

# SUSTAINABILITY REPORTING STANDARDS FOR SMES – WHAT ARE THE ISSUES? SUMMARY REPORT

ROME – 29 MAY 2025



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## Background/Introduction

On 29 May 2025, at the 47<sup>th</sup> Annual Congress of the European Accounting Association ('EAA') in Rome, EFRAG and the Organismo Italiano di Contabilità ('OIC') hosted a symposium on sustainability reporting standards for SMEs.

EFRAG CEO Saskia Slomp welcomed the participants. To introduce the session, the EFRAG Sustainability Reporting Technical Expert Group ('TEG') Chair Chiara Del Prete provided an overview of the voluntary sustainability reporting Standard for non-listed micro-, small- and medium-sized undertakings ('the VSME Standard').

Following the introduction, Araceli Mora (EAA President-elect and Professor at the University of Valencia) moderated a panel discussion involving the following panellists:

- Katharina Bryan, Amazon
- Elbano de Nuccio, President Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili ('CNDCEC')
- Alexander Stevens, Greenomy
- Angela Tanno, Italian Banking Association
- Sophia Zakari, SMEunited.

The panellists discussed the following questions related to sustainability reporting standards for SMEs.

- (How) can sustainability reporting become more than a compliance exercise for SMEs and instead serve as a strategic tool to access finance, attract customers or improve business performance?
- How ready are SMEs to engage in sustainability reporting — and what types of support or capacity-building do they need most?
- What role does the VSME Standard play in reducing reporting burden and enhancing the comparability of sustainability information across SMEs?
- What are / will be the main enablers of or barriers to widespread adoption of the VSME Standard across the EU? What specific tools or guidance would help SMEs get started?
- How can stakeholders like banks and large companies support SMEs in their sustainability reporting without imposing excessive administrative burden?

Michele Pizzo (President of the OIC) provided a keynote speech, which was followed by a Q&A session.

The views expressed by the speakers and panellists during the event were their own and do not necessarily reflect those of the organisations or entities they are associated with.

## Overview of the VSME Standard



**Chiara Del Prete** introduced the VSME Standard. She noted that its development had been entirely driven by demand. The Standard was introduced with the objective of supporting SMEs and was the first effort related to simplification. SMEs receive requests for sustainability information from their finance providers and business relations. The objective of the VSME Standard was to provide a template for standardised data, which should be able to satisfy most of those uncoordinated requests from business counterparts.

The VSME Standard was outside the scope of the Directive on corporate sustainability reporting ('CSRD'). Instead, it was meant as a template for business-to-business communication and was developed for companies with fewer than 250 employees. Accordingly, entities with over 250 employees could expect more data requests from finance providers and business relationships than those that would be provided by applying the VSME Standard. The requirements of the VSME Standard were proportional, and therefore took into account the fundamental characteristics of micro-, small- and medium-sized undertakings' fundamental characteristics. The VSME Standard underwent a public consultation process, was field-tested and was finalised in December 2024. It did not support a fair representation and did not involve a materiality assessment. This meant that the Standard would not result in discussions of the management of which sustainability issues are material for the business.

The VSME Standard consisted of two modules:

- a Basic Module that was the entry level targeted at micro-undertakings and constituted the minimum requirements for other undertakings;
- a Comprehensive Module that provided additional, more comprehensive information, and was adapted to small and medium sized entities.

Micro, small and medium-sized undertakings would thus only have to provide a limited number of disclosures (20, that is, approximately 90 datapoints) compared to the more numerous datapoints included in the ESRS standards. The Basic Module included indicators for environmental, social and governance content. A critical point was the narratives around policies, actions and targets. It was difficult for SMEs to provide these disclosures. The Basic Module therefore only required positive or negative statements, for example, whether the entity had a policy on the workforce ('yes' or 'no'). It was then possible to extend this with requirements from the Comprehensive Module (a description of practices, policies and future initiatives for transitioning towards a more sustainable economy and a description of severe negative human rights incidents). One of the critical messages from the consultation was that if an entrepreneur/SME applies the Standard on a voluntary basis, there needs to be clear incentives for doing so. Additionally, it was not possible for most entities to apply the requirements without some sort of support. EFRAG therefore created an SME forum, started a mapping exercise to map those tools and online platforms available on the market that could be helpful for VSME reporters, provided a free VSME Digital Template to a VSME XBRL taxonomy, worked on supplementary guidance and illustrative examples, and planned to run surveys on the acceptance of the Standard.

## Panel discussion

**(How) can sustainability reporting become more than a compliance exercise for SMEs and instead serve as a strategic tool to access finance, attract customers or improve business performance?**



**Araceli Mora** asked whether and, if so, how sustainability reporting can become more than a compliance exercise for SMEs and instead serve as a strategic tool to access finance, attract customers or improve business performance.



**Katharina Bryan** noted that sustainability reporting could support the goal of integrating sustainability into various areas of a business. She also emphasised that mandatory sustainability reporting could be introduced without creating an excessive administration burden, which could divert resources from improving sustainability to reporting on it. For sustainability reporting to achieve its full potential, it should be practical for everyone and, where possible, consistent and interoperable between jurisdictions. Voluntary reporting could be part of an entity's efforts to become more sustainable. It also made it possible for entities to improve their sustainability reporting over time without it having to be perfect from the start. It was thus a good exercise to prepare for mandatory requirements.



**Alexander Stevens** considered the incentives for preparing sustainability reports voluntarily. Firstly, it could lower finance costs. He noted that the information would in any case be required by financial institutions financing SMEs, as those financial institutions would have to report on it. He also assessed that it made a difference not just to ask SMEs to provide the information but to give them tools for the provision of it. Secondly, collecting sustainability information could improve the performance of the entity. It would enable entities to identify the areas they should work on to become more sustainable. This could have direct consequences for the operation, for example in relation to the consumption of water or electricity. Thirdly, from a procurement perspective, a standardised manner to report on sustainability could reduce costs by making it possible for entities to collect and distribute the same set of sustainability information to their business relations. It would thus be possible to avoid entities having to collect similar, yet slightly different, information from their various business relations as a result of the business relations asking for different information.

**How ready are SMEs to engage in sustainability reporting — and what types of support or capacity-building do they need most?**

**Araceli Mora** asked how ready small and medium-sized entities were to engage in sustainability reporting and what types of support they needed.





**Elbano de Nuccio** stated that there were two aspects to consider: firstly, the capacity of SMEs to collect sustainability information, including the attitude towards sustainability, and secondly, SMEs' ability to comply with generally accepted sustainability reporting standards. He noted that small and medium-sized entities were adopting an ESG behaviour in their organisations. Most adopted the behaviour in an informal way, which meant that they did not disclose it but engaged in it for internal purposes. This sustainability behaviour

was not only adopted by entities to comply with requirements and information requests from third parties; SMEs also considered sustainability reporting an essential and strategic tool to manage risks and opportunities. There was also a relationship between an entity's sustainability behaviour and its medium- to long-term going concern attitude. In Italy, this was evidenced by banks asking SMEs for information about their sustainability behaviour in order to make an assessment of their going concern attitude. The accounting profession could help SMEs in the process of preparing sustainability reports. The sustainability reports were only the end result of a process involving the collection of information. In Europe, SMEs were under social and ethical pressure. They needed to provide an answer to this, and to do so, they needed the help from professional accountants to collect the necessary information to be able to manage that information. Sustainability reporting was therefore an investment which would not pay itself back immediately but over time. After that, he concluded that the efforts related to sustainability reporting would be appreciated.



**Sophia Zakari** suggested that most European SMEs were not ready for sustainability reporting. Most European SMEs were micro entities had never fallen within the scope of sustainability reporting legislation and had therefore not been asked to be ready to report on sustainability. This, however, did not mean that they had not adopted a sustainability behaviour. They just did not know how to report on it. The critical issue was thus how to

make the connection with actions performed and sustainability reporting requirements, as many SMEs did not see the match. Some SMEs did produce a sustainability report but they had often hired people to do so. However, Zakari questioned whether this was the intention, and it was also costly for the entities. These entities therefore regarded sustainability reporting as a cost, and it was difficult for them to see the benefits. She did not consider that SMEs should have to pay external parties to prepare sustainability reports. It resulted in SMEs considering sustainability reporting a burden. They should be able to rely on their own organisation to prepare it. That would require training and clarifying the benefits of the reporting to SMEs. However, even the accountants who could train the staff of SMEs needed first to be trained. This training was therefore very much work in progress.

**What role does the VSME Standard play in reducing reporting burden and enhancing the comparability of sustainability information across SMEs?**

**Araceli Mora** asked what role the VSME Standard plays in reducing reporting burden and enhancing the comparability of sustainability information across SMEs.

**Sophia Zakari** said that it was important to consider what the VSME Standard is and what it is not. SMEs tended to focus on what the VSME Standard is not. They accordingly considered a report prepared in accordance with the VSME Standard an additional report besides the information on sustainability they have to provide, for example, to their banks. If the VSME Standard had been a unique standard that everybody (including banks) used, it would have been considered more useful, as it would reduce reporting burden and ensure that data was comparable. SMEs could not simply decide to provide only the data required by the VSME Standard to entities in the supply chain and banks, as this could result in sanctions. Therefore, it was necessary for the EU to prohibit banks and other parties from requiring additional information than the information requested by the VSME Standard. Furthermore, the VSME Standard should be fully digitalised with automated calculations so that entities would only have to update the report when their behaviour changes. That would make the VSME Standard useful for both preparers and users and create incentives for SMEs to apply it.



**Angela Tanno** noted that Italian banks had been asking for a unique European sustainability standard for SMEs for a long time. She therefore welcomed the VSME Standard. Banks had for some time been required to disclose ESG data based on information provided by counterparties. To fulfil these requests, they had developed their own questionnaires, which were different from bank to bank. There had subsequently been activities both at national and EU level to standardise the information requests. Banks were now comparing the information they require in their questionnaires with the information required by the VSME Standard. However, they were waiting a final signal from the European Commission to formally endorse the VSME Standard. This is because updating internal procedures and processes is very costly. Banks therefore wanted to ensure that there would not be major changes introduced to the VSME Standard. She noted that there were different national requirements in EU Member States and that these requirements were also different from those in the VSME Standard. In Italy, there is a document entitled 'Sustainability Dialogue between SMEs and Banks', which supports SMEs in gathering and producing information on ESG impacts. This document has a lot of overlap with the VSME Standard and provides useful guidelines on how to use indicators for SMEs, but it is not identical to the VSME Standard. She expected that a document bridging these guidelines with the VSME Standard would soon be issued. She welcomed EFRAG's training videos and digital template. However, she noted that these should be translated as well.

**What are / will be the main enablers or barriers to widespread adoption of the VSME Standard across the EU? What specific tools or guidance would help SMEs get started?**

**Araceli Mora** asked what the main enablers or barriers to widespread adoption of the VSME Standard across the EU were / would be and what specific tools or guidance would help SMEs get started.

**Alexander Stevens** reiterated that making the VSME Standard the single standard to be applied for all sustainability reporting by SMEs would enable a widespread adoption of the Standard. Apart from that, there were three barriers or enablers to widespread adoption. The first was awareness/education. Greenomy created an AI tool that could be helpful for these purposes. The second was the completion of the reporting exercise, where AI could help identifying what data from electronic questionnaires match datapoints required by the standards. This could speed up the process for preparers. Thirdly, after all the reporting, the next was benchmarking. It should be possible for an entity and its stakeholders to assess it against its peers. He hoped that there could be a single European database including the data from all companies to enable benchmarking of companies. This benchmarking could also be used by financial institutions to assess companies against their peers and to set targets for companies.

**Elbano de Nuccio** considered that, from a profession perspective, the main barrier in Italy was the lack of people with sustainability knowledge within organisations. From an academic perspective, he referred to the results of a survey showing that accountants were paying strong attention to sustainability reporting and had incorporated sustainability behaviour in their activities. However, accountants still needed to improve their sustainability skills so that they could support SMEs. What they had to do was to also implement activities on soft skills. This was needed to manage the social sphere, which was very complex to manage. Environment and governance were easier. He, however, suggested that accountants were best suited to deal with the issues as they were in touch with SMEs and were dealing with their daily issues. The profession was also trained in collecting the right information and would be able to deal with the financial and sustainability information holistically. As Chiara Del Prete had mentioned, the VSME Standard did not include a materiality assessment, which he considered wrong. The materiality assessment was necessary to determine which financial and sustainability issues were important for an entity.

#### **How can stakeholders like banks and large companies support SMEs in their sustainability reporting without imposing excessive administrative burden?**

**Araceli Mora** asked how stakeholders like banks and large companies can support SMEs in their sustainability reporting without imposing excessive administrative burden.

**Angela Tanno** considered that banks could mainly help by engaging with the customer and sharing knowledge about risks and opportunities linked to ESG that an SME can face. Loans based on ESG covenants are becoming more and more widespread. Banks are not the owners of the products in which they invest, so there must be other incentives for SMEs to invest in sustainability. Banks were not the only ones that could help. So could, for example, accountants and business associations. They could also help by providing information per sector on priorities for supply chain management, for example information on risks linked to ESG factors.

**Katharina Bryan** first explained that more than half of the products sold on Amazon come from SMEs which faced the same challenges as Amazon in relation to sustainability. Amazon had therefore launched the free tool ‘Amazon Sustainability Exchange’, which was used to share information, guidelines, methodologies and playbooks that helped Amazon in its commitment to net-zero carbon. The goal of Amazon was to empower businesses of all sizes and industries to take substantive steps towards decarbonisation and sustainable operations. It was a challenging journey, and Amazon did not have all the answers, but the resources shared on the Amazon Sustainability Exchange helped Amazon. Katharina Bryan suggested that, in addition to asking what banks and large companies can do to help SMEs on sustainability reporting, it should also be asked what standard setters could do. She emphasised the importance of reducing the complexity related to sustainability reporting. This included reducing the number of datapoints to those that really make a difference, allowing estimates in relation to value chain data, removing requirements on value chain data from entities with which there is no direct interactions, improving the consistency between EU law and the ESRS, and drafting standards in a simple manner that would not need many guidelines.

### Key messages from panellists

**Araceli Mora** asked the panellists to share their key messages.

**Alexander Stevens** called for more ambition and for making the VSME Standard mandatory.

**Sophia Zakari** advocated for refocusing the debate on sustainability actions rather than sustainability reporting. If SMEs need to take actions to change their behaviour, they need time and the right resources. It is important to focus on the actions needed to become more sustainable. When it comes to sustainability reporting, it is important to be realistic and to focus on the information that matters to users. As things stand, there are differences between the information entities are required to provide in questionnaires from various business relations and the requirements included in sustainability standards.

**Elbano de Nuccio** first stressed the importance of promoting cooperation with academic institutions. Secondly, he suggested that SMEs should adopt sustainability reporting, as it was an essential tool for managing entities and also ensuring that they are in business in the long term.

**Katharina Bryan** noted that, in addition to cooperation with academics, cooperation with standard setters and large companies is important to make sustainability reporting simpler. Sustainability reporting is not about completing reports but about the process. In the end, what matters is decarbonisation. She was happy to hear from Sophia Zakari that SMEs are adopting a sustainable behaviour although they are not reporting on it. Katharina Bryan expressed that she would have been more worried if it had been the other way around.

**Angela Tanno** suggested it is important to report what is being done, as there would otherwise be a risk of underestimating the work done by SMEs. She also highlighted that there should be more emphasis not only on requiring disclosures about risks but also on opportunities in relation to sustainability.

### Key takeaways





**Michele Pizzo** noted that in the past some academics claimed that accounting theory was the market for political excuses, but at least for accounting, requirements were established within a long-standing framework. In contrast, there was no framework for sustainability reporting. Accordingly, politics played a far greater role. He observed that when developing sustainability reporting, the initial focus had been on civil society. This focus resulted in proposals that would increase the burden for entities with a reaction that was reflected in

the Omnibus proposals. The people who had supported the original principles of sustainability reporting had now changed their minds and told EFRAG that the principles were no longer suitable and would result in too high costs for all types of entities. However, there was now no clear direction on what sustainability reporting should be, and everyone could therefore suggest how much data, and of which type, needs to be collected. That was the risk of putting aside accounting and academic research. The risk was that the solutions could be very irrational and would not be generally accepted. He was concerned about this. The other concern he had was in relation to sustainability reporting for SMEs. In Italy, 96 per cent of companies were SMEs. The issue was not about being for or against sustainability reporting. It was about making it reasonable and acceptable.

Particularly for SMEs, the standards should be as simple as possible. The OIC made a survey amongst leading Italian companies, which have experience, skills and large budgets. However, the input they received was consistent with a survey done on SMEs a year before. As for the SMEs, the leading companies complained about complexities related to the double materiality assessment as well as disclosures on information from the value chain and information on anticipated financial effects. If large companies were facing these problems in relation to such issues, it would be worse for SMEs and professionals. The conclusion was, accordingly, that the requirements should be as simple as possible. Conventional information that was easy to use and inexpensive was to be preferred to tailored information. EFRAG needed to make the requirements simple; however, simple requirements from EFRAG only would not solve the issue for Italian SMEs. The latter would still have to provide all the information required by banks, and each bank asks for different information. If you use two different banks, then you have to provide much more information. The Omnibus proposals would not change this as they cannot change the information banks require. To really solve the problem, Michele Pizzo suggested, the same information needs to be given to everyone. That would make life easier for SMEs.

## Question and Answers

**Araceli Mora** asked whether panellists had comments on the views expressed by Michele Pizzo.

**Angela Tanno** shared some of the views expressed by Michele Pizzo. The Italian Banking Association asked for the harmonisation of the information to be reported by companies but also by banks. The supervisory authorities' view was that ESG factors can cause problems for financial stability, so harmonisation should be managed in a very focused manner. It was therefore difficult to imagine that limitations would be introduced for the type of information that could be requested by banks. Reductions in the information to be provided by companies would therefore only result in banks asking for additional information. A way of solving this could be

by voluntary disclosure. However, the voluntary approach was not effective in the past. In the last directive, there were already recommendations by the EC on climate information that were not followed. It was difficult to push for disclosures in a voluntary environment. Angela Tanno suggested that it would be useful to have a national repository while waiting for the European Single Access Point. These should be national platforms where sustainability data can be provided. Financial institutions could then get data from there instead of issuing surveys to entities. In Italy, there was no such platform for the moment, but it could be that there were some in other EU Member States.

**Sophia Zakari** said that the Omnibus proposals highlighted the issue with the information required by banks, assessing that there is now more awareness on this. SMEunited also discussed this issue with banks. She acknowledged that reducing the number of datapoints was a risk if it resulted in banks requiring additional information. Therefore, the VSME Standard will never become the only working standard if it does not result in sufficient information, making for a difficult balance to keep. Without affecting the data provided, simplifications could, however, be made in relation to the structure of the Standard and the guidance. It is important that the documents be understandable for entrepreneurs with no legal background.

**Araceli Mora** asked whether members of the audience had any questions to the panellists, Michele Pizzo, or Chiara Del Prete.

**A participant** noted that, in the past, banks had mainly focused on environmental matters, such as green asset ratios when providing financing linked to sustainability factors. The participant asked whether banks could also provide sustainability-related funding based on social aspects. In the experience of the participant, SMEs are less concerned about reporting on social metrics than on environmental metrics, as it is easier to collect the information related to social aspects.

**Angela Tanno** acknowledged that the 'S' part of 'ESG reporting' is somewhat underestimated. However, it is not only underestimated by banks, as there is no social taxonomy. She pointed out that there is room to explore the 'S' side but was unsure whether a social taxonomy would work. This is something to be considered further.

**Sophia Zakari** would be more cautious in focusing on the social aspects. She acknowledged that the data might be more readily available but noted that disclosing some social aspects did not provide much useful information for SMEs and that the information could be misinterpreted. For example, the gender ratio of management might not provide much useful information if there is just one member in management. In relation to reporting work accidents, it was also an issue that different legislation exists in different jurisdictions. For example, in some places it was considered a work accident if an employee got injured on the way to or from work, even though the employer would not have control over the possibility of an accident occurring.

**A participant** asked whether the VSME Standard was built on the framework of double materiality and, if not, which framework it was built on. The participant pointed out that it would be difficult to understand the VSME Standard if it was not built on a theoretical framework.

**Elbano de Nuccio** agreed with the participant.

**Chiara Del Prete** explained that the VSME Standard was already considered difficult. It would be even more difficult for an entrepreneur if double materiality also had to be assessed. However, as the VSME Standard was conceived as a cap on information that could and could not be expected to be exchanged when reporting under the ESRS, it could be argued that it serves both purposes included under the double materiality assessment. It would cover, in a simplified manner, the information needed for investors and the information needed for other purposes. Perhaps it could be argued that information related to value chain is missing, but it could also be argued that this information might not meet the double materiality assessment for most SMEs.

**A participant** asked whether banks would eventually receive sufficient information by entities providing the information required by the VSME Standard or whether, in order to be able to determine a correct interest rate reflecting the risk of an SME, banks would still have to ask for additional information.

**Angela Tanno** was unsure as to the outcome of the simplification process. She noted that EFRAG had the ambition for the VSME Standard to replace all the surveys of banks. However, the Italian Banking Association said that this would not be possible, as each bank is free to request additional information. However, the VSME Standard is valuable as it includes the main information requested by the banking sector and facilitates some convergence of the information requested by different banks in different jurisdictions. Nevertheless, the Italian initiative included three to four additional indicators that were not in the VSME Standard. This additional information is targeted at banks only, so perhaps it would not make sense to include it in the Standard. She also noted that there should not be limits on the additional sustainability information a bank could request from its customers for it to optimise its business.

**Katharina Bryan** stated that corporates could also argue that there should be no limits on the additional information they could require from their supply chain to ensure that it is sustainable. She considered it too early to assess whether sufficient information would be provided by the proposed standards, not least because it was at the moment unclear under which standards many entities should report and what the requirements would be for reporting on value chain.

**A participant** stressed that the double materiality principle is the basis for all of EFRAG's work, including the VSME Standard. They did not consider the concept difficult to explain but rather difficult to assess. The VSME Standard was an attempt to simplify things and reduce the number of datapoints. It does not include a materiality assessment, but its purpose is also different from that of the ESRS. Entities reporting under the ESRS were those reporting on sustainability to the stakeholders for which the double materiality assessment should

be applied. Those reporting under the VSME Standard did not report to a broad range of stakeholders but only to the entities preparing sustainability reports in accordance with the ESRS.

**Elbano de Nuccio** asked what ‘simplification’ meant. Does it mean providing less information or doing something proportionally? He considered that it should not be about providing less information but providing relevant information, balancing financial with non-financial information not only for the capital providers but also for stakeholders generally. In his view, simplification means that the framework used for the VSME Standard should be the same as the one used for the ESRS. It would also not be ‘simplification’ if entities have to provide diverging information to their different banks. He saw simplification as standardisation, proportionality and modularity.



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