 1, 2 or 3
- (d) One national standard setter suggested providing more information on how to reliably measure the indicators in a specific sector, alongside with providing some tools.
- (e) One national standard setter requested for an exhaustive list of examples of decarbonisation levers that companies can use to provide their Climate Transition Plan on the model of the scroll-down menu provided for guide C2.

Question 10

Do you consider it useful to add these questions to the Support Guide? If NO, please specify why.

Key insights (aggregate):

- (f) **A majority of respondents (73%)** agreed with the usefulness of adding these questions. The following remarks were made:
 - (g) Observers suggested adding definitions for terms like CO2 equivalents and making the FAQ more accessible, e.g., via a dedicated website; requested sector-specific pathways for SMEs to guide their decarbonisation efforts;
 - (h) Platform respondent felt the FAQ questions were already covered in the VSME guidance, adding little new value;
 - (i) Preparers suggested adding specific questions to clarify Scope 1-3 emissions and CO2 equivalents; raised concerns about SMEs' ability to estimate costs and called for more guidance on how to achieve targets and necessary actions;
 - (j) Users emphasized the need for clear, understandable examples and suggested consolidating information into one document; proposed that the FAQ should offer practical, sector-specific resources and guidance on assessing target feasibility and identifying necessary actions;

Key insights (by respondent type):

55 **Most of PREPARERS respondents (80%)** found the questions useful. The following remarks were made:

- (a) One European representative organisation agreed on the goals but found beneficial demonstrating how these can be achieved and whether specific actions and policies are necessary to support their implementation.
- (b) One national representative organisation proposed additional questions, supplemented by tables or databases to convert raw material use into CO2 equivalents:
 - (i) What is included in Scope 1-3 emissions?
 - (ii) What are CO2 equivalents?

56 **A majority of USER respondents (50%)** found the questions useful. The following remarks were made:

- (a) One national representative organisation mentioned that estimating expected costs can be challenging due to limited resources. It would be beneficial to

demonstrate how they can be achieved and whether specific actions and policies are necessary to support their implementation.

- (b) One European representative organisation commented that it would be more helpful to have clear, understandable and complete examples in the Standard, having everything in one document. Due to the proposed reduction of the applicability of the mandatory CSRD reports, it should be considered to provide complete examples for the banking sector. The FAQ should be short, structured and meaningful.
- (c) One respondent suggested the FAQ to focus on practical examples and resources that speak to companies in different sectors. To make the VSME as ready to be implemented as possible, it suggested to for example keep (a) but remove (b) and (c). Additionally, it was recommended adding some examples assessing feasibility of the target achievement and how to identify necessary actions to achieve target.

57 **Most PLATFORM respondents (80%)** found the questions useful. The following remarks were made:

- (a) One respondent didn't see the added value in adding these questions as these were already answered in the VSME guidance.

58 **Most OBSERVER respondents (80%)** found the questions useful. The following remarks were made:

- (a) One national standard setter mentioned it would be helpful to provide definition of terms that could be more difficult to interpret. As well as considering making the FAQ separately accessible (e.g. on a dedicated VSME website to increase the understanding of sustainability requirements and how to use them in practice).
- (b) Another national standard found useful adding these questions to the Support Guide, focusing on FAQs that are not answered in the main Guidance as well as providing examples of sector-specific decarbonisation pathways adapted to SMEs.

Question 11

Do you think that the Support Guide should offer more guidance on Scope 3 GHG emissions, either for calculation or target setting? If YES, please specify why.

Key insights (aggregate):

59 **Most respondents (93%)** agreed that the Support Guide should offer more guidance. The following remarks were made:

- (a) All categories of respondents agreed on the necessity for more detailed guidance, especially regarding Scope 3 GHG emissions, practical examples, and tools to assist SMEs in the process;
- (b) Preparers, users, and platform all stressed the need for clearer, simplified guidance on Scope 3 GHG emissions, including practical examples, calculation methods, and tools to estimate emissions. They also emphasized the importance of providing more practical examples and templates, especially for SMEs, and a more SME-focused, simplified approach to the guidance;

- (c) Observers highlighted the need for sector-specific decarbonisation pathways tailored to SMEs and the usefulness of tools and visuals to estimate Scope 3 emissions;

Key insights (by respondent type):

60 **Most PREPARERS respondents (80%)** agreed that the Support Guide should offer more guidance. The following remarks were made:

- (a) One European representative organisation commented on the need for more guidance on Scope 3 GHG emissions by providing concrete examples of actions that could guide targets. Additionally, other standards should be referenced, including the whole standards or information.
- (b) A few representative organisations proposed mentioning and explaining the 15 Scope 3 categories identified by the GHG Protocol, as well as providing guidance on scope 1 and 2 as these contain the basic data usually requested from SMEs.
- (c) A few representative organisations argued that the current approach is insufficient as Scope 3 emissions are complex to assess and manage. The Support Guide must go beyond high-level references and offer concrete, simplified tools or examples tailored to their context (practical case studies, and step-by-step simplified approaches that reflect proportionality).
- (d) One European representative organisation respondent suggested being clearer how the sectors in paragraph 215 overlap with the "high impact sectors" and that SMEs in these overlapping sectors will likely have to report on scope 3.
- (e) A few representative organisations suggested advising SMEs to focus on upstream emissions as downstream can be very difficult for them, as well as focusing on tier 1 suppliers as this is much more achievable. This could be done by providing a set of questions to address the value chain.
- (f) One European representative organisation raised concerns on the complexity of the topic, that despite the Guide's efforts, it remains difficult to be approached without consultants/experts.
- (g) One respondent proposed translating the VSME documentation into all EU languages once it will be adopted by the European Commission.

61 **All USERS respondents (100%)** agreed that the Support Guide should offer more guidance. The following remarks were made:

- (a) A few representative organisations respondents asked for more practical examples beyond the explanatory paragraphs in the VSME document to make it less technical.
- (b) One national representative organisation respondent called for more guidance on the calculation of Scope 3 GHG emissions, and referring to other standards, for example mentioning the 15 Scope 3 categories identified by the GHG Protocol. However, equally important to also provide guidance on Scope 1 and Scope 2.
- (c) A few representative organisations noted that SMEs need complete step-by-step examples and guidance for calculating Scope 3 emissions.

One European representative organisation respondent asked to consider weighing the disclosure value against the cost for the undertaking.

62 **All PLATFORM respondents (100%)** agreed that the Support Guide should offer more guidance. The following remarks were made:

- (a) All respondents pointed out that more guidance is needed for the calculation of the Scope 3 GHG emissions as it is one of the most complex parts of the Standard, as well as examples and templates.
- (b) One respondent pointed out that the VSME has no guidance in handling an SME's value chain, much less its technical matters and the 15 types of emissions to check.
- (c) The same respondent noticed that the current references to GHG Protocol documents may be overwhelming or too technical without SME-focused simplifications.

63 **All OBSERVER respondents (100%)** agreed that the Support Guide should offer more guidance. The following remarks were made:

- (a) A few national standard setters suggested providing more guidance:
- (b) Examples;
- (c) Calculation methods;
- (d) Visuals;
- (e) Tools to estimate Scope 3 GHG emissions.

Part 2 – C7 (Severe negative human rights incidents)

Question 1

Do you agree with the aim and need of this support guide which seeks to provide hands-on guidance for SMEs disclosing if they are aware of any confirmed severe human rights incidents in their value chain, with a particular focus on paragraph 62(c)? If NO, please specify why.

Key insights (aggregate):

- 64 **A majority of respondents (73%)** agreed with the aim of the Support Guide.
- (a) Observers, Preparers and Users pointed out that SMEs face specific challenges like limited resources, complex value chains, and informal processes, making it harder to handle incidents.
 - (b) Observers and Users recommended providing guidance on broader social issues like working conditions, equal treatment and specific workforce-focused guidance for C7 62(a).
 - (c) Platforms and Users point out the need to clarify whether incidents are assessed internally or externally, and better explain the purpose of the data point to aid SMEs in describing incident impacts.
 - (d) Preparers suggest referencing resources provided by trade associations in high-risk sectors to help SMEs assess supply chain risks. It was also mentioned that other guides may be more immediately useful or applicable.
 - (e) Users recommend limiting the application of certain requirements (like point C) to SMEs under the scope of the Whistle-blower Directive.

Key insights (by respondent type):

- 65 **A majority of PREPARERS respondents (70%)** found the support guide useful. The following remarks were made:
- (a) A few representative organisations noted that priority should be given to the development of other guides. One respondent commented that is generally recognised that OECD member countries, due to their economic development and governance standards, often have more robust legal frameworks and enforcement mechanisms for protecting human rights compared to non-OECD countries.
 - (b) One European representative organisation suggested that in practice this is for SMEs with extremely constrained resources and little influence over suppliers to ascertain processes. If it exists, reference should be made to internationally available resources from trade associations in at risk sectors that could help SMEs establish whether their supply chain is at risk for these issues.
 - (c) One European representative organisation proposed avoiding referring to other support tools, and give clarification on terms such “severe negative human rights incident” and “confirmed incident”.
- 66 **A majority of USER respondents (67%)** found the support guide useful. The following remarks were made:

- (a) One European representative organisation suggested providing more guidance regarding the purpose of the data point, to later help them describe better the impact of incidents. Point (c) should only be applicable to SMEs which are in the scope of the Whistle-blower Directive.
 - (b) One respondent pointed out that SMEs are less likely to have a formal process to treat incidents arising within their own operation, much less from external stakeholders. Therefore, it was recommend having a similar guidance for C7 62 (a) for their own workforce.
- 67 **Most PLATFORM respondents (80%)** found the support guide useful. The following remarks were made:
- (a) One responded pointed out that it should also be stated whether the incidents were assessed internally or externally.
- 68 **Most OBSERVER respondents (80%)** found the support guide useful. The following remarks were made:
- (a) One national standard setter pointed out that SMEs rarely have subsidiaries located out of Europe and their value chain outside Europe is not as developed as the those of large companies. Moreover, within EU countries, social regulations normally contribute preventing human rights incidents. It was also recommended to develop guidance on other social aspects covered by VSME, including working conditions and equal treatment.

Question 2

Are these examples sufficiently comprehensive and clear to enable the awareness of the confirmed incident, including the affected stakeholders and the specific human rights violated? If NO, please specify why.

Key insights (aggregate):

- 69 **A majority of respondents (54%)** agreed with the comprehensiveness and clarity of the examples.
- (a) Observers suggested adding examples for consumers' and end-users' cases.
 - (b) Preparers and Users raised concerns on the unclear definition of confirmed incident as it could lead to confusion in the action-taking.
 - (c) Preparers suggested including examples in which the SME has little leverage power on their supplier and discrimination, as more frequent in the EU.
 - (d) Users proposed to give additional guidance on cause-effect relationship of this data point to help companies disclose in an appropriate manner.

Key insights (by respondent type):

- 70 **Some PREPARER respondents (40%)** found support guide useful. The following remarks were made:
- (a) A few representative organisations respondents questioned the definition of confirmed incident, as it is unclear whether the idea of a public denouncement is sufficient to be considered as an incident. Who must confirm the incident: the undertaking or an independent organization?

- (b) One national representative organisation pointed out that it is important that users of the guide have the opportunity of familiarising themselves with the full catalogue of human rights resulting from UN Guiding Principle no. 12.
- (c) A few representative organisations suggested considering the inclusion of examples in which the SME has little leverage power on their supplier, implying that investigative and remedial actions may be limited or non-existent. Another respondent explained that for example, SMEs in the construction industry rarely buy their products directly from non-EU foreign suppliers. In general, they purchase their products via local wholesalers, platforms or retailers, which are in charge of their own suppliers.
- (d) One national representative organisation suggested providing examples about discrimination, which is more frequent in the EU. The EU and Member States legislations are more protective on other issues (child labour, forced labour, human trafficking).
- (e) One national representative organisation respondent raised deep concerns on giving examples that could imply the stigmatization of certain territories (Spain) in order to not create prejudice.
- (f) One European representative organisation respondent mentions that example 1 and 2 are not realistic and that the latter also does not refer to human rights.

71 **A few USER respondents (17%)** found support guide useful. The following remarks were made:

- (a) A few representative organisations questioned the definition of confirmed incident, as it is unclear whether the idea of a public denouncement is sufficient to be considered as an incident, further clarification of the concepts is recommended. Moreover, who must confirm the incident: the undertaking or an independent organization? And should it be reported even if there is a Court ruling in favour of the undertaking?
- (b) One European representative organisation suggested giving better guidance on the cause-effect relationship of this data point, to avoid undertakings not disclosing how the incident impacts the company itself. In addition, the example for affected communities should be revised as it does not reflect an example for confirmed incident.

72 All PLATFORM respondents (100%) found support guide useful.

73 **Most OBSERVER respondents (80%)** found support guide useful. The following remarks were made:

- (a) One national standard setter found useful to add examples for consumers and end-users' cases, as they are the ones SMEs interact with the most.

Question 3

Are there any reliable and currently used source (websites/ tools etc.) that could be further referenced or used by EFRAG in the Support Guide? IF YES, please specify and provide link

Key insights (aggregate):

74 **Some respondents (35%)** knew of reliable sources.

Key insights (by respondent type):

75 A few **PREPARERS respondents (20%)** knew of reliable and currently used sources. These were the ones cited:

- (a) One respondent mentioned the International Bill of Human Rights and ILO Fundamental Conventions.
- (b) One respondent cited two links: <https://www.service-public.fr/> and <https://www.cnil.fr/fr>.

76 A few **USERS respondents (33%)** knew of reliable and currently used sources. These were the ones cited:

- (a) One respondent suggested DNK and the Helpdesk Wirtschaft und Menschenrechte.

77 **No PLATFORM respondents (100%)** suggested other sources that could be referenced.

78 **All OBSERVER respondents (100%)** knew of reliable and currently used sources. These were the ones cited:

- (a) One respondent propped the use of sources like the OECD Guidelines, UNGP Global Rights Index, OHCHR's Work with Local Governments, Human Rights NGOs in the US, Social Justice Non-Profit Organizations and the MVO Risk checker.
- (b) One respondent suggested the ILO's Country Information Centre, the GRI Social Standards (e.g., GRI 408: Child Labor, GRI 413: Local Communities, GRI 416: Consumer Health and Safety), the Sector-specific standards from SASB, the IDH Sustainable Trade and the Toolbox Human Rights for business & organisations.
- (c) One respondent proposed the ESG Hub developed by the UN Global Compact Network Malaysia and Brunei.
- (d) One respondent mentioned the ISO's IWA 48:2024 Framework for implementing environmental, social and governance (ESG) principles.

Question 4

(OPTIONAL) Do you think that support guides should also include educational aspects (e.g. SME Compass), for SMEs to become familiar in anticipating severe negative violation in relation to workers, affected communities and consumers/end-users? IF YES, please explain

Key insights (aggregate):

79 **Most respondents (91%)** agreed that the Support Guide should include educational aspects.

- (a) Observers, Platforms and Users recommended quick access to information where needed, and simplified guidance/tools for SMEs that are often under-resourced or lack experience.
- (b) Observers and Platforms call for guidance on due diligence processes, including visuals, examples, templates, and links to learning videos, as well as incorporating references like the RBC Compass and ESRS Navigator.

- (c) Platforms and Users recommended stakeholder engagement, risk identification & grievance mechanisms highlighting how SMEs can identify where harm may arise in their operations/value chains. Importance was also given to helping SMEs understand human rights impacts.
- (d) Prepares and Users raised concerns on the regulatory burden SMEs may be faced with.
- (e) Users highlighted context-specific risks and sector/country variation, as well as value chain complexity and size-specific challenges. Recommended providing best practices and real-world examples.

Key insights (by respondent type):

80 **Most PREPARERS respondents (86%)** found that the support guides should include educational aspects. The following remarks were made:

- (a) One European representative organisation stressed that SMEs should focus on complying with existing regulations making them anticipate any other violation would be adding another burden.

81 **All USERS respondents (100%)** found that the support guides should include educational aspects. The following remarks were made:

- (a) One European representative organisation stressed that SMEs should focus on complying with existing regulations. Making them anticipate any other violation would be adding another burden.
- (b) One national representative organisation suggested that for companies with < 250 employees it is very complex to have information related to their value chain.
- (c) A few organisations emphasized the importance of integrating educational aspects into support guides, as many SMEs lack policies addressing human rights impacts on workers, communities, and consumers. Evidence shows a need for guidance to help SMEs prevent severe negative impacts.
- (d) One respondent pointed out that the VSME primarily targets SMEs in Europe, who typically perceive low human rights risk. However, certain sectors and countries (e.g., cleaning, construction) are more exposed. If C7 includes incidents where workers are victims, sectors like services, which face higher DEI-related incidents, should be considered. Including stats on high-risk areas and sharing best practices would be valuable.

82 **Most PLATFORM respondents (80%)** found that the support guides should include educational aspects. The following remarks were made:

- (a) One respondent suggested providing examples about due diligence processes.
- (b) One respondent noted that it is crucial to make SMEs understand where potential harm could arise in their operations or value chains.
- (c) One respondent proposed providing practical tools, stakeholder mapping guidance, and simple templates for identifying vulnerabilities and setting up basic grievance or communication channels. This would help SMEs move from reactive reporting to proactive risk prevention. It would also help with the information

presented in C2 regarding due diligence, although this is mentioned only in C6 paragraph 237.

- (d) One respondent suggested reviewing the RBC Compass and its excel spreadsheet: <https://www.responsiblebusiness.no/news/the-rbc-compass-new-tool/> .

83 **All OBSERVER respondents (100%)** found that the support guides should include educational aspects. The following remarks were made:

- (a) One national standard setter suggested providing guidance on due diligence assessment, visuals, example, and links to learning videos.
- (b) One national standard setter suggested quick access to information and materials at the point in which they are required.
- (c) One national standards setter recommended consulting the following source: https://www.rvo.nl/sites/default/files/2025-01/ESRS_Navigator_januari_2025.pdf .

Question 5

Are there additional elements that should be included in the support guide for C3 or for C7 – 62(c) that you have not yet been addressed in the above questions? IF YES, please explain

Key insights (aggregate):

84 **Some respondents (28%)** agreed that there are additional elements to be included in the Support Guide for C3 and C7.

- (a) Observers, Platforms and Users suggested providing incident reporting templates, policy templates, implementation plans, monitoring checklists, and tools and step-by-step guides.
- (b) Observers and Platforms recommended step-by-step remediation guidance and success stories, and sample incident logging forms and escalation flows. In addition to stakeholder engagement tools and communication.
- (c) Preparers suggested sector- and area-specific examples.
- (d) Observers suggested providing training and learning resources, together with references to official EU materials.
- (e) Users suggested collecting good practices as well as providing a FAQ section.

Key insights (by respondent type):

85 **A few PREPARERS respondents (11%)** found that additional elements could be included. The following remarks were made:

- (a) One respondent emphasized the importance of highlighting the positive contributions of SMEs, such as recognition for environmental efforts, community engagement, or cultural preservation. Portraying SMEs as active contributors to societal well-being, rather than focusing solely on challenges, would provide a more balanced view. Additionally, including sector- and area-specific examples of serious risks in the Support Guide, such as safety issues from untrained machinery use in textiles, would make the guidance more practical. These real-world illustrations would help SMEs, particularly those less experienced in risk

management, better identify and address potential impacts, supporting compliance with C3 and C7 – 62(c) in a proportionate and effective way.

86 **Some USERS respondents (33%)** found that additional elements could be included. The following remarks were made:

- (a) One European representative organisation respondent mentioned the need for easy-to-use tools and complete step-by-step guides.
- (b) One national representative organisation suggested having a section dedicated to Q&As for SMEs, as well as a documentation that collects good practices.

87 **Some PLATFORM respondents (20%)** found additional elements could be included. The following remarks were made:

- (a) One respondent recommended providing templates that show how the examples given in the Standard can be practically integrated and managed by SMEs. Moreover, support tools might help draft a policy, with a policy template, an implementation plan and a simple monitoring checklist. (e.g., for C3, a GHG target-setting template could be paired with a step-by-step roadmap, while for C7, SMEs would benefit from a sample incident logging form, stakeholder communication guide, and escalation flow.)

88 **A majority of OBSERVER respondents (60%)** found that additional elements could be included. The following remarks were made:

- (a) One national standard setter] suggested:
 - (i) Incident Reporting Templates:
 - (ii) Templates for SMEs to report severe negative human rights incidents in a structured and consistent manner.
 - (iii) Examples of completed templates to guide SMEs.
 - (iv) Training and Awareness Programs:
 - (v) Information on training programs and workshops that SMEs can attend to better understand human rights issues and how to address them.
 - (vi) Links to online courses and resources.
 - (vii) Guidance on Remediation Actions:
 - (viii) Detailed steps on how SMEs can respond to and remediate severe negative human rights incidents.
 - (ix) Examples of successful remediation actions taken by other SMEs.
 - (x) The concept of double materiality
 - (xi) Guidance how to chose topics and materiality for your undertaking.
 - (xii) Stakeholder Engagement:
 - (xiii) Advice on how SMEs can engage with stakeholders (e.g., employees, suppliers, local communities) to identify and address human rights issues.
 - (xiv) Tools and methods for effective stakeholder communication. Including these additional elements in the support guides can help SMEs navigate the reporting requirements more effectively and reduce the administrative burden.

- (b) Another national standard setter suggested including the figure from the Commission Delegated Regulation (EU) 2023/2772, ESRS AR.31 of Metrics and targets, Disclosure Requirement E1-4 – Targets related to climate change mitigation and adaptation.