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## VSME Update on Advanced Module Cover Note

### Objective

- 1 The objective of this meeting is to update SRB members on the advanced module following the discussion held during the workshop with banks.

### Background

- 2 Following the public consultation phase, EFRAG Secretariat proposed to SRB and SR TEG a series of changes for the VSME.
- 3 During the SRB meeting of the 10 and 17 July 2024 and the SR TEG meetings of the 16 July 2024, the strategic and technical orientations were discussed. Moreover, EFRAG SR TEG members were invited to send written feedback on the Business Partners Module only during the summer. These have been incorporated in Agenda Paper [07-04](#) (SR TEG 12/09) and [05-04](#) (SR TEG 19/09) which provides an overview of all changes agreed upon from papers [05-02](#) and [05-08](#) of the SRB and SR TEG meetings in July.
- 4 Over the summer, EFRAG Secretariat implemented the changes agreed at SRB and SR TEG level in July along with the SR TEG written comments received over the summer. Following the implementation of these agreed changes, EFRAG SR TEG has discussed the revised version of the VSME on 12 and 19 September. The revised cross-cutting part of VSME following the SR TEG meeting of 12 September has been provided to SRB members in the Sharefile for this meeting.
- 5 In addition, EFRAG Secretariat organised a workshop on 16 September with European and national banking associations to discuss the revised VSME after public consultation. The summary of the workshop has been provided to SRB members in the Sharefile for this meeting. A main outcome of the workshop was that the “Advanced Module” now called “Additional Financial Institutions Module”, to be introduced in VSME because of the requests of additional datapoints by banks in the public consultation, would not be needed at the end. Indeed, the banks suggested to limit the additional module to be the placeholder for the streamlined taxonomy disclosure for SMEs that is currently being developed by the Sustainable Finance Platform. The only additional (i.e. not included in VSME ED) datapoints that banks considered essential to keep are: i) exclusion from EU reference benchmarks (to move to Comprehensive Module); ii) nuclear waste ratio (to move to Comprehensive Module) and iii) female to male ratio in management bodies for undertaking with more than 50 employees (to move to Comprehensive). **The appendix below, highlights the structural changes that have been suggested by banking associations during the workshop and discussed with SR TEG on 19<sup>th</sup> September.** These changes are now to be discussed in SR TEG so the final standard may still change.

## VSME Update on Advanced Module Cover Note

- 6 EFRAG SR TEG has discussed/ will discuss the revised VSME in the following meetings:
- (a) [12 September: Discussion of cross-cutting disclosures](#)
  - (b) [19 September: Discussion of Environmental Basic module metrics \(B3-B7\)](#)
  - (c) [26 September: Continuation of the discussion on remaining VSME metrics.](#)
  - (d) 7 October: Additional session to conclude the SR TEG discussion, if necessary.
- 7 Lastly, EFRAG Secretariat organised a workshop with SMEUnited on 23 September 2024.

### Questions for EFRAG SRB

- 8 Does SRB have feedback related to the update provided on VSME? In particular regarding the proposed changes to the additional Financial Institutions Module?

### Next steps

- 9 Approval at SR TEG is planned for 10 October 2024.
- 10 CBA Presentation on LSME and VSME (joint SRB and SR TEG meeting) on 30 October 2024.
- 11 Approval initiation at SRB is planned for 30 October and approval on 13 November 2024.
- 12 Deadline to deliver to the EC is 20 December 2024. Basis for conclusions may be completed in January.

### Agenda Papers

- 13 In addition to this cover note, agenda papers for this session are:
- (a) Agenda paper 08–02 Revised VSME after Public Consultation (Cross-Cutting only) [CONFIDENTIAL, for SRB members only]
  - (b) Agenda paper 08–03 Summary of workshop with banks [CONFIDENTIAL, for SRB members only].

### Appendix

- 14 Updated VSME Modular Structure after public consultation (agreed in July):

# VSME Update on Advanced Module Cover Note

**BASIC MODULE**

Entry level for non-listed SMEs  
Target for micro-undertakings  
Simplified language (No materiality)  
11 Disclosures including ESG Topical Metrics  
Simplification: all required BUT whenever it is appropriate 'IF APPLICABLE'

- **B1 – (B1 + N1) – (B1) Basis for preparation + (N1) Strategy: business model and sustainability – related initiatives**
- **B2 – (B2 + N3 + N5 + N2?) – (B2) Practices for transitioning towards a more sustainable economy + (N3) Management of material sustainability matters + (N5) Governance: responsibilities in relation to sustainability matters + (N2?) Material sustainability matters**
- **B3 – Energy and greenhouse gas emissions**
- **B4 – Pollution of air, water and soil**
- **B5 – Biodiversity**
- **B6 – Water**
- **B7 – Resource Use, circular economy and waste management**
- **B8 – Workforce – General characteristics**
- **B9 – Workforce – Health and safety**
- **B10 – Workforce – Remuneration, collective bargaining and training**
- **B11 – Workers in value chain, affected communities, consumers and end-users**
- **B11 – Convictions and fines for corruption and bribery**

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**COMPREHENSIVE MODULE**

To provide more comprehensive information when SMEs face data requests from business partners  
Sustainable Finance datapoints (Table 1 SFDR PAI, EBA Pillar 3, Benchmark Regulation) as proxies for ESG management.  
Minimum language simplification achieved  
7 disclosures  
Applying the Basic module is a prerequisite for applying the Comprehensive module

**COMPREHENSIVE MODULE (New proposed approach)**

- **C1 – (BP1) Revenues from certain sectors**
- **C2 – (BP2) Gender diversity ratio in governance body**
- **C3 – (BP3 + BP4) – (BP3) GHG emissions reduction target + (BP4) Transition plan for climate change mitigation**
- **C4 – (BP5) Physical risks from climate change**
- **C5 – (BP7 + BP8) – (BP7) Alignment with internationally recognised instruments + (BP8) Processes to monitor compliance and mechanisms to address violations**
- **C6 – (BP9) – Violations of OECD Guidelines for Multinational Enterprises or the UN Guiding Principles**
- **C7 – (BP10) – Work-life-balance**
- **C8 – (BP11) – Number of apprentices**

AND

**ADDITIONAL FINANCIAL INSTITUTIONS (AFI) MODULE**

To be used when SMEs seek specific ESG finance from banks/ investors or linked to sectors.  
Additional disclosures requested by financial institutions in the public consultation + SRB decision to move BP6 – Hazardous waste and/or radioactive waste to AFI due to its sectorial nature.  
Applying the Basic and Comprehensive module is a prerequisite for applying the AFI module

**AFI MODULE (New proposed approach)**

- **AFI1 – Energy production – top up to B3**
- **AFI2 – Vehicle fleet – top up to B3**
- **AFI3 – Hazardous waste and/ or radioactive waste ratio – top up to B7**
- **AFI4 – Workforce general additional characteristics (female/ male ratio & undertakings with number of people of disabilities) – top up to B8**
- **AFI5 – Exclusion from EU reference benchmarks – top to C1**
- **AFI6 – Placeholder on future streamlined alignment – EU Taxonomy eligible activities**
- **AFI7 – GHG intensity (moved as part of B3 because of automatization of calculations with the future online tool = nominator in B3 paragraph 38 and denominator in 1 paragraph 29.d.vi)**
- **AFI8 – Water intensity (moved as part of B6 because of automatization of calculations with the future online tool = nominator in B6 paragraph 48 and denominator in 1 paragraph 29.d.vi)**

## 15 Updated VSME Modular Structure after bank workshop and SR TEG on 19 September:

**BASIC MODULE**

Entry level for non-listed SMEs  
Target for micro-undertakings  
Simplified language (No materiality)  
11 Disclosures including ESG Topical Metrics  
Simplification: all required BUT whenever it is appropriate 'IF APPLICABLE'

- **B1 – (B1 + N1) – (B1) Basis for preparation + (N1) Strategy: business model and sustainability – related initiatives**
- **B2 – (B2 + N3 + N5) – (B2) Practices for transitioning towards a more sustainable economy + (N3) Management of material sustainability matters + (N5) Governance: responsibilities in relation to sustainability matters**
- **B3 – Energy and greenhouse gas emissions**
- **B4 – Pollution of air, water and soil**
- **B5 – Biodiversity**
- **B6 – Water**
- **B7 – Resource Use, circular economy and waste management**
- **B8 – Workforce – General characteristics + Workforce general additional characteristics (female/ male ratio) (proposal to move it from AFI4)**
- **B9 – Workforce – Health and safety**
- **B10 – Workforce – Remuneration, collective bargaining and training.**
- **B11 – Workers in value chain, affected communities, consumers and end-users**
- **B11 – Convictions and fines for corruption and bribery**

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**COMPREHENSIVE MODULE**

To provide more comprehensive information when SMEs face data requests from business partners  
Sustainable Finance datapoints (Table 1 SFDR PAI, EBA Pillar 3, Benchmark Regulation) as proxies for ESG management.  
Minimum language simplification achieved  
7 disclosures  
Applying the Basic module is a prerequisite for applying the Comprehensive module

**COMPREHENSIVE MODULE**

- **C1 – Revenues from certain sectors**
- **AFI5 – Exclusion from EU reference benchmarks – proposal to move it to the comprehensive module after C1**
- **C2 – Gender diversity ratio in governance body**
- **C3 – GHG reduction and climate transition**
- **C4 – Physical risks from climate change**
- **C5 – Human rights impacts and complaints**
- **C6 – Incidents related to severe human rights cases**
- **C7 – Hazardous waste and/ or radioactive waste ratio (proposal to move it from AFI3)**
- **C7 – (BP10) – Work-life-balance**
- **C8 – (BP11) – Number of apprentices**

AND

**ADDITIONAL FINANCIAL INSTITUTIONS (AFI) MODULE**

To be used when SMEs seek specific ESG finance from banks/ investors or linked to sectors.  
Additional disclosures requested by financial institutions in the public consultation + SRB decision to move BP6 – Hazardous waste and/ or radioactive waste to AFI due to its sectorial nature.  
Applying the Basic and Comprehensive module is a prerequisite for applying the AFI module

**AFI MODULE**

- **AFI1 – Energy production – top up to B3 (deleted after bank workshop)**
- **AFI2 – Vehicle fleet – top up to B3 (deleted after bank workshop)**
- **AFI3 – Hazardous waste and/ or radioactive waste ratio – top up to B7**
- **AFI4 – Workforce general additional characteristics (female/ male ratio & undertakings with number of people of disabilities) (female/ male ratio to be moved in the basic module)**
- **AFI5 – Exclusion from EU reference benchmarks – to be moved to the comprehensive module after C3**
- **AFI6 – Placeholder on future streamlined alignment – EU Taxonomy eligible and aligned activities**
- **AFI7 – GHG intensity (moved as part of B3 because of automatization of calculations with the future online tool = nominator in B3 paragraph 38 and denominator in 1 paragraph 29.d.vi)**
- **AFI8 – Water intensity (moved as part of B6 because of automatization of calculations with the future online tool = nominator in B6 paragraph 48 and denominator in 1 paragraph 29.d.vi)**