

VSME ESRS v2 - feedback included

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Objective and scope

1. This [draft] Standard defines sustainability reporting requirements for any undertaking that chooses to prepare voluntary sustainability statements. An undertaking is any entity engaged in an economic activity, irrespective of its legal form. This includes, self-employed persons and family businesses engaged in craft or other activities, and partnerships or associations regularly engaged in an economic activity. This [draft] Standard is not applicable for undertakings that are small- or medium-size undertakings whose securities are admitted to trading on a regulated market in the European Union, or large undertakings all within the meaning of Article 3 of Directive 2013/34/EU.
2. This [draft] Standard is applicable to undertakings as described in paragraph 1 (in the following “Small-and-Medium-Size Entities” or “SME”) regardless of the sector of activity using standardized requirements to inform key stakeholders on sustainability related matters. It is expected to support SMEs in their dialogue with counterparties such as lenders and large undertakings that require data from SMEs in their value chain, as it sets disclosures aimed at meeting the users’ needs of such counterparties. This [draft] Standard also offers a management tool for sustainability matters for all SMEs that want to engage in a process of measuring, monitoring and managing considering relevant information. This [draft] Standard is appropriate for any SME that bears an interest (i) to engage in the Green Transition, (ii) to be able to use sustainability reporting as a good practice relevant for the implementation of the business strategy and as a management tool, and (iii) addresses the effect that SMEs have to prepare sustainability information to satisfy the information needs of larger undertakings in their value chain that are in the scope of European Sustainability Reporting Standards (“full ESRS”).
3. The reporting areas of this [draft] Standard provide the SME with guidance for the implementation of an initial level of actions for environmental, social, and business conduct (governance) matters. This [draft] Standard also

Objective of this Standard and to which companies it applies

1. The objective of this Standard is to support Micro-, Small- and Medium-Sized Enterprises (SMEs) in:
 - a) their contribution to a more sustainable and inclusive economy, playing an active role in achieving the sustainability related goals set out by the European Union;
 - b) improving their management of the sustainability issues that they face, i.e. environmental and social challenges, such as pollution, workforce health and safety. This is expected to support their competitive growth and enhance their resilience in the short- medium- and long-term;
 - c) providing a structured set of information that are expected to satisfy the demand needs of lenders/credit providers and, in this way, facilitate the access of SMEs to finance;
 - d) providing a structured set of information that are expected to satisfy the demand needs of larger companies, which demand sustainability information from their suppliers, including also SMEs outside the scope of the Corporate Sustainability Reporting Directive (CSRD).
2. This Standard is voluntary and applies to SMEs whose securities are not admitted to trading on a regulated market in the European Union (not listed), as per Article 3 of Directive 2013/34/EU (in the following “SMEs”).
3. These SMEs, which are outside the scope of the Corporate Social Reporting Directive (CSRD) are encouraged to use this Standard to produce sustainability information. This Standard is tailored to the SMEs’ characteristics and has been designed to provide a coverage of sustainability issues compatible with the content of the European Sustainability Reporting Standards (ESRS) for large companies. Micro-Enterprises are welcome to use only certain parts of this Standard, as highlighted in Section 1 par.8.

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| <p>represents the entry-level building-block of the ESRS systems. Reporting that may facilitate the integration with the successiveNOTE: THIS PARAGRAPH WILL BE MOVED TO BASIS FOR CONCLUSIONS/EXPLANATORY NOTE]</p> <p>4. This [draft] Standard has no legal authority. It is consistent and complements “ESRS for large undertakings”.</p> <hr/> <p>General requirements</p> <hr/> <p>5. This chapter sets out the general requirements that SMEs shall comply with when preparing and presenting a sustainability statement voluntarily.</p> <p>1 Categories of disclosures</p> <p>1.1 Complying with [draft] VSME ESRS</p> <hr/> <p>6. The SME shall disclose, in accordance with this [draft] Standard, material information (see chapter 3) regarding negative impacts and risks in relation to environmental, social, and business conduct (governance) matters. The information shall enable the understanding of the SME’s negative impacts on those matters and how sustainable matters affect the SME’s financial position, financial performance and cash flows.</p> <p>7. The SME shall add information on material sustainability matters not or not sufficiently covered by this standard, if this supports a better understanding of its sustainability-related impacts and financial risks.</p> <p>8. VSME ESRS is composed of three modules that the SME can use as basis for preparation of its sustainability statement as follows:</p> <p>a) Basic module: this core metrical data-set (DR 8-15) plus DR 1 is mandatory (ambition target for micro undertakings)</p> <p>b) Narrative Module: general disclosures and policies targets and actions- PAT (DR 1-7) to report if the SMEs has them in place in addition</p> | <p>This [draft] Standard has no legal authority. This Standard provides SMEs an initial approach to sustainability reporting.</p> <hr/> <p>How to prepare and present sustainability information</p> <hr/> <p>4. This chapter outlines how the SMEs should prepare and present sustainability information when using this Standard.</p> <p>1. Complying with these [draft] VSME ESRS</p> <hr/> <p>5. This Standard provides requirements that are expected to allow the SME to provide relevant information on:</p> <ul style="list-style-type: none"> - how its business can have a positive or negative impact on people or on the environment; - which and how social and environmental issues can affect the SME’s financial position, performance and cash flows. <p>6. Sustainability reports shall provide information of high quality, i.e. which is understandable, complete, relevant, accurate, faithful, comparable and verifiable.</p> <p>7. The SMEs shall integrate the disclosures required by this Standard with additional information (e.g. sector-specific information) when such integration is necessary in order to provide information of high quality.</p> <p>8. From the second year of reporting, the SME shall disclose comparative information in respect of the previous year for all the metrics disclosed.</p> <p>9. This Standard includes three modules that SMEs can use as basis for preparation of its sustainability report:</p> |
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| <p>to the basic module (ambition target for SMEs that have PAT)</p> <p>c) Sustainable Finance Module: optional metric data set (found in Appendix C) that matches banks and financial markets participants request for information on sustainable finance (ambition target for SMEs that aim to report sustainable finance information). This optional module applies to General Requirements, including materiality.</p> <p>1.2 [draft] VSME ESRS structure and reporting areas</p> <hr/> <p>9. This [draft] Standard is composed of the following:</p> <p>(a) objective and scope;</p> <p>(b) general requirements;</p> <p>(c) general disclosures (narrative module)for:</p> <p>(i) governance: the governance processes, controls and procedures used to monitor and manage impacts and risks;</p> <p>(ii) strategy: how the SME's strategy and business model interact with its material sustainability topics and subtopics and the related impacts and risks; and</p> <p>(iii) management of material topics and subtopics: the policies, actions and targets the SME uses to manage its material sustainability matters; and</p> | <p>a. Basic module: Basic Metrics (DR 8-15¹) plus General Disclosure 1. (This module is the target approach for micro-SMEs).</p> <p>b. Narrative Module: General Disclosures (GD1–GD6) including policies, actions and targets (PAT) if the SMEs has them in place (This module is suggested to SMEs that have PAT).</p> <p>c. Sustainable Finance Module: additional disclosures listed in Appendix C (This module is suggested to SMEs that receive data requests from banks [and corporates that are counterparties in the value chain]).</p> |

¹ Subject to change following TEG discussion 29/09/23

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| <p>(d) Metrics (basic module): how the SME measures its performance, with key indicators for:</p> <ul style="list-style-type: none"> (i) environment; (ii) social; and (iii) business conduct (governance). <p>2 Qualitative characteristics of information</p> <p>10. All information in a sustainability statement prepared under the rules of this [draft] standard must be relevant, faithful, comparable, verifiable, and understandable.</p> <p>3 Double materiality as the basis for sustainability disclosures</p> <p>11. The SME shall report on sustainability matters based on the double materiality principle as defined and explained in this chapter. A sustainability matter meets the criteria of double materiality if it is material from either the impact perspective or the financial perspective or both perspectives.</p> | <p>2. Implementing a Materiality analysis to identify the significant sustainability information to report on [NOT FOR BASIC MODULE]</p> <hr/> <p>10. Issues that cover social, business conduct and/or environmental aspects identified in this context are named sustainability matters. The SME will learn how to identify those sustainability matters that are ‘material’, or relevant to be reported on, in this section.</p> <p>11. Materiality refers to the significance to the reporting SME of a sustainability matter and of information about a sustainability matter. Materiality analysis is the process to identify the sustainability matters that SMEs should report on and the information to include or not in their sustainability reports. The SME is encouraged to use the list in Appendix B of this standard as guidance for the identification of its material sustainability matters. The materiality analysis does not apply for SME that choose the Basic Module.</p> <p>12. Knowing which sustainability matters are material allows SMEs to be aware of financial risks and opportunities that may derive from sustainability matters. In addition, it can help SMEs to improve their products or services or to develop new ones that address environmental or social challenges. Understanding financial risks allows SMEs to reduce operational costs, avoid fines, litigations or reputational damages.</p> |
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| <p>3.1 Stakeholder and their relevance to the materiality assessment process</p> <p>12. Stakeholders are those who can affect or can be affected by the undertaking. There are two main groups of stakeholders:</p> <ul style="list-style-type: none"> (a) affected stakeholders: individuals or groups whose interests are affected or could be affected – positively or negatively – by the undertaking’s activities and its direct and indirect business relationships across its value chain; and (b) users of sustainability statements: primary users of general-purpose financial reporting (existing and potential investors, lenders and other creditors, including asset managers, credit institutions, insurance undertakings), as well as other users, including the undertaking’s business partners, trade unions and social partners, civil society and non-governmental organisations, governments, analysts and academics. <p>13. Stakeholders are those who can affect or be affected by the undertaking. An SME may engage with stakeholders when assessing its material impacts on the environment, society, and business conduct (governance).</p> <p>3.2 Material matters and materiality of information</p> <p>14. A well-designed and properly executed materiality assessment is the process through which the undertaking identifies which sustainability matters and which information are material and must therefore be reported in its sustainability statement. The SME shall refer to the list of sustainability matters reported in Appendix B of this standard to identify which matters are material to it.</p> <p>15. The SME shall include in its sustainability statement all the information required in this standard, which are indicated with ‘shall disclose’. In determining the level of details necessary to comply with narrative information required by this standard, the SME shall include information that</p> | <p>13. When assessing whether a sustainability matter is to be reported, because it is material to the SME, two dimensions have to be considered, namely impact materiality and financial materiality. This is why it is called double materiality analysis.</p> <p>2.1 Impact materiality</p> <p>14. From an impact perspective, a sustainability matter is material when it pertains to the SME’s material impacts. This includes:</p> <ul style="list-style-type: none"> a. actual or potential impacts on people or on the environment over the short, medium, and long-term time horizons. An impact is actual when it is already happening. An impact is potential when it is likely to happen; and b. impacts connected with the SME’s own (business) operations, products and services as well as through its business relationships, such as those that arise from the operations of suppliers. <p>15. Examples of impacts on people are: excessive working hours can lead to employee burnout, women paid less than men despite having similar job responsibilities causes gender disparities, unsafe products can threaten consumers’ health. Examples of impacts on the environment are: manufacturing facilities release pollutants into the air that can affect air quality; the discharge of chemicals into water bodies can affect water quality; logging can cause deforestation and harm ecosystems; high water consumption can lead to depletion of freshwater bodies and water scarcity.</p> <p>16. To determine if an actual negative impact is material, the SME has to consider how severe the impact is on people and the environment. To determine if a potential negative impact is material, the SME has to consider the severity of the impact on people and the environment and the likelihood of that impact happening. Severity is based on:</p> <ul style="list-style-type: none"> (a) the scale, i.e. how grave the harm caused to people or to the environment is. (e.g., minor injury at work without day lost vs fatality at work; inadequate industrial waste disposal leading to soil pollution within a local facility vs leak of |
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| <p>is material and that allows to comply with the required qualitative characteristics of the information.</p> <p>3.3 Impact materiality</p> <p>16. A sustainability matter is material from an impact perspective when it pertains to the undertaking's material actual or potential, impacts on people or the environment over the short, medium-, and long-term time horizons. Impacts include those connected with the undertaking's own operations and value chain, including through its products and services as well as through its business relationships.</p> <p>17. For actual negative impacts, materiality is based on the severity of the impact, while for potential negative impacts it is based on the severity and likelihood of the impact. Severity is based on:</p> <ul style="list-style-type: none"> (a) the scale; (b) scope; and (c) irremediable character of the impact. <p>Any of the three characteristics (scale, scope, and irremediable character) can make a negative impact severe.</p> <p>18. In the case of a potential negative human rights impact, the severity of the impact takes precedence over its likelihood.</p> <p>19. A non exhaustive list of examples of impact is provided as guidance in Appendix D. [work in progress]</p> | <p>harmful chemicals in a river leading to severe damage of ecosystem and wildlife).</p> <ul style="list-style-type: none"> (b) the scope: how widespread the harm caused to people or to the environment is; (e.g., number of people affected, square meters of contaminated land). (c) the irremediable character of the impact: whether and to what extent it is possible to remediate the harm caused to people or on the environment (e.g., restoration for contaminated land, affected people compensations). <p>17. In the case of a potential negative human rights impact, the severity of the impact takes precedence over the its probability.</p> <p>18. The consideration of scale, scope and irremediability are meant to guide SMEs when analysing the severity of its impacts. SMEs are not expected to report on the details related to each of these three aspects.</p> <p>19. Quantitative measures of impacts are the most objective evidence to assess their materiality. However, quantitative information is not always available or may result in additional costs. Therefore, qualitative analysis can be sufficient for the SME to reasonably conclude that a matter is material or not.</p> <p>2.2 Financial materiality</p> <p>20. From a financial perspective, a sustainability matter is material if it can materially influence the SME's financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium- or long-term. In addition to the SME's business operations, matters related to SME's business relationships with other companies or stakeholders should also be considered.</p> <p>21. Typically, dependencies from natural and social resources may affect the SME's ability to:</p> <ul style="list-style-type: none"> (a) continue to use or obtain the resources needed in its business processes, including the quality and pricing of those resources; and (b) rely on relationships needed in its business processes on acceptable terms. |
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| | <p>22. Financial materiality is analysed according to the probability and the potential size of the financial effects on the SME.</p> <p>23. For example, a company has a number of cases of gender discrimination when promoting employees. Such group of employees can, individually or as a whole, pursue legal proceedings on the grounds of gender discrimination and seek financial compensation and causing reputational damage to the company. Or a company dependent on water to operate, in case of water shortages may experience operational disruptions and its capacity to generate revenues. The final step is to consolidate the results of the impact materiality and financial materiality and obtain the list of material sustainability matters which will be included in the sustainability report: a sustainability matter can be material from an impact perspective or from a financial perspective or from both.</p> <p>2.3 Stakeholders and their relevance to the materiality assessment process</p> <hr/> <p>24. Stakeholders are those individuals or groups of people who can exercise influence over the SME and/or be affected by the activities of the SME. There are two main groups of stakeholders:</p> <ul style="list-style-type: none"> (a) affected stakeholders: individuals or groups of people whose interests are affected or could be affected – positively or negatively – by the SME’s activities and its business relationships. ; and (b) users of sustainability statements: primary users of financial reporting (investors, lenders and other creditors, including asset managers, credit institutions, insurance undertakings), as well as other users, including business partners, trade unions and social partners, civil society and non-governmental organisations, governments, analysts and academics <p>25. Some stakeholders may belong to both groups defined in paragraph 24.</p> <p>26. An SME may engage with stakeholders in its materiality assessment to find out which sustainability matters are the most important to them.</p> |
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| <p>3.4 Financial materiality</p> <hr/> <p>20. A sustainability matter is material from a financial perspective if it triggers or could reasonably be expected to trigger material financial effects on the undertaking. This is the case when a sustainability matter generates or may generate risks or opportunities that have a material influence, or could reasonably be expected to have a material influence, on the undertaking's financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium- or long-term. Risks and opportunities may derive from past events or future events. The financial materiality of a sustainability matter is not constrained to matters that are within the control of the SME but includes information on material risks or opportunities attributable to business relationships with other undertakings or stakeholders beyond the scope of consolidation used in the preparation of financial statements.</p> <p>21. Dependencies from natural and social resources are sources of financial risks or opportunities. Dependencies may trigger effects in two possible ways:</p> <ul style="list-style-type: none"> (a) they may influence the undertaking's ability to continue to use or obtain the resources needed in its business processes, as well as the quality and pricing of those resources; and (b) they may affect the undertaking's ability to rely on relationships needed in its business processes on acceptable terms. <p>22. The materiality of risks or opportunities is assessed based on a combination of the likelihood of occurrence and the potential magnitude of the financial effects.</p> | <p>3.2 Time horizons</p> <hr/> <p>27. When preparing its sustainability statement, the SME shall apply the following time-horizons references:</p> <ul style="list-style-type: none"> (a) for the short-term time horizon: the same period adopted by the SME in its financial statement (typically 1 year); (b) for the medium-term time horizon: from the end of the above short-term time horizon up to five years; and (c) for the long-term time horizon: more than five years <p>3.3 Consistency and connectivity of disclosures</p> <hr/> <p>28. If applicable, the SME:</p> <ul style="list-style-type: none"> (a) shall report sustainability related information that is coherent with its financial statements; and (b) may connect its financial and sustainability statements through appropriate references. |
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| <p>23. A non exhaustive list of examples of impact is provided as guidance in Appendix D. [work in progress]</p> <p>4 Preparation and presentation of sustainability information</p> <p>4.1 Presenting comparative information</p> <p>24. The SME shall disclose comparative information in respect of the previous period for all metrics disclosed in the current period. When such information would be relevant to an understanding of the current period's sustainability statement, the SME shall also disclose comparative information for narrative sustainability disclosures.</p> <p>4.2 Time horizons</p> <p>25. When preparing its sustainability statement, the SME shall adopt the following time intervals as of the end of the reporting period:</p> <ul style="list-style-type: none"> (a) for the short-term time horizon: the period adopted by the SME as the reporting period in its financial statements; (b) for the medium-term time horizon: from the end of the short-term reporting period defined in (a) up to 5 years; and | <p>3.4 Location of the sustainability statement and incorporation by reference</p> <p>29. The SME shall present its sustainability statement in a separate report or, if applicable, may present it as a separate part of the management report.</p> <p>30. To avoid publishing the same information twice, the SME may refer in its sustainability report with an explicit reference to disclosures that it reports in other parts of its corporate reporting that are released at the same time and as accessible as the sustainability report. This option is called incorporation by reference.</p> |
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| <p>(c) for the long-term time horizon: more than 5 years.</p> <p>4.3 Consistency and connectivity of disclosures</p> <hr/> <p>26. The SME:</p> <p>(a) shall report sustainability related information that is consistent with its financial statements, and</p> <p>(b) may connect its financial and sustainability related information through appropriate references or reconciliations.</p> <p>4.4 Location of the sustainability statement and incorporation by reference</p> <hr/> <p>27. The SME shall present its sustainability statement in a separate report or, if applicable, may present it as a dedicated section of or integrated in the management report.</p> <p>28. To avoid duplication of reported information the SME may refer in its sustainability statement with an explicit reference to disclosures that it reports in other parts of its corporate reporting that are released at the same time and as accessible as the sustainability statement (incorporation by reference).</p> <p>4.5 Optional disclosures</p> <hr/> <p>29. The SME may voluntarily provide additional optional, sector-agnostic or sector-specific information not mandated by this standard. In particular, the SME may:</p> <p>(a) disclose material information regarding positive impacts in relation to environmental,</p> | <p>3.5 Protected/Classified and sensitive information, and information on intellectual property, know-how or results of innovation</p> <hr/> <p>31. The SME is not required to disclose protected/classified or sensitive information, even if such information is considered material. The SME may omit classified or sensitive information if the information:</p> <p>a) has commercial value because it is secret; and</p> <p>b) its publication will likely impair the financial performance or position of the SME.</p> <p>General Disclosures</p> <hr/> <p>General Disclosures (GDs) refer to the contents of the sustainability report and to key features of the SME's.</p> <p>General Disclosure 1 – Basis for preparation of the sustainability report</p> <hr/> <p>32. The SME shall disclose:</p> <p>(a) whether the sustainability report has been prepared on a consolidated or individual basis;</p> <p>(b) in case of a consolidated sustainability statement, the list of the subsidiaries covered in the report; and</p> <p>(c) the SME shall state which module(s) among the three described in session 1 par.8 has applied.</p> |
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| <p>social, and business conduct (governance) matters; and/or</p> <p>(b) disclose sustainability-related financial opportunities that generate or could reasonably be expected to generate material financial effects in the short-, medium- or long-term. The SME should not report on opportunities for which the SME has not put in place or does not plan to put in place concrete actions to pursue them, accompanied by appropriate resources; and/or</p> <p>(c) report on the additional EU law module of this standard (Appendix C) that would allow the SME to provide the information its stakeholders may request with regard to the Sustainable Finance Disclosure Regulation, Benchmark Regulation and Capital Requirement Regulation (Pillar 3 ESG).</p> <p>30. If the SME chooses to voluntarily disclose this information, it should:</p> <p>(a) report alongside the most related Disclosure Requirements of this [draft] Standard and if applicable, may in the case of information related to paragraph 29 (c) of this draft standard also be reported as a block; and</p> <p>(b) reflect the qualitative characteristics of information (paragraph Error! Reference source not found.).</p> <p>4.6 Classified and sensitive information</p> <p>31. The SME is not required to disclose classified or sensitive information, even if such information is considered material. The SME may omit classified or sensitive information if the information:</p> <p>(a) has commercial value because it is secret; and</p> <p>(b) its publication will likely impair the financial performance or position of the SME.</p> | <p>General Disclosure 2 – Strategy: business model and sustainability related goals</p> <hr/> <p>33. The SME shall disclose the key elements of its strategy that relate to sustainability matters and its business model, including:</p> <p>a) a description of significant groups of products and/or services offered;</p> <p>b) a description of significant market(s) the SME operates in (B2B, wholesale, retail, geography);</p> <p>c) main business relationships (such as key suppliers, customers distribution channels and consumers)</p> <p>d) a description of, and, if applicable, the key elements of its strategy that relate to or affect sustainability matters.</p> <p>General Disclosure 3 – Key stakeholders</p> <hr/> <p>34. If the SME engages with stakeholders, it may disclose:</p> |
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| <p>General Disclosures</p> <hr/> <p>5 Basis for preparation</p> <p>Disclosure Requirement 1 – Basis for preparation of the sustainability statement</p> <p>32. The SME shall disclose: whether the sustainability statement has been prepared on a consolidated or individual basis; and a specification of the related reporting scope (i.e subsidiaries).</p> <p>33. The SME shall state which module among the ones described in chapter 1.1.8 has applied</p> <p>6 Governance</p> <p>Disclosure Requirement 3 – Responsibilities in relation to sustainability matters</p> <p>34. The SME shall describe:</p> <p>a) the governance structure, in relation to sustainability matters. If applicable, this disclosure shall cover roles and responsibilities of the highest governance body or of an individual in its organisation, in managing or (if applicable) exercising oversight over those in charge of managing material sustainability matters; and</p> <p>b) when there is a governance body, the related gender diversity ratio.</p> <p>7 Strategy</p> <p>Disclosure Requirement 4 – Business model, strategy and value chain</p> <hr/> | <p>(a) the list of its key stakeholders (such as investors, lending banks/creditors, trade unions, Ngo); and</p> <p>(b) a brief description of the engagement activities.</p> <p>General Disclosure 4 – Material sustainability matters</p> <hr/> <p>35. The SME shall disclose its material sustainability matters resulting from its materiality assessment (see session 2.1 <i>Impact materiality</i> and 2.2 <i>Financial materiality</i>) including:</p> <p>(a) a brief description of each matter and how they affect people or the environment;</p> <p>(b) if applicable, their likely effect arising from the material sustainability matters on the SME’s present or future financial position and performance; and</p> <p>(c) if applicable, their likely effect arising from the material sustainability matters on the SME’s activities and strategy.</p> <p>General Disclosure 5 – Governance responsibilities in relation to sustainability matters</p> <hr/> <p>36. The SME shall describe:</p> <p>a) the governance and responsibilities in relation to sustainability matters. If applicable, this disclosure shall cover roles and responsibilities of the highest governance body or of an individual in managing sustainability matters within the SME; and</p> <p>b) if there is a governance body, the related gender diversity ratio.</p> <p>General Disclosure 6 – Management of material sustainability matters</p> |
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| <p>35. The SME shall disclose the key elements of its strategy that relate to or impact sustainability matters and its business model:</p> <ul style="list-style-type: none"> a) a description of products and/or services offered; b) a description of market(s) the SME operates in (B2B, wholesale, retail, geography); c) a description of, and if applicable the key elements of its strategy that relate to or affect sustainability matters; and <p>36. The SME shall disclose a general description of its value chain, including;</p> <ul style="list-style-type: none"> a. main features of its upstream and downstream value chain; and b. main business actors (such as key suppliers, customers distribution channels and end-users) and their relationship to the SME. <p>Disclosure Requirement 5 – Key stakeholders</p> <hr/> <p>37. If the SME engages with stakeholders, it may list its key stakeholders and briefly how it engages with them.</p> <p>8 Management of material matters</p> <p>Disclosure Requirement 6 – Material sustainability matters</p> <hr/> <p>38. The SME shall disclose its material sustainability matters resulting from its materiality assessment (see chapter 3.3 Impact materiality and 3.4 Financial materiality). The disclosure shall include a brief description of each material sustainability matter with regards to, as applicable:</p> | <p>37. The SME shall disclose how it manages its material sustainability matters, including:</p> <ul style="list-style-type: none"> (a) whether it has adopted policies or actions to prevent, mitigate and remediate actual and potential negative impacts and/or to address financial risks. <p>If the SME has policies in place, it shall describe:</p> <ul style="list-style-type: none"> i. the objectives of the policy and which material sustainability matters it addresses; ii. the scope of the policy in terms of activities, value chain, geographies; iii. if relevant, affected stakeholder groups addressed by the policy; iv. if applicable, a reference to the third-party standards or initiatives the SME commits to respect through the implementation of the policy; and v. the targets the SME uses to monitor the implementation of the policy and the progress achieved; <p>If the SME has actions in place, it shall describe:</p> <ul style="list-style-type: none"> i. the list of key actions taken in the reporting year and planned for the future; ii. the scope of those actions (i.e., if they also address aspects in the value chain, if they are implemented in different location and geographies or which affected stakeholder groups they address); iii. the time horizon under which the SME intends to complete each key action. In particular, if material, it shall disclose the actions taken in the reporting period to improve its energy efficiency and to reduce its greenhouse gas emissions |
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| <p>(a) The impacts of the SME on people or the environment; and</p> <p>(b) the effects on the SME's activities, strategy and decision-making, if applicable, the current and anticipated effects of material sustainability matters on present or future profits or equity. The SME may disclose, if applicable, how its material matters interact with its strategy.</p> <p>39. The SME may disclose, if applicable, how its material matters interact with its strategy.</p> <p>Disclosure Requirement 7 – Material matters and related policies, actions, metrics and targets</p> | <p>and the related possible implications in terms of risks and opportunities; and</p> <p>iv. the targets the SME uses to monitor the actions implemented and the progress achieved.</p> <p>Micro enterprises can omit disclosure on policies or actions.</p> |
| <p>40. The SME shall disclose:</p> <p>(a) whether it has adopted policies or actions to address its material matters, i.e. to prevent, mitigate and remediate actual and potential material negative impacts and/or to address material financial risks; and</p> <p>(b) whether it has adopted targets to measure effectiveness of its actions.</p> <p>41. If the SME has policies, actions and/or targets are in place to address material sustainability matters, it shall describe them and indicate which material sustainability matter they address. The SME shall consider when describing:</p> <p>a. its policies:</p> <p>i. the general objectives and which material matters the policy is relating to;</p> <p>ii. the scope in terms of activities, value chain, geographies;</p> <p>iii. if relevant, affected stakeholder groups, and</p> <p>iv. if applicable, a reference, to the third-party standards or initiatives the SME</p> | |

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| <p>commits to respect through the implementation of the policy;</p> <p>b. its actions:</p> <ul style="list-style-type: none"> i. the list of key actions taken in the reporting year and planned for the future, ii. the scope of the key actions (i.e., coverage in terms of activities, value chain geographies and, where applicable, affected stakeholder groups); and iii. the time horizon under which the SME intends to complete each key action. In particular, if material, it shall disclose the actions taken in the reporting period to improve its energy efficiency and to reduce its greenhouse gas emissions and the related possible implications in terms of risks and opportunities; and <p>c. its targets:</p> <ul style="list-style-type: none"> i. the target value; ii. the base year and baseline value; iii. if applicable, interim targets; and iv. the progress made in achieving the target. <p>Metrics (still to be discussed at SR TEG 29.09)</p> <hr/> <p>9 Environment</p> <p>10 Social</p> <p>11 Business conduct</p> | |
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Transitional provision**12 Comparative information**

42. The SME applying this [draft] Standard for the first-time, may defer the presentation of comparative information as required by paragraph 24 by one year, to ease the first-time application.

Metrics (Still to be discussed at SR TEG 29.09)