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Revised VSME after Public Consultation – Approval

Cover Note

Objective

- 1 The objective of this meeting is to approve the VSME standard at SRB based on the VSME after public consultation and based on the SR TEG approval on 22 October 2024 as a technical recommendation to be issued by EFRAG SRB to the European Commission, subject to further editorial changes.
- 2 Agenda Papers 04-02 and 04-03 are the updated versions (with and without markup) of the VSME following the SR TEG approval and following editorial changes. To note that the order of the disclosures in the Comprehensive Module has been changed to follow the Environmental, Social and Governance order for consistency with the Basic Module.

SRB Initiation of approval on 30 October 2024

- 3 EFRAG Secretariat notes that an agreement in principle was reached on the content of VSME during the 30 October 2024 meeting. However:
 - (i) Two SRB members had a red flag on the narrative parts for **B1 paragraphs 25 (a) to (d), and B2 of the Basic Module** as they considered these elements should be out of the Basic but rather in the Comprehensive module to lower the entry barrier for preparers. Hence the secretariat proposal is as follows:
 - (ii) For disclosure B1 (par 25 (a) to (d)), an option is to move this paragraph from the Basic to the Comprehensive module.
 - (iii) For disclosure B2, extracting the narrative components of B2 paragraph 27 and place them as an additional disclosure in the Comprehensive module (CXX - Description of practices, policies and future initiatives for transitioning towards a more sustainable economy). This additional disclosure is required only when the undertaking has disclosed to have practices/ policies and future initiatives in the Basic module (B2) and decides to report the Comprehensive module. See appendix 1 for the detailed proposed formulation.
 - (iv) Three SRB members had as a red flag the specification of own workforce in C6 – Human rights policies as it would deviate from the SFDR (not limited to own workforce). This has been resolved by adding guidance that links B2 on social topics (other than own workforce).

- (v) One SRB members asked to add guidance on C5 – Additional workforce characteristics.
- (vi) All of the above changes are marked in yellow in Agenda Paper 04-02 and 04-03 as they are for discussion.
- (vii) In addition, some SRB members suggested editorial changes. These changes are highlighted in green in Agenda Paper 04-02 and 04-03.

Reminder - Users' perspective of this standard

4 In the [EC Q&A accompanying the adoption of the Delegated Acts ESRS in July 2023](#), it is specified that *EFRAG is developing simpler, voluntary standards for use by non-listed SMEs. These voluntary standards should enable non-listed SMEs to respond to requests for sustainability information in an efficient and proportionate manner, and so facilitate their participation in the transition to a sustainable economy.*

5 The [EC SME Relief Package of September 2023](#) refers to **VSME as a measure to support SMEs in accessing sustainable finance**. In Par. 4 - it is mentioned that the *Commission will ensure that SMEs have a simple and standardized framework to report on ESG issues [.....]* 4 - it is mentioned that the *Commission will ensure that SMEs have a simple and standardized framework to report on ESG issues [.....] and ensuring the rapid delivery of voluntary standards for non-listed SMEs.*

6 Reflecting the above, the logic followed in the standard setting has been to start from the identification of a proportionate set of indicators that would be a credible replacement for at least a substantial component of the questionnaires that are currently used by lenders, investors and corporate clients. The societal angle of standard setting, i.e. providing a complete picture of the ESG impacts that would inform stakeholders other than lenders, investors and corporate clients in keeping the SME accountable for its impacts is not the focus. However, views of civil society and other stakeholders (outside the users of this VSME) may inform about the ability of VSME to fulfil the second objective of the standard, i.e. to provide a simplified tool to the entrepreneur that intend to improve its sustainability profile.

Background

7 The public consultation on VSME ED ran from January to May 2024. EFRAG Secretariat received comments from 311 respondents (126 preparers, 39 users and 146 other respondents) and from 164 participants in the field tests (111 preparers, 24 proxy for preparers; and 29 users or proxy for users). EFRAG Secretariat also received 22 comment letters on top of the online survey respondents.

8 Following the public consultation, in July 2024 EFRAG proposed to SR TEG and SRB a series of structural and content related changes to the VSME ED published in January based on the result of the public consultation. 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 only on the Business Partners Module during the summer.

- 9 In addition, EFRAG Secretariat organised a workshop on September 16 with European and national banking associations with the aim to test the changes implemented in the revised VSME after public consultation (in particular the additional module that included banks specific data requests). A verbal update of the outcome of this workshop was provided during the SR TEG meeting on 19 September 2024. SRB was provided with a written summary of this workshop on 16 and 30 October 2024.
- 10 EFRAG Secretariat also organised a workshop with SMEUnited on 23 September 2024. The EFRAG SR TEG has been debriefed on the outcome of such workshop in the meeting of the 26th of September 2024. SRB was provided with a written summary of this workshop on 30 October 2024.

Approval at SR TEG on October 22, 2024

- 11 The [Draft] VSME ED was approved at SR TEG on October 22, 2024, and the text of the unapproved SoD of the session is provided below.
- 12 **Changes to the content of the standard agreed in the meeting:**
- (a) **On B 10 – Workforce – Remuneration, collective bargaining and training:** SR TEG agreed to delete the second “whether” and say: “whether the employees receive a pay that is equal or above applicable minimum wage for the country it reports on, determined directly by the national minimum wage law or through a collective bargaining agreement.
 - (b) **On the guidance of C 1 – Revenues from certain sectors and exclusion from EU reference benchmarks:** Agreement at SR TEG to align with Set 1 the text of the guidance on the exclusion from EU Paris Benchmarks.
 - (c) **Disclosure C 4 – Climate risks:** EFRAG SR TEG agreed to add a datapoint to give the possibility to SMEs to describe climate-related hazards and transition events. In addition, EFRAG SR TEG also agreed to use the word “exposure and sensitivity” instead of “vulnerability” to be aligned with Set 1.
 - (d) **On Disclosure C 5 – Workforce (General) Additional characteristics:**
 - (i) Female to male management ratio at management level: EFRAG SR TEG agreed to change the disclosure to a “may”.
 - (ii) Non-employees: Agreement with EFRAG Secretariat proposal “The undertaking may disclose the number of self-employed without personnel that are working exclusively for the undertaking and temporary workers provided by undertakings primarily engaged in "employment activities ". In addition, SR TEG agreed to move the reference to NACE Code 78 to the guidance.
 - (e) **On Disclosure C 6 – Human rights policies and processes:** No change in content.
 - (f) **On Disclosure C 7 – Severe negative human rights incidents:** EFRAG SR TEG agreed to add this datapoint: “Is the undertaking aware of any confirmed incidents in workers in the value chain, affected communities, consumers and end-users? If so, please explain.”
 - (g) **On the placeholder for the simplified taxonomy:** EFRAG SR TEG agreed to recommend that the standard does not include a placeholder on future taxonomy alignment until

there is clarity from the Platform of Sustainable Finance on the content and requirements of the disclosure.

13 SR TEG Approval on 22 October 2024

- (a) The following 20 SR TEG members approved the VSME standard: Piermario Barzaghi, Kati Beiersdorf, Belen Varela, Carlota de Paula Coelho, Chiara Del Prete, Eric Duvaud, Jose Moneva, Julia Kolzer, Olivier Scherer, Per Anders Öjar Törnqvist, Piotr Biernacki, Signe Lysgaard, Sigurt Vitols, Luc Hendrickx, Anne-Claire Ducrocq, Sandra Adler, Robert Adamczyk, Christoph Toepfer, Philippe Diaz, Jean-Francois Coppenolle.
- (b) One SR TEG member (Luca Bonaccorsi) abstained.
- (c) While approving the standard:
 - (i) Luc Hendrickx expressed reservation on the inclusion of the disclosure C2 – Gender Diversity in Governance Body because of legal reasons.
 - (ii) Signe Lysgaard, Sandra Adler, Sigurt Vitols expressed reservations on the “may instead of shall” datapoint on non-employees in C5 – Workforce (General) Additional characteristics, and on the own workforce specification in C6 – Human rights policies and processes.

Overview of meetings held since the end of the public consultation:

- 14 Following the end of the public consultation, EFRAG Secretariat discussed the results with both SR TEG and SRB in July. During these discussions, SR TEG and SRB approved the strategic orientations to be implemented based on the proposals presented by EFRAG Secretariat. Following the discussions with SR TEG and SRB in July, EFRAG secretariat modified the draft VSME standard accordingly and during a series of SR TEG discussions in September and October, it reviewed these changes with SR TEG. Additionally, EFRAG Secretariat held two additional meetings with preparer and user associations to ensure coherency between public consultation results and the opinions of preparer and user associations. The dates of all these mentioned meetings are mentioned below:

SR TEG Meetings

- (a) Review of the strategic orientations proposed by EFRAG Secretariat following the end of the public consultation ([18 July 2024](#)).
- (b) Review of cross-cutting changes (including B1 + B2) implemented following the decisions taken at SR TEG and SRB level in July based on the results of the public consultation ([12 September 2024](#)).
- (c) Initiation of the review of the Basic module (B3-B7) following the decisions taken at SR TEG and SRB level in July based on the results of the public consultation ([19 September 2024](#)).
- (d) Continuation of the review of the Basic module (B8, B9, and former AFI 4) following the decisions taken at SR TEG and SRB level in July based on the results of the public consultation ([26 September 2024](#)).

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- (e) Conclusion of the review of the Basic module (B10 – B11), along with the initiation of the review of the Comprehensive module (Scope 3, C1-C4) following the decisions taken at SR TEG and SRB level in July based on the results of the public consultation ([7 October 2024](#)).
- (f) Initiation for approval at SR TEG. SR TEG reviewed and initiated the approval of the cross-cutting part and Basic Module ([10 October 2024](#)).
- (g) Conclusion of the review of the Comprehensive module (C5-C7) along with the Simplified Taxonomy Module (Placeholder) following the decisions taken at SR TEG and SRB level in July based on the results of the public consultation ([22 October 2024](#)).
- (h) In parallel on [22 October](#), SR TEG approved the VSME standard.

SRB Meetings

- (i) VSME Strategic direction on proposed changes to respond to the feedback of the public consultation ([10 July 2024](#))
- (j) Continuation of discussion on VSME proposed restructuring ([17 July 2024](#)).
- (k) Update on Advanced Module ([16 October 2024](#)).
- (l) VSME Approval Initiation ([30 October 2024](#)).

Meetings with preparer and user associations held following public consultation

- (m) Workshop with European and national banking associations (16 September 2024).
- (n) Workshop with SME associations (23 September 2024).

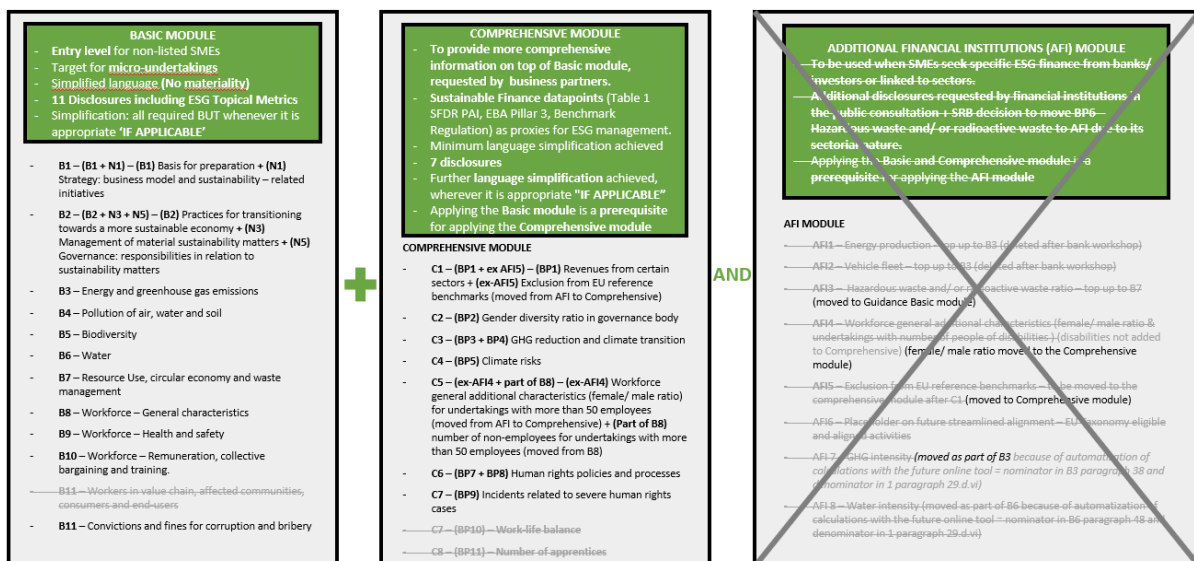
Overview of the changes to the ED after public consultation

15 At the SRB and SR TEG meetings in July 2024, EFRAG Secretariat proposed a series of both structural and disclosure level changes to SR TEG and SRB stemming from public consultation and field test. On this basis the main technical and strategic orientations approved in July by SRB and SRT are the following:

16 Structural/ overarching changes:

- (a) The Narrative-PAT module has been deleted. The content of the former disclosure N1 has been integrated into disclosure **B1** (Basis for preparation – Basic module) and the content of former disclosures N3 and N5 has been integrated into **B2** (Practices, policies and future initiatives for transitions towards a more sustainable economy – Basic module) in a very simplified format (seminarrative/ table covering the sustainability matters in AR 16). Disclosures N2 and N4 have been removed from the standard entirely. **[PENDING CHANGES TO BE DISCUSSED ON 13 NOVEMBER 2024]**
- (b) The former Business Partners module has now been renamed **Comprehensive module**. The change of name was requested in the public consultation to flag that business partners may request more comprehensive information beyond what they cover via the Basic module.

- (c) **Materiality** has been removed entirely. No materiality analysis is now asked to be performed by SMEs. Instead, for former disclosure N3 (now included in B2), a simplified and guided policy-action-target disclosure has been implemented in the standard’s guidance - to be reported only if the SME has them in place. The simplification was tested with both SMEs and banks representative and received strong support as it is expected to remove a large burden for reporting SMEs and also provide standardised disclosures for users' business partners.
- (d) Additionally, a clear request that stemmed out from the public consultation has been the development of an **online tool** to serve as a simplified and guided process for SMEs to use when disclosing their information. This tool will not be made by EFRAG and will be created upon discretion of the European Commission, following the delivery of EFRAG Secretariat’s technical advice on the VSME standard in December 2024.
- (e) The placeholder for the **simplified EU taxonomy** has been removed from the standard following SR TEG approval.
- (f) During public consultation, financial institutions (users) requested to insert additional bank-specific datapoints to supplement the content of the existing modules. As such, a new module called “Additional Financial Institutions” was proposed to SRB and SR TEG in July. During the SRB and SR TEG meetings in July, EFRAG Secretariat stated that these datapoints would have to be further discussed in bilateral meeting with banking associations. EFRAG Secretariat then organised a workshop with the banking associations during which it also discussed the disclosures and datapoints of the Additional Financial Institutions module. As a result of the workshop held with European and national banking associations on 16 September 2024, many of the disclosures proposed during the public consultation by banks and banking associations were dropped. Some datapoints have been integrated into existing Basic and Comprehensive module disclosures. During this workshop it was recommended to only propose to include the taxonomy disclosure as separate from the Basic and Comprehensive modules.
- (g) The following diagram depicts the new structure of the VSME:



17 **Disclosure level changes**

- (a) In the cross-cutting part of the VSME, there have been several changes and additions to the content. In the section called “**Objective of this [draft] standard and to which undertakings it applies**”, the order of the objectives has been changed in order to emphasise that the primary objective of this standard is to support SMEs in providing information that will help to satisfy user’s demands (large undertakings and financial institutions).
- (b) A principle on “**Comparative information**” has been added in the “**principles for preparation**” section. This has been moved from the Basic module’s introduction to the principles, to make this a principle valid across the standard. In parallel to the comparative information, the “**if applicable**” principle has now been extended to the Comprehensive module and it has been clarified that if a datapoint is not applicable to the SME, omitting its disclosure will be considered as not applicable. Moreover, on **timing** it has also been specified that if the report is prepared on the demand of the users, it shall then be prepared on an annual basis. With regards to **classified information**, it has been clarified that if information is omitted due to confidentiality, it shall be stated as such.
- (c) In **B1** (basis for preparation), some datapoints have been added following the public consultation and some datapoints were moved from former PAT Module (N1) in VSME ED. A total of seven new metrics have been added to B1 following the public consultation. The metrics that have been added are the following: 1) the undertaking’s legal form, 2) the NACE sector classification code(s), 3) size of balance sheet (in euros), 4) turnover (in euros), 5) number of employees in full time equivalents (FTEs) or headcount, 6) country of primary operations and location of significant asset(s), and 7) geolocation of sites owned, leased or managed. For these additional datapoints, specific guidance has been created, including guidance tables. In addition to these 7 datapoints, the former N1 datapoints have also been inserted in **B1** (as explained above). [PENDING CHANGES TO BE DISCUSSED ON 13 NOVEMBER 2024]
- (d) **B2** has been added and complemented by inserting the simplified elements of former N3 and N5 into this B2. B2 now covers the policies Policies, Actions and future initiatives along with including information on who is responsible for the monitoring. Former disclosure **B11**’s focus on Workers in the value chain, affected communities, consumers, and end-users, has now been integrated within the 10 sustainability issues listed in the guidance of B2. [PENDING CHANGES TO BE DISCUSSED ON 13 NOVEMBER 2024]
- (e) For Disclosure **B3** (Energy and greenhouse gas emissions), GHG intensity has been added as a datapoint derived from the former AFI module. This datapoint was requested by banks. Additionally, the requirement on energy consumption was converted into a tabular format to ensure clarity on the breakdown between renewable and non-renewable sources for both electricity and fuels (examples of each case have been provided in the guidance). The rest is unchanged compared to VSME ED.
- (f) Disclosure **B4** (Pollution of air, water and soil) has not substantially changed. The “if applicable” has been clarified by asking to disclose only “when” the undertaking is legally

required to disclose this information to the competent authority or has voluntarily been reporting according to existing Environmental Management Systems. The reference to EMAS has been removed. The guidance on calculations and applicability has been strengthened.

- (g) Disclosures **B5** (Biodiversity) and **B6** (Water) has not changed. The guidance has been enhanced.
- (h) Disclosure **B7** (Resource use, circular economy and waste management) has been simplified as requested in the public consultation phase. B7 has been simplified by removing the recyclable and rate of recyclable content (former paragraph 33 a and b in the VSME ED) and introducing the concept of mass flows (paragraph 40(c)). Guidance has been provided for the concept of mass flows. In addition, the former paragraph 32 in VSME ED has been changed into a semi-narrative question on circular economy principles as this was agreed during the SR TEG meeting of 10 October 2024. Guidance on waste disclosures has been expanded on hazardous and radioactive waste, as well as to clarify the requirement on recycling and reuse.
- (i) Disclosure **B8** (Work-force - general characteristics) and **B9** (Work-force – health and safety) have not undergone significant changes compared to the VSME ED.
- (j) Disclosure **B10's** (Workforce – Remuneration, collective bargaining and training) threshold has been adjusted to mirror the pay transparency directive.
- (k) Disclosure B12 has now become **B11** (Convictions and fines for corruption and bribery), and the formulation remains same as VSME ED since largely supported in public consultation.
- (l) No changes have been made to the **entity specific consideration** section (scope 3), now part of the newly called **Comprehensive module**. In the guidance, it has been specified that the SMEs in the manufacturing, constructions and/or packaging sectors are likely to have higher scope 3 emissions.
- (m) An additional datapoint of the exclusion from EU reference benchmarks (former AF15) has been added to Disclosure **C1** (Revenues from certain sectors).
- (n) No changes have been made to Disclosure **C2** (Gender diversity ratio in governance body - former BP2). Despite this datapoint was confirmed in the public consultation, several discussions occurred at SR TEG because one SR TEG member indicated that for SMEs this may not be meaningful and thus should be deleted.
- (o) Former Disclosures **BP3** (GHG emissions reduction targets) and **BP4** (Transition plan for climate change mitigation) have been merged into a single disclosure now called **C3** (GHG reduction targets and climate transition). The requirement on GHG emission reduction targets has been further broken down (target year, base year, etc.) to better guide the undertaking in its reporting. The disclosure on transition plans has been limited to undertakings in high climate impact sectors, made voluntary, and linked to the contribution of such plans to the reduction of GHG emissions.

- (p) Disclosure **C4** (Physical risks from climate change - former disclosure) has been renamed to “Climate risks” and further simplified. The breakdown of the carrying value of the SMEs real estate assets has been removed from the standard. Additionally, the estimation of the monetary value of the physical risks has been replaced by a simpler assessment that requires to understand whether the financial performance/ business operations in the short, medium and long term, are perceived to have a high/medium/low risk. Additionally, the location of the significant assets has been moved to disclosure B1 (Basic module).
 - (q) Former disclosure BP6 (Hazardous waste and/ or radioactive waste ratio) has been integrated into **B7 Guidance**, to streamline the standard and remove redundancies.
 - (r) A new disclosure **C5** (Workforce general additional characteristics) has been added to the Comprehensive module. C5 is composed of a datapoint on non-employees (initially placed in B8 after the public consultation) and an additional datapoint requested by banking associations during the public consultation on the female to male ratio at management level. A datapoint on employees with disabilities was added after the public consultation and then removed following bank workshop.
 - (s) Former disclosures **BP7** (Alignment with internationally recognised instruments) and **BP8** (Processes to monitor compliance and mechanisms to address violations) have been merged into a single disclosure now called **C6** (Human rights policies and processes) and it has been simplified as seminarrative.
 - (t) Disclosures **C6** (Human rights policies and processes) and **C7** (Severe human rights incidents) have been significantly reformulated and simplified to follow a Y/N answer approach to make it easier for SMEs to disclose on. [PENDING CHANGES TO BE DISCUSSED ON 13 NOVEMBER 2024]
 - (u) Former disclosures **BP10** (Work-life balance) and **BP11** (Number of apprentices) were deemed as not relevant in the public consultation and were deleted following the SR TEG in July.
- 18 Lastly, EFRAG Secretariat has received 177 comments from SR TEG members, either of content or editorial nature, of which a majority have been implemented in VSME.

Future work on VSME

- 19 During the public consultation, feedback has been received on the need for online platforms and tools + Implementation Guidance (IGs) that EFRAG will probably develop in the future (see list below), after the VSME will be released to the European Commission. The following include:
- (a) SME IG ESRS Templates of report and mock up disclosure. EFRAG could cover this as part of the IG work.
 - (b) SME IG list of sustainability matters per sector. EFRAG will cover this as part of the ongoing multi annual sector programme.
 - (c) SME IG List of possible actions/policies for SMEs covering the ten topics. EFRAG plans to develop this as an IG for SMEs after the release of VSME. It would be used as a scrolling menu from the VSME online platform template.

- (d) SME IG Implementation guidance linking VSME and CEN CENELEC standards. To be activated depending on resource availability and priority, given the pipeline of IG. Map ISO 14001 to VSME.
- (e) SME IG Provide a full list of pollutants.
- (f) SME IG Examples of climate change transition plans for SMEs.
- (g) SME IG Examples of impacts on workers in the value chain and affected communities for SMEs.

Approval of draft VSME in this SRB meeting

20 As per article 36 of EFRAG Internal Rules¹, for final endorsement advice and technical advice on EU Sustainability Reporting Standards to the European Commission:

- (a) In case of sustainability reporting standard setting, if after returning the advice to the EFRAG Reporting TEG, no consensus can be reached in the EFRAG Reporting Board within the timeframe requested by the European Commission, the endorsement advice or the technical advice on EU Sustainability Reporting Standards is submitted to the European Commission. And it includes the advice of the qualified majority (i.e., two-thirds (2/3)) of the voting EFRAG Reporting Board members present or represented and dissenting opinions.
- (b) The EFRAG Reporting Board members who disagree with the qualified majority view expressed in a final endorsement advice or technical advice on EU Sustainability Reporting Standards are obliged to have the reasons for their dissent recorded and explained in the advice or an addendum thereto. The name(s) of the dissenting EFRAG Reporting Board member(s) are mentioned.
- (c) If in exceptional cases, no qualified majority can be found the EFRAG Reporting Board Chair can present his/her conclusions based on an indicative vote whereby the majority view would be presented as the position and with an indication of the dissenting views held.
- (d) Dissenting views should relate to important elements of the final endorsement advice or technical advice on EU Sustainability Reporting Standards and not to secondary elements. Accordingly, only views that are so important that a dissenting member cannot accept the endorsement advice or technical advice on EU Sustainability Reporting Standards as a whole or a substantial part of the advice are included in the final endorsement advice or the final technical advice on EU Sustainability Reporting 32 Standards. Dissenting views are to be justified by indicating concisely and clearly the specific matters on which a member disagrees.

¹ [EFRAG Internal Rules - Approved by the GA 28 April 2022- .pdf](#)

Question[s] for EFRAG SRB:

21 Does SRB approve to issue this VSME standard to the European Commission?

Next steps

- 22 The EFRAG Secretariat is currently preparing the Basis for Conclusions which will accompany the ED. They will be sent for written input to both SR TEG and SRB (no formal approval is needed) on **November 18 2024, with a two weeks deadline.**
- 23 Deadline to deliver to the EC is 20 December 2024. Basis for conclusions may be completed in January.

Agenda Papers

- 24 In addition to this cover note, agenda papers for this session are:
- (a) Agenda paper 04–02 Revised VSME after public consultation for SRB approval (clean version);
 - (b) Agenda paper 04–03 Revised VSME after public consultation for SRB approval (markup from VSME ED); and
 - (c) Agenda paper 04–04 Summary of workshop with banking associations and workshop with SME associations.
 - (d) Agenda paper 04-05 No Re-Exposure needed for the VSME Standard Issues Paper

Appendix 1 (Disclosure B2)

BASIC MODULE: B2 – Practices, policies and future initiatives for transitioning towards a more sustainable economy

Text in the Standard (Paragraph XX):

1. ~~When~~ If the undertaking has in place specific practices, policies or future initiatives for transitioning towards a more sustainable economy, it shall ~~briefly describe them~~ state so using the template found in paragraph 76. Such practices, policies and future initiatives include what the undertaking does to reduce its negative impacts and to enhance its positive impacts on people and on the environment, in order to contribute to a more sustainable economy. Appendix B provides a list of possible sustainability issues.
 - a. If the undertaking has practices, formal sustainability policies, future initiatives and targets in place, it shall describe state whether it has:
 - b. practices. Practices in this context may include, for instance, efforts to reduce the undertaking’s water and electricity consumption, to reduce GHG emissions or to prevent pollution, and initiatives to improve product safety; current initiatives to improve working conditions and equal treatment in the workplace, sustainability training for the undertaking’s workforce, partnerships related to sustainability projects;
 - c. formal policies on sustainability issues, whether they are publicly available, and any separate environmental, social or governance policy for addressing sustainability issues;
 - d. any future initiatives or forward-looking plans that are being implemented on sustainability issues; and
2. targets to monitor the implementation of the policy and the progress achieved towards meeting such targets.

If the undertaking also reports on the Comprehensive module, it shall complement the B2 with the datapoints found in CXX.

Template in guidance (Paragraph 76):

3. Undertakings may use the following template to report on B 2 datapoints:

2 descriptive columns on the practices and future initiatives, moved to the Comprehensive module guidance (see below).

	Do you have existing sustainability policies/ practices that address any of the following sustainability issues? [YES/NO]	Is it publicly available? [YES/NO]	Does the policy have any future initiatives/targets? [YES/NO]
Climate Change			
Pollution			
Water and Marine Resources			

Biodiversity and Ecosystems			
Circular Economy			
Own Workforce			
Workers in the Value Chain			
Affected Communities			
Consumers and end-users			
Business conduct			

COMPREHENSIVE MODULE CXX – Description of practices, policies and future initiatives for transitioning towards a more sustainable economy.

Text in the Standard (Paragraph XX):

- 4. if the undertaking has in place specific practices, policies or future initiatives for transitioning towards a more sustainable economy, which it has already reported under disclosure B2 in the Basic Module, it shall briefly describe them using the template found in paragraph XX.
- 5. ~~When~~ The undertaking may indicate, if any, the most senior level of the undertaking accountable for implementing them.

Template in guidance (Paragraph XX):

- 6. Undertakings may use the following template to report on paragraph XX datapoints.

	If you answered YES to existing practices/policies in disclosure B2, please briefly describe them along with their consequent actions. (in case the practice/ policy or action covers suppliers or clients, the undertaking shall mention it)	If you answered YES to future initiatives/ targets in disclosure B2, please specify them.	You may indicate the highest senior level in the undertaking accountable for implementing them [if any]
Climate Change			
Pollution			

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Water and Marine Resources			
Biodiversity and Ecosystems			
Circular Economy			
Own Workforce			
Workers in the Value Chain			
Affected Communities			
Consumers and end-users			
Business conduct			

2 descriptive columns originating from B2 guidance + governance datapoint.

Appendix 2 – Overview of the changes to the ED after the public consultation and SR TEG revisions.

- 25 The following table below gives an overview of the changes that have been implemented into the VSME following the public consultation feedback, the workshops held with European and National Associations and SME representatives in September and the decisions agreed at SR TEG. These are:

Disclosure	CHANGES FROM VSME ED (new changes in yellow, deletion from VSME ED with strikethrough)	Public consultation feedback on VSME ED (focus preparers and users)	EFRAG Secretariat Orientations + SR TEG and SRB decisions in July 2024.	Bank Workshop Feedback (16/09/2024)	SMEs representatives Workshop Feedback (23/09/2024)	Final Decision at SR TEG/SRB September, October 2024
General structure and architecture	<p>General structure and architecture</p> <p>The following changes have been implemented in the revised VSME:</p> <ul style="list-style-type: none"> - The Narrative-PAT module has been deleted. The content of the former disclosure N1 has been integrated into disclosure B1 (Basis for preparation – Basic module) and the content of former disclosures N3 and N5 has been integrated into B2 (Practices, policies and future initiatives for transitions towards a more sustainable economy – Basic module) in a very simplified format (seminarrative/ table covering the sustainability matters in AR 16). Disclosures N2 and N4 have been removed from the standard entirely. - The former Business Partners module has now been renamed Comprehensive module. The change of name was requested in the public consultation to flag that business partners may request more comprehensive information beyond what they cover via the Basic module. - The advanced/AFI module that EFRAG secretariat had proposed to SR TEG and SRB in July, based on additional datapoints requested by banks in the public consultation) + the placeholder for the simplified EU taxonomy, have been removed from the standard. See the Advanced/AFI module row. 	<p>Preparers: General consensus to focus only on the BM (to include all requests from Business counterparts). The need for the BPM is recognised by a European SME association, however, the BM should be adjusted to contain more essential metrics currently present in the BPM.</p> <p>Banks: clear preference for BM + BPM that contain info essential to them. One suggests merging BPM in BM.</p> <p>Large undertakings: prefer BM + BPM.</p>	<p>10 + 16 July (SRB): Based on EFRAG Secretariat proposal, SRB agreed to delete the Narrative-PAT module and to move the content of the former disclosure N1 into disclosure B1 (Basis for preparation – Basic module). To include the content of former disclosures N3 and N5 into B2 (Practices, policies and future initiatives for transitions towards a more sustainable economy – Basic module) in a very simplified format (seminarrative/ table covering the sustainability matters in AR 16). for Disclosures N2 and N4 to be removed from the standard entirely. (see Narrative-PAT row)</p> <p>Additionally, the former Business Partners module was agreed to be renamed. In September the Secretariat proposed to rename it as the Comprehensive module. The change of name was requested in the public consultation to flag that business partners may request more comprehensive information beyond what they cover via the Basic module.</p>	<p>European and national banking associations supported this two-module approach.</p>	<p>SMEs representatives welcomed the architectural changes made.</p>	<p>12 September (SRT): SR TEG members agreed with the structure of the VSME (including the deletion of the Narrative-PAT module).</p> <p>Additionally, during this meeting, SR TEG members agreed with the renaming of the former Business Partners module to "Comprehensive module".</p> <p>During this meeting, SR TEG members also requested to EFRAG Secretariat to verify the content of the advanced/AFI module with banking associations during the banking workshop. (see advanced/AFI module).</p> <p>19 September (SRT):</p> <p>Following the bank workshop (16/09/2024), it was agreed to delete the disclosures not required by banks (in the advanced/ AFI module). It was decided to only keep the placeholder for the simplified EU taxonomy (under development by the Platform on Sustainable Finance). The advanced/AFI module row gives a breakdown of which disclosures were moved to the Basic and Comprehensive module and which ones were decided to be deleted during this SR TEG.</p> <p>22 October (SRT): in this meeting, SR TEG members asked to remove the placeholder for the upcoming simplified EU taxonomy. The SR TEG members stated that they did not want to refer within the VSME, to a taxonomy that does not yet exist. (For more context see Advanced/AFI module row).</p> <p>Following this final SR TEG meeting, the VSME now has two modules: the Basic module and the Comprehensive module</p>
Materiality	<p>Materiality has been removed entirely. No materiality analysis is now asked to be performed by SMEs. Instead, for former disclosure N3 (now included in B2), a simplified and guided policy-action-target disclosure has been implemented in the standard's guidance - to be reported only if the SME has them in place. The simplification was tested with both SMEs and banks representative and received strong support as it is expected to remove a large burden for reporting SMEs and also provide standardised disclosures for users' business partners.</p>	<p>SMEs: Split views: some (SME associations) suggest deleting materiality and replace it with "if applicable" or a pre-defined list.</p> <p>The CBA also suggests deleting the materiality analysis completely, in the full benefits scenario.</p> <p>Banks: Split views: 50/50 agreeing with financial materiality and majority agreeing on impact materiality. A request by national and European banking associations to delete the materiality analysis in the BPM. Some suggest using "if applicable". Additional general comments from banks: i) too complex for SMEs; ii) not reliable and could impair the ability to aggregate data (immaterial for undertaking but material at portfolio level). A European association stated if materiality is kept, additional guidance needed to allow reporting without external consultants for both the Narrative-PAT module and the BPM. Additionally, materiality principles in the BPM may be a deterrent to applying this module.</p> <p>Large undertakings: Split views. Some suggest deleting materiality from the BPM. Others do not disagree with the materiality principles.</p>	<p>10 July: Suggestion to delete materiality was approved by SRB.</p>	<p>Materiality removal welcomed</p>	<p>Materiality removal welcomed</p>	<p>N/A</p>
Online Tool	<p>A clear request that stemmed out from the public consultation has been the development of an online tool to serve as a simplified and guided process for SMEs to use when disclosing their information. This tool will not be made by EFRAG and will be created upon discretion of the European Commission, following the delivery of EFRAG Secretariat's technical advice on the VSME standard in December 2024.</p>	<p>Both preparers and users mentioned that transforming the VSME in an online tool would facilitate the reporting as well as the comparability of information. The availability of a central repository (inspired by the existing platforms) where SMEs can populate online templates and banks and other counterparties can have access to the data is essential, in order to realise the expected benefits. The questionnaires would be replaced by the download of data from this source.</p> <p>SMEs: Transform the VSME in an online tool which could ease the reporting of the standard.</p> <p>Users: The success of the VSME depends on a central European software interface into which the reporting companies can enter their data which then becomes accessible to BP counterparts. Banks: request to accompany VSME by pre-set questions, online calculation tools and add guidance. The CBA also indicates that access to business opportunities and lending through an online platform is a precondition for users and preparers to deploy the full benefits of VSME.</p>	<p>10 July (SRB): SRB agreed with Secretariat proposal to request the VSME to be applied as an online tool.</p>	<p>Online tool welcomed</p>	<p>Online tool welcomed</p>	<p>N/A</p>
Advanced module / Additional Financial Institutions (AFI) module	<p>During the public consultation, financial institutions (users) requested to insert additional bank-specific datapoints to supplement the content of the existing modules. As such, a new module called "Additional Financial Institutions" was proposed to SRB and SR TEG in July. During the SRB and SR TEG meetings in July, EFRAG Secretariat stated that these datapoints would have to be further discussed in bilateral meeting with banking associations. EFRAG Secretariat then organised a workshop with the banking associations during which it also discussed the disclosures and datapoints of the Additional Financial Institutions module. As a result of the workshop held with European and national banking associations on 16 September 2024, many of the disclosures proposed during the public consultation by banks and banking associations were dropped. Some datapoints have been integrated into existing Basic and Comprehensive module disclosures. During this workshop it was recommended to only propose to include the taxonomy disclosure as separate from the Basic and Comprehensive modules.</p>	<p>During public consultation, financial institutions (users) requested to insert a series of additional bank-specific datapoints to supplement the content of the existing modules.</p>	<p>July 10 (SRB): Based on the outcomes of the public consultation, a new module called "advanced" and then renamed "Additional Financial Institutions" was proposed to SRB and SR TEG in July. During this SRB on 10th July SRB agreed and asked the Secretariat to organise a workshop with banks associations to discuss these additional datapoints to understand if some could be dropped. In the workshop the main outcome has been that this additional module is not needed, provided that 3 datapoints are moved to the Basic and Comprehensive module (see column on the right for more detail).</p>	<p>EFRAG Secretariat organised a workshop with European and national banking associations on 16 September at the request of SRB and SRT to discuss disclosures and datapoints of the Additional Financial Institutions module and address ad-hoc questions on VSME. As outcome of the workshop many of the additional disclosures proposed during the public consultation by banks and banking associations were deleted as not essential. Some datapoints have been integrated into existing Basic and Comprehensive module disclosures. During this</p>	<p>N/A</p>	<p>22 October (SR TEG): During the final revision and approval session of the VSME, multiple SR TEG members asked to remove the reference to the placeholder for the upcoming simplified EU taxonomy module, justifying this decision by stating that they would not be comfortable in approving a placeholder for a taxonomy which still yet does not exist. The SR TEG members specified that this taxonomy module may be inserted in the standard once the content of the simplified taxonomy itself is finalised by the Sustainable Finance Platform. SR TEG members agreed on this entire additional module being deleted.</p> <p>Additional datapoints suggested by banks in the public consultations have been moved to the respective disclosures:</p>

Disclosure	CHANGES FROM VSME ED (new changes in yellow, deletion from VSME ED with strikethrough)	Public consultation feedback on VSME ED (focus preparers and users)	EFRAG Secretariat Orientations + SR TEG and SRB decisions in July 2024.	Bank Workshop Feedback (16/09/2024)	SMEs representatives Workshop Feedback (23/09/2024)	Final Decision at SR TEG/SRB September, October 2024
				<p>workshop it was recommended to only include the placeholder for the simplified taxonomy disclosure under development by the Sustainable Finance Platform in this additional module.</p> <p>In particular the following disclosures that populated the advanced/AFI module as result of public consultation were consider essential to keep:</p> <p><u>AFI 3: Radioactive waste</u> this datapoint was merged into B7. (already in VSME ED – see B7) <u>AFI 4: (Female/ male ratio at management level datapoint)</u>, keep and move to Basic or Comprehensive – See C5 <u>AFI5: (Exclusion from EU reference benchmarks)</u>, keep and include within C1 <u>AFI 7 – GHG Intensity</u>: keep this datapoint (unlike water intensity) – See B3</p> <p>The following were not considered essential by banks and could be dropped:</p> <p><u>AFI 1 – Energy Production – See B3</u> <u>AFI 2 – Vehicle Fleet – See B3</u> <u>AFI 4 – Disabilities (protected categories) datapoint</u> (to specify in basis for conclusion that it may be requested in certain countries bilaterally by banks, i.e. Italy) – See B8 <u>AFI 8 – Water intensity</u></p>		<p><u>AFI 3: Radioactive waste</u> this datapoint was merged into B7. (already in VSME ED – see B7) <u>AFI 4: (Female/ male ratio at management level datapoint)</u>, keep and move to Basic or Comprehensive – See C5 <u>AFI5: (Exclusion from EU reference benchmarks)</u>, keep and include within C1 <u>AFI 7 – GHG Intensity</u>: keep this datapoint (unlike water intensity) – See B3</p>
<p>Narrative – Policies, Actions and Targets (PAT) Module – General Comments</p> <p>The module was removed see details in column “secretariat and SRB/SRT orientations”.</p>	<p>SMEs: Narrative-PAT module disclosures are not supported by most European and national SMEs associations. Others consider it feasible if adjusted. All consider materiality extremely difficult for SMEs. Overall, N1 and N5 are supported, while on N2 and N3 there are split views between individual SMEs and European & national associations. N4 is linked to N2 and N3.</p> <p>Banks: Majority of banking associations indicate that PAT module is less useful to them compared to others. They also see the Narrative PAT is difficult to carry out. One European banking association suggests keeping the Narrative-PAT module as voluntary but modifying N1 to N4, not essential, plus delete the materiality aspect which is too complex and resource intensive for SMEs (also mentioned by other national and EU associations).</p> <p>Large undertakings: most support this module. However, some disagree with the content and approach of this module as only the largest, and most sophisticated SMEs will report on it entirely, but business associations supporting large undertaking consider N2 and N3 not needed. Suggested more guidance.</p>	<p>10 July (SRB): based on EFRAG Secretariat’s orientations, SRB agreed with the following points:</p> <ul style="list-style-type: none"> - Narrative-PAT module removed. - N1 (Strategy: business model and sustainability-related initiatives) move to B1 (Basis for preparation) - N3 (Management of material sustainability matters) + N5 (Governance: responsibilities in relation to sustainability matters) moved to B2 (practices, policies and future initiatives for transitioning towards a sustainable economy). - Delete disclosures N2 Material Sustainability matters) and N4 (Key stakeholders) from the standard. 	<p>Change welcomed</p>	<p>Change welcomed</p>	<p>12 September and 10 October – SR TEG:</p> <p>During these two SR TEG meetings, SR TEG members agreed with the proposed formulation and integration of former N1 into B1 and former N3 and N5 into B2. (see B1 and B2 rows for more details).</p>	
<p>Objective (paragraph 1 of VSME)</p> <p>Yes, but only editorial in terms of order of the objectives.</p> <p>7. The objective of this voluntary [draft] Standard is to support micro², small- and medium-sized undertakings in:</p> <ul style="list-style-type: none"> (a) providing information that will help satisfy the data demand needs of large undertakings requesting sustainability information from their suppliers; (b) providing information that will help satisfy data demand from lenders/credit providers and investors, therefore helping undertakings in their access to finance; (c) improving the management of the sustainability issues they face, i.e., environmental and social challenges such as pollution, workforce health and safety. This will support their competitive growth and enhance their resilience in the short-, medium- and long-term; and (d) contributing to a more sustainable and inclusive economy. <p>¹ This includes self-employed, non-incorporated undertakings and listed micro undertakings.</p>	<p>Suggestion to change the order of the objectives and place the main objective to be the replacement of the questionnaires from users.</p>			<p>SME representatives suggested to change the order of the objectives and add a footnote to clarify the fact that micro-undertakings.</p>	<p>October 10 (SR TEG):</p> <p>SR TEG members agreed with the suggestion brought forth by the SR TEG SME representative (see SME workshop 23/09/2024). The order of the objectives was changed accordingly, placing as the focus of the standard, the objective to replace business partner questionnaire.</p> <p>The suggested footnote was also added.</p>	
<p>Scope of VSME (paragraph 2 of VSME)</p> <p>Thresholds of micro, small and medium enterprises have been updated following the new thresholds of the Commission Delegated Directive (EU) 2023/2775 which amends the thresholds of the Accounting Directive.</p>	<p><u>N/A</u></p>	<p><u>N/A</u></p>	<p><u>N/A</u></p>	<p><u>N/A</u></p>	<p>September 12 (SR TEG): Agreement with SME threshold update implemented by the Secretariat following the change in the legal EU threshold for SME definition.</p>	
<p>Principles for Basic and Comprehensive Module</p> <p>A principle on “Comparative information” has been added in the “principles for preparation” section. This has been moved from the Basic module’s introduction to the principles, to make this a principle valid across the standard.</p> <p>Comparative information</p>	<p>Consolidation</p> <p>SMEs: Split views between individual SME preparers and SME associations. National and European SME associations do not support consolidated reporting practices and demanded for more flexibility.</p>	<p>Consolidation</p> <p>SRB agreed with the secretariat’s proposal to change the name of the principle to “inclusion of subsidiaries in the reported data”. This was done to avoid using the word ‘consolidation’.</p>	<p>Inclusion of subsidiaries in the reported data: All banking associations support the inclusion of paragraph 13. Two national banking associations suggest adding the following specification as a footnote: “If a subsidiary in the perimeter of the consolidated report is a direct</p>	<p>SME representatives agreed with the proposal made during the banks workshop.</p>	<p>September 12 (SR TEG): request to verify with banks which frequency of reporting would be needed.</p> <p>October 10 (SR TEG): Following the banks workshop, SR TEG agreed with the changes proposed by the Secretariat on the basis of the workshop.</p>	

² This includes self-employed, non-incorporated undertakings and listed micro undertakings.

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	<p>12. Comparative information in respect of the previous year shall be included in the report except for metrics being disclosed for the first time. The inclusion of comparative information shall begin the second year of reporting and continue henceforth.</p> <p>In parallel to the comparative information, the “if applicable” principle has now been extended to the Comprehensive module and it has been clarified that if a datapoint is not applicable to the SME, omitting its disclosure will be considered as not applicable.</p> <p>If applicable principle</p> <p>13. In the Basic and Comprehensive modules certain disclosures only apply to specific circumstances³. In particular, the following instructions specify that, in these circumstances, the information is to be reported only if considered ‘applicable’ by the undertaking. When one of these disclosures is omitted, it is assumed to not be applicable.</p> <p>On timing it has also been specified that if the report is prepared on the demand of the users, it shall then be prepared on an annual basis.</p> <p>Timing and location of the sustainability report</p> <p>16. If a sustainability report is prepared on the demand of large undertakings or lenders that require an update annually, it shall be prepared on an annual basis. It shall be available for issuance at the same time as the financial statements if they are prepared. In case specific datapoints did not change from the previous reporting year, the undertaking may indicate that no changes occurred and refer to the information provided for that specific datapoint from the previous year.</p> <p>17. The primary function of this report is to inform actual or potential business counterparties. Undertakings may decide to make it also available to the public. In this case, the undertaking may present its sustainability report in a separate section of the management report if the latter is required by applicable law and regulations or if the management report is prepared voluntarily. Otherwise, the undertaking may present its sustainability report in a different document.</p> <p>Inclusion of subsidiaries in the reported data</p> <p>14. If the undertaking is a parent company of a group, it is recommended that it prepares its sustainability report on a consolidated basis, including the information of its subsidiaries.</p> <p>15. If the parent undertaking has prepared its sustainability report on a consolidated basis, including the information of its subsidiaries, the subsidiary undertakings are exempted from reporting.</p> <p>Classified and sensitive information and information on intellectual property, know-how or results of innovation</p> <p>19. When the provision of the disclosures in this [draft] Standard would require disclosing classified or sensitive information, the undertaking may omit such information. If the undertaking decides to omit such information, it shall simply state that is the case under disclosure B 1 (see paragraph 24).</p> <p>(a) the information has commercial value because it is secret; and</p> <p>(b) its publication will likely negatively affect the financial performance or position of the undertaking</p>	<p>Banks: Most respondents agreed with the current consolidation of the VSME. One European banking association is against the consolidated approach stating that greater flexibility should be given to SMEs.</p> <p>Large undertakings: Most agreed with the current consolidation of the VSME.</p> <p>Sensitive information</p> <p>SMEs: most SMEs agree with the sensitive principle (paragraph 16).</p> <p>Banks: most banks agree with the sensitive information principle (paragraph 16).</p> <p>Large Undertakings: most large undertakings agree with the sensitive information principle (paragraph 16).</p> <p>Frequency of reporting/ timing and location of report</p> <p>SMEs: demand for flexibility (not yearly): i) update information when change occurred; ii) be able to report with longer terms, at their own discretion.</p> <p>Banks: Most agree with current proposed frequency of reporting.</p> <p>Large undertakings: Most respondents agreed with current proposed frequency of reporting.</p>	<p>Sensitive information</p> <p>EFRAG secretariat proposed no change, and SRB did not request for any.</p> <p>Frequency of reporting/ timing and location of report</p> <p>EFRAG Secretariat proposed no changes, and SRB did not request for any.</p> <p>Inclusion of subsidiaries in the reported data</p> <p>ERFRAG Secretariat proposed no changes, and SRB did not request for any.</p>	<p>borrower of a bank, the bank may require on a bilateral basis specific information from the subsidiary (i.e. under VSME).”</p> <p>Timing and location of sustainability report: All banking associations agree with the fact that SMEs have to report on an annual basis mentioning that for those disclosure that did not change from the previous year, SMEs can refer to the information provided for the previous year. In addition, one national banking association (one national banking association) suggests that it must be clear that in the case the report is not updated, that information has not changed.</p> <p>Classified and sensitive information and information on intellectual property, know-how or results of innovation: Agreement to delete points a + b of paragraph 17 and introduce in paragraph 23 a specification of whether the company adheres to all requirements of the Modules or whether it omits certain information because it is deemed confidential (explicitly). One national banking association (one national banking association) suggested also specify within this disclosure the datapoints that are not applicable for the undertaking. On this last point, EFRAG Secretariat explained that such explanation is already present in the standard in paragraph 20.</p>		<p>It was agreed to move out a series of paragraphs on “comparative information” and the “if applicable principle” out of the basic module and into the general principles of the standard. This was done to ensure that both the “if applicable concept” and the paragraph on “comparative information” apply on both modules, and not solely for the basic module.</p> <p>Additionally, SR TEG members agreed to have in the “timing and location of the sustainability report” paragraph, that if the report is to be prepared based on the demand of users, it shall then be prepared on an annual basis. Additionally, following SR TEG agreement, it has been clarified that if no datapoint changes have occurred from one year to another, the preparer shall report this and refer to the previous year’s information.</p> <p>Additionally, SR TEG members also agreed with the additional sentence that states that the primary function of the report is to inform business counterparties.</p> <p>On the inclusion of subsidiaries in the reported data, following SR TEG agreement, a paragraph has been added in order to clarify that subsidiaries are exempted from reporting in case the parent undertaking has prepared a sustainability report including information on its subsidiaries.</p> <p>With regards to omissions due to classified information, SR TEG members agreed to delete the two clauses that determine whether a datapoint is actually classified/ sensitive in order to ensure more flexibility. The paragraph has been updated as such.</p>
Basic Module						
B 1 – Basis for preparation	<p>B 1 – Basis for preparation</p> <p>24. The undertaking shall disclose:</p> <p>(a) which of the following options it has selected in the preparation of its sustainability report using this [draft] Standard:</p> <p>i. OPTION A: Basic Module (only);</p> <p>ii. OPTION B: Basic Module and Comprehensive Module;</p> <p>iii. Option B: Basic Module and Narrative-PAT Module;</p> <p>iv. [OPTION C: Basic Module, Comprehensive Module and Link to simplified EU Taxonomy.]</p> <p>v. OPTION C: Basic Module and Business Partners Module; or</p> <p>vi. OPTION D: Basic Module, Narrative-PAT Module and Business Partner Module;</p> <p>(b) if the undertaking has omitted a disclosure, as it is deemed confidential (see paragraph 19), the undertaking shall indicate the disclosures that have been omitted.</p> <p>(c) whether the sustainability report has been prepared on an individual basis (i.e., the report is limited only to the information of the undertaking) or on a consolidated basis (i.e., the report includes information of the undertaking and its subsidiaries);</p> <p>(d) the list of the subsidiaries, including their registered address¹ covered in the consolidated sustainability report; and</p> <p>(e) the following information:</p> <p>i. undertaking’s legal form;</p> <p>ii. NACE Sector classification code(s);</p> <p>iii. size of balance sheet (in euros);</p> <p>iv. turnover (in euros);</p> <p>v. number of employees in full time equivalents (FTEs) or headcount;</p> <p>vi. country of primary operations and location of significant asset(s); and</p> <p>vii. geolocation of sites owned, leased or managed.</p> <p>25. The undertaking shall disclose the key elements of its business model and strategy, 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 undertaking operates in (such as B2B, wholesale, retail, countries);</p> <p>(c) a description of main business relationships (such as key suppliers, customers distribution channels and consumers); and</p> <p>(d) if the strategy has key elements that relate to or affect sustainability matters, a brief description of those key elements.</p> <p>26. If the undertaking has obtained an ESG certificate or label, it shall provide a brief description of those (such as certificate or label issuers, date, rating score).</p>	<p>Preparers: Feasible and straight forward for most.</p> <p>Banks: essential for most. Suggestion to add NACE sector classification code, size of balance sheet, turnover and FTE employees, country of primary operations (One European banking association) + location(s) of significant assets + ESG labels or certificates if any.</p> <p>Large undertakings: Essential for most. Suggest adding the following points: the company’s sector(s), turnover (range) and location(s).</p> <p>For geolocation see comments under B5 and C4.</p>	<p>17 July - SRB</p> <p>Based on EFRAG Secretariat’s proposal SRB agreed to add:</p> <p>Add in B1 (in addition to N1 merge):</p> <ol style="list-style-type: none"> NACE sector classification code Size of balance sheet Turnover Country of primary operations + location(s) of significant assets ESG labels or certificates if any. <p>+ Decision to add former N1 within this disclosure (SRB level) – see General Structure and Architecture row.</p>	<p>Banks associations request that NACE Sector/s classification codes as requested under paragraph 23 (d) (iv) for the undertaking in general and not per site.</p> <p>Discussion concerning the term “site” or “local unit”. Ultimately, agreement with the use of the wording “site”.</p> <p>In addition: suggestion to include “all sites” (not only strategic ones). Suggestion by two national banking associations to add “turnover by site” for those sites that add up to 80% of total turnover (for example 4 sites that generate 20% of turnover each) to determine significance. Not supported by other banking associations that considered this proposal and the notion of “Strategic sites” too difficult.</p> <p>On geolocation, two national banking suggested including also the altitude as a third coordinate.</p>	N/A	<p>12 September – SR TEG:</p> <p>SR TEG requested to add the following metrics:</p> <ol style="list-style-type: none"> undertaking’s legal form, number of employees in full time equivalents (FTEs) or headcount, geolocation of sites owned, leased or managed. Geolocation was discussed thoroughly and request to be discussed with banks. Geolocation was decided to be moved to B1 as it was required for both B5 and C4. SR TEG members agreed with including this datapoint in B1 specifying that it covers environmental risks (physical climate risk, water stress, biodiversity). <p>10 October – SR TEG:</p> <p>Agreement at SR TEG with the formulation of paragraph 24(b), on the reporting of omissions due to confidentiality reasons.</p> <p>22 October – SR TEG</p> <p>Approved by SR TEG</p>
B 2 – Practices for transitioning towards a more sustainable economy	<p>B 2 – Practices, policies and future initiatives for transitioning towards a more sustainable economy</p> <p>27. When the undertaking has in place specific practices, policies or future initiatives for transitioning towards a more sustainable economy, it shall briefly describe them. Such practices, policies and future initiatives include what the undertaking does to reduce its negative impacts and to enhance its positive impacts on people and on the environment, in order to contribute to a more</p>	<p>SMEs: feasible for most. Suggestion to include philanthropic activities within B2 by a European SME association. Additional suggestion (association of cooperatives) to include:</p> <ol style="list-style-type: none"> the effective participation of workers, users, communities, or other interested parties in the governance; “The financial investment in the capital or assets of social economy (EU 	<p>17 July - SRB: following the 10 July SRB decision to integrate N3 and N5 into B2, SRB Asked EFRAG Secretariat to reformulate B2 accordingly and based on the proposal it made at SRB:</p> <p>EFRAG Secretariat proposal agreed by SRB:</p> <p>Add in the BASIC content:</p>	<p>All banking associations agreed with the template in the guidance (they found it very user friendly) and with the new disclosure.</p>	<p>Integration of former N3 and N5 into B2 (Practices, policies and future initiatives for transitioning towards a more sustainable economy) appreciated and welcomed by SME associations. The table in the guidance has been especially appreciated.</p>	<p>12 September – SR TEG: SR TEG agreed with the reformulation of B2 (including the table in the guidance) drafted by EFRAG Secretariat over the summer that now integrates former N3 and N5 (Narrative-PAT module).</p> <p>During this SR TEG, it was also decided to use “sustainability issues” throughout the standard instead of “sustainability material matters”.</p> <p>10 October – SR TEG:</p>

³ For example: legal requirement to disclose specific information; already voluntarily disclosing specific information through an Environmental Management System, etc.

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	<p>sustainable economy. Appendix B provides a list of possible sustainability issues.</p> <p>28. When the undertaking has practices, formal sustainability policies, future initiatives and targets in place, it shall describe:</p> <p>(a) practices. Practices in this context may include, for instance, efforts to reduce the undertaking's water and electricity consumption, to reduce GHG emissions or to prevent pollution, and initiatives to improve product safety; current initiatives to improve working conditions and equal treatment in the workplace, sustainability training for the undertaking's workforce, partnerships related to sustainability projects; This disclosure does not apply when the undertaking prepares its sustainability report using the Narrative-PAT-Module.</p> <p>(b) formal policies on sustainability issues (and if they are publicly available) as well as any separate environmental, social or governance policy for addressing sustainability issues;</p> <p>(c) any future initiatives or forward-looking plans that are being implemented on sustainability issues; and</p> <p>(d) targets to monitor the implementation of the policy and the progress achieved.</p> <p>29. When there are policies in place or future initiatives being implemented, the undertaking may indicate who is responsible for monitoring those in the governance body.</p> <p>30. The undertaking can use the template in paragraph 79 to report these disclosures.</p>	<p>Council Recommendation 29/09/2023); 3) any limits to the distribution of profits connected to the mutualistic nature or to the nature of the activities consisting in services of general economic interest (SGEI)".</p> <p>Banks: essential for most. Suggestion to add policies implemented or future policies and any emission reduction or energy efficiency initiatives. Suggestion to include procurement ESG policies in supplier selection; % of employees that received ESG training over the last 3 years & number of "ESG" employees. A European Banking assoc.: • whether a formal sustainability policy on ESG issues (and if it is publicly available) as well as any separate ESG policy for addressing material risks and opportunities • Any future initiatives or forward-looking plans the company has identified that are relevant to implement • Initiatives to reduce emissions or measures to improve energy efficiency. Proposed rewording to allow PAT information on ESG: "The undertaking may briefly describe specific practices (i.e. PAT) for transitioning towards a more sustainable economy where applicable". Such practices include actions to reduce its negative impacts, risks and to enhance its positive impacts linked with all ESG matters included in VSME (non-exhaustive list: climate change, climate mitigation, biodiversity, water, resource use, pollution, any policies regarding its workforce).</p> <p>Large undertakings: Essential for most. However, disclosure requires more clarity on "practices for transitioning". Additional indicative elements to be introduced in the guidance.</p>	<p>• if there is a formal sustainability policy on ESG issues (and if it is publicly available) as well as any separate environmental, social or governance policy for addressing material risks and opportunities • any future initiatives or forward-looking plans the company has identified that are relevant to implement • Any initiatives to either reduce emissions or measures to improve energy efficiency.</p> <p>18 July - SRT Additionally, SR TEG agreed to Insert in B2 EFRAG Secretariat's proposed following change: Include in the dropdown menu supporting disclosure of policies-actions-targets in basic module whether the undertaking has implemented a charter etc.</p> <p>This disclosure, through its focus on sustainability issues (AR 16), now also covers former B11-Workers in the Value Chain – VSME ED) – Following SR TEG agreement.</p> <p>In relation to B2 and the integration of N5, SR TEG members asked the Secretariat to insert in B2 .</p>			<p>All SR TEG members agree with the changes of the EFRAG Secretariat.</p> <p>22 October – SR TEG Approved by SR TEG</p>																																
<p>B 3 – Energy and greenhouse gas emissions</p> <p>31. The undertaking shall disclose its total energy consumption in MWh, with a breakdown as per the table below, if available:</p> <p>(a) fossil fuels; and</p> <p>(b) electricity as reflected in utility billings, along with a breakdown between renewable and non-renewable sources if available.</p> <table border="1" data-bbox="318 1325 857 1620"> <thead> <tr> <th></th> <th>Renewable</th> <th>Non-renewable</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Electricity (as reflected in utility billings)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Fuels</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Total</td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>32. The undertaking shall disclose its estimated gross greenhouse gas (GHG) emissions in tons of CO₂ equivalent (tCO₂eq) considering the content of the GHG Protocol Corporate Standard, including:</p> <p>(a) the Scope 1 GHG emissions in tCO₂eq (from owned or controlled sources); and</p> <p>(b) the location-based Scope 2 emissions in tCO₂eq (i.e., emissions from the generation of purchased energy, such as electricity, heat, steam or cooling).</p> <p>33. The undertaking shall disclose its GHG intensity calculated by dividing gross greenhouse gas (GHG) emissions' disclosed under paragraph 32 by 'turnover (in Euros)' disclosed under paragraph 24 (e) (iv).⁴</p> <p>² In the online tool version of VSME, this will be automatically calculated.</p>		Renewable	Non-renewable	Total	Electricity (as reflected in utility billings)				Fuels				Total				<p>B 3 – Energy and greenhouse gas emissions</p> <p>31. 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Suggestion to add an online calculation tool. 1 European SME association suggests adding building energy performance certificate and/or vehicle emission standard. + Suggestion to measure energy in Joules. Field test: participants found this disclosure highly challenging.</p> <p>Banks: Essential for all. Suggestion from 1 European banking association to reformulate as following: i) §24 "Total consumption of energy from fossil sources (for electricity consider consumption indicated in utility bills for the part from non-renewable sources i.e. without guarantee of origin); ii) Total consumption of energy considered from renewable sources (for electricity consider consumption indicated in utility bills for the part from renewable sources i.e. with certificate of origin)". ii) building energy performance certificates - pillar 3.</p> <p>Large undertakings: essential for most. suggestion to allow SMEs to make use of average estimates. Additionally, more guidance/ tools/ examples should be provided within the standard.</p>	<p>18 July – SR TEG: SR TEG agreed on the proposal of EFRAG Secretariat to:</p> <p>Clarify in §25(b) (VSME ED) that it could be "electricity, steam or heat" (proper definition from the GHGP).</p> <p>Add guidance on shared facilities + GHG protocol.</p> <p>Add, where activities relate to energy production, the amount of energy production (split between renewable and non-renewable) -(if applicable) module.</p> <p>Add: "Total consumption of energy from fossil sources (for electricity consider indication in utility bills for part from non-renewable sources i.e. without guarantee of origin); ii) Total consumption of energy considered from renewable sources (i.e. with certificate of origin)" – module OR report Total energy consumption + % renewable (but considering banks' calculation guidance)," but remove external links.</p> <p>Add building energy performance certificates if available (CORE, renamed Comprehensive module to be discussed, instead of BP5(e) in VSME ED (simplification)).</p> <p>To be done after VSME approval: provide support for the implementation of online calculators and input databases for inputs of GHG at a member state level.</p>	<p>All agreed that GHG intensity must be kept. Agreement with the formulation in 33 by EFRAG Secretariat.</p> <p>All agreed that building energy certificates paragraph should be deleted on the basis that it is only needed for those buildings used as collateral for a loan that are requested bilaterally in the mortgage files.</p> <p>All banking associations agree with the table proposed under paragraph 30. However, 1 national banking association suggested to specify in the guidance/make more explicit in the table of par. 30 what renewable fuels are exactly covered (geothermal, biofuels...).</p>	<p>SME representatives reiterated the difficulty for SMEs to know their electricity mix as providers not always give this information, they asked to reinstate information related to electricity "as reflected in utility bills" or add the word estimated (of renewable/ non-renewable mix).</p>	<p>19 September – SR TEG:</p> <p>"if available" to be reintroduced – paragraph 30.</p> <p>The reformulation into table format was accepted by SR TEG members.</p> <p>GHG intensity to stay, as it is requested by banks. EFRAG Secretariat can include a footnote saying that "In the online version of VSME, this will be automatically calculated." This is because both numerator (GHG emissions) and denominator (turnover) are already required in VSME– See advanced/AFI module row.</p> <p>Delete paragraph 32 – building energy efficiency datapoint (based on the result of the workshops), due to the banks not requiring it, it was removed from the standard. This datapoint on building efficiency was previously added as requested by banks in public consultation in the former BP5.</p> <p>22 October – SR TEG Approved by SR TEG</p>
	Renewable	Non-renewable	Total																																			
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<p>B 4 – Pollution of air, water and soil</p> <p>34. When the undertaking is already required by law or other national regulations to report to competent authorities its pollutants emissions, or when it already voluntarily reports on them according to an Environmental Management System, it shall disclose the pollutants (with the respective amounts) it emits to air, water and soil in its own operations. If this information is already publicly available, the undertaking may alternatively refer to the document where it is reported, for example, by providing the relevant URL link or embedding a hyperlink.</p>	<p>B 4 – Pollution of air, water and soil</p> <p>34. When the undertaking is already required by law or other national regulations to report to competent authorities its pollutants emissions, or when it already voluntarily reports on them according to an Environmental Management System, it shall disclose the pollutants (with the respective amounts) it emits to air, water and soil in its own operations. If this information is already publicly available, the undertaking may alternatively refer to the document where it is reported, for example, by providing the relevant URL link or embedding a hyperlink.</p>	<p>SMEs: Split views on difficulty, slight majority finds it feasible. Request to add the list of all pollutants (note that a very low number of SMEs use EMAS).Field test: participants asked to ensure that double reporting is avoided for those that already report on EMAS or ISO etc.</p> <p>European or national organizations (SMEs): suggestion to make the second part of the requirement in paragraph 26 ("or that it already reports according to an Environmental Management System such as Eco-Management and Audit Scheme (EMAS)") a "may" disclosure.</p> <p>Banks: Essential for most. Suggestion to first require disclosure on whether SMEs already report this data (according to law, EMAS, etc.), and</p>	<p>18 July – SR TEG: SR TEG agreed on the proposal of EFRAG Secretariat to not include a full list of pollutants but only the most frequent pollutants based on EU law. + Make explicit that this will be typically required from certain types of SMEs (typically not including service/ office-based businesses).</p> <p>Add a list of only main pollutants to water (Total solids, COD, BOD, N, P and heavy metals), air (PM10, SOx, NOx, etc) and soil (spills), as well when they may occur (i.e., in what SMEs activities).</p> <p>Clarify "or that it already voluntarily reports according to an Environmental Management System such as Eco-Management and Audit Scheme (EMAS)". + Remove reference to EMAS in disclosure.</p>	<p>N/A</p>	<p>N/A</p>	<p>19 September – SR TEG:</p> <p>There was an in-depth discussion at SR TEG on whether to include reference to EMAS within this disclosure and/or guidance, with one SR TEG member arguing that EMAS is too complex for SMEs and that EMAS is only used a handful of SMEs, and it should therefore not be referenced. Another SR TEG member highlighted how in reality, a large number of EMAS certified undertakings are SMEs.</p> <p>SR TEG Chair proposed to move EMAS reference to guidance and within the guidance, also mention ISO (not to be narrowed down exclusively to EMAS).</p> <p>Combine paragraphs 34 and 35 (revert to requirement of VSME ED). Remove reference to directives from main text, keep it only in the guidance.</p> <p>10 October – SR TEG:</p>																																

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		<p>only if the answer is positive will the undertaking be required to disclose the metrics. Suggestion to require only indicate measures of company emissions relating to environmental pollution other than climate-altering gases (not for micro).</p> <p>Large undertakings: Essential for most. Suggestion to provide the full list of pollutants.</p>	<p>Require reporting on the disclosure only whether SMEs already report this data (according to law, EMAS, etc.).</p>			<p>All SR TEG members agree with the changes of the EFRAG Secretariat.</p> <p>22 October – SR TEG Approved by SR TEG</p>
<p>B 5 – Biodiversity</p>	<p>B 5 – Biodiversity</p> <p>35. The undertaking shall disclose, if applicable, metrics related to its impacts on biodiversity, ecosystems and land use as requested in the following paragraphs:</p> <p>35. The undertaking shall disclose the number and area (in hectares) of sites that it owns, has leased, or manages in or near a biodiversity sensitive area.</p> <p>36. The undertaking may disclose metrics related to land-use:</p> <p>(a) total use of land (in hectares);</p> <p>(b) total sealed area;</p> <p>(c) total nature-oriented area on-site; and</p> <p>(d) total nature-oriented area off-site.</p>	<p>SMEs: Perceived as feasible by overall preparers. Difficult for medium sized SMEs, much less for micro and small SMEs. This may be because B5 may not be applicable for many smaller preparers. Overall request to increase clarity on guidance. Request to better define the term "near". One national SME association suggests replacing it with geolocation (postcode).</p> <p>Banks: essential for most. However, a European Banking association suggests limiting B5 to: i) Percentage of land owned, leased and/or managed within legally protected and internationally recognized areas (...); ii) Percentage of marine area owned, leased and/or managed within legally protected or internationally recognized (One European banking association) + Define "near".</p> <p>Field test: Banks/investors indicated a preference for the SME disclosing the geolocation coordinates of their operations. This information would allow banks/investors to perform their own analysis and ensure solid data via their IT systems.</p> <p>Large undertakings: Essential for majority. Suggestion to clarify the concept of "near". Provide additional guidance.</p>	<p>18 July – SR TEG:</p> <p>SR TEG agreed on the proposal of EFRAG Secretariat to:</p> <p>Include definition of 'near' in the guidance.</p> <p>Provide more guidance, exclude references to EMAS.</p> <p>+</p> <p>SR TEG asked EFRAG Secretariat to draft a proposal on geolocation to be discussed with SR TEG in September. This could be an additional datapoint that could be potentially added to the advanced module.</p> <p>To be done after VSME: Support by EFRAG to member states to improve multilingualism aspect on external tools.</p>	<p>N/A</p>	<p>Request to delete paragraph 27 of the VSME ED (introductory to the disclosure) as no datapoints are required from this paragraph.</p>	<p>19 September (SR TEG):</p> <p>Fine tune the guidance by summarising directly EMAS' text. Delete paragraph 36 (introductory paragraph). Specify units of area in paragraph 38(a) (hectares). The request from the public consultation to add geolocation, has now been addressed in B1 following the draft presented by EFRAG Secretariat. (see B1 row).</p> <p>22 October (SR TEG):</p> <p>SR TEG agreed to leave to leave the remaining text of the disclosure unchanged from the VSME ED (except the first paragraph).</p> <p>Approved by SR TEG</p>
<p>B6 - Water</p>	<p>B6 - Water</p> <p>37. The undertaking shall disclose its total water withdrawal, i.e., the amount of water drawn into the boundaries of the organisation (or facility); in addition, the undertaking shall separately present the amount of water withdrawn at sites located in areas of high water - stress.</p> <p>38. If applicable, the undertaking shall disclose its water consumption, calculated as the difference between its water withdrawal and water discharge from its production processes.</p>	<p>SMEs: Perceived as feasible by overall preparers. More difficult for medium sized SMEs, rather than for micro and small SMEs. This may be because B6 may not be applicable for many smaller preparers. Overall request to increase clarity on terms and definitions (withdrawal, consumption, collected rainwater). One national SME association suggests water stress to be determined via online map automatically and consider the disclosure to apply only for certain sectors (agriculture). Additional issue brought up by the determining of water usage for shared working spaces/ facilities.</p> <p>Banks: Essential for most. Request to replace current metrics (water withdrawal, including from highwater stress areas; water consumption, if applicable) with the indicator of water intensity on all (1 European banking association). Request to develop (or include a link to) a tool with disclosure thresholds for water consumption in m3), which, if surpassed, triggers reporting. Additionally, a European banking association suggests limiting B6 to: Annual average amount of water consumed by businesses (in cubic meters) per million EUR of business revenue.</p> <p>Large Undertakings: Essential for most. However, datapoint only relevant for certain sectors. Difficulty in determining whether a company is located in a site of water stress. Provide additional guidance/ tools/ examples.</p>	<p>18 July – SR TEG:</p> <p>SR TEG agreed on EFRAG Secretariat' proposal to:</p> <p>Provide additional guidance (simple calculation methods when using shared offices/co-working facilities; WRI).</p> <p>Water consumption guidance: simplifications and clarification of water consumption vs withdrawal applicability [terminological differences (e.g., withdrawal, consumption) are already explained in the guidance].</p> <p>Provide a scheme to use water utility bills to determine consumption. Introduce new datapoints + address language barrier in external tool references.</p>	<p>All bank association representatives who participate in this discussion stated that the metric on water intensity proposed in the public consultation and added in July as an additional (AFI) datapoint (see advanced/AFI row), is not needed and thus should be deleted</p>	<p>Confirmation to SME representatives that water intensity will be removed as indicated during workshop with banks.</p>	<p>19 September – SR TEG: Agreement with changes made following SR TEG in July.</p> <p>With regards to the additional water intensity initially proposed by banks during the public consultation. This datapoint was later deemed as not relevant by banks (during the banks workshop). Based on this, EFRAG Secretariat proposed to delete the water intensity datapoint entirely. SR TEG agreed to remove this datapoint (water intensity). (See Advanced/ AFI module row).</p> <p>22 October (SR TEG):</p> <p>SR TEG agreed to leave the text of this disclosure unchanged.</p> <p>Approved by SR TEG</p>
<p>B7 – Resource use, circular economy and waste management</p>	<p>B7 – Resource use, circular economy and waste management</p> <p>(a) The undertaking shall disclose how it manages resource use, its waste management practices and whether and if yes how it applies circular economy principles.</p> <p>(b) The undertaking shall include disclose.</p> <p>(c) the total annual generation of waste in units of weight (preferably) or volume broken down by type (non-hazardous and hazardous);</p> <p>(d) the total annual waste diverted to recycling or reuse expressed in units of weight (e.g., kg or tonnes);</p> <p>(e) if the undertaking operates manufacturing, construction and/or packaging processes: the recycled content in the products (goods and materials) and their packaging produced by the undertaking; in a sector using significant material flows (for example manufacturing, construction, packaging or others), the annual mass-flow of relevant materials used.</p> <p>(f) if the undertaking operates manufacturing, construction and/or packaging processes: rates of recyclable content in the products and their packaging produced by the undertaking;</p>	<p>SMEs: Small majority finds the disclosure as feasible. Suggestion to replace this disclosure with a drop-down menu, to clarify that it is not applicable to distributors and to clarify hazardous waste. This would simplify disclosure metric calculation difficulty.</p> <p>Banks: essential for most. Split views. Suggestion to change from "shall" to "may" in paragraph 33d – VSME ED (1 national banking association). Many respondents stated that the data is already being collected. Provide additional guidance. Another European Banking association proposes to change B7 to: "The undertaking shall disclose how it manages resource use, its waste management practices and whether it applies circular economy principles. The disclosure may include: [...] (d) the total annual waste diverted to recycling or reuse expressed in units of weight (e.g., kg or tons)".</p> <p>Large undertakings: essential for most. Clarifications to be introduced in the guidance.</p>	<p>17 July - SRB: Following EFRAG Secretariat's proposal, SRB decided to move radioactive waste to the Advanced module, SR TEG Agreed (18 July).</p> <p>18 July - SR TEG: agreement with simplifying according to EMAS (paragraph 33 a & b), however, one SR TEG member also pointed out that concerning the recycled content to be reported, this is feasible for an undertaking that produces its own products (plastic recycling), but it is not feasible to obtain this information for companies that use imported plastics (etc.). Suggestion to provide a better definition of hazardous waste in the guidance plus the need of providing concrete examples. Confirmed SRB orientation to move radioactive waste (former BP6) into the advanced module as it concerns a very limited number of businesses; rejected the request of some stakeholders to move this datapoint to Basic module in B7.</p>	<p>N/A</p>	<p>For paragraph 42(b) – (waste diverted to recycling or reuse), the issue for the construction sector was reiterated from the SR TEG discussion held on 19 September.</p> <p>SME representatives agreed with the possibility of integrating a "not known" clause for this paragraph. They stated that it would be good to find a way in which the SME can provide the data without burden, but this may be difficult to implement/ force disposal contractors to disclose, thus making this "not known" clause more feasible than other alternatives the SME representatives could think of.</p> <p>- SME representatives members stated that the draft lacked clarity on what 'reuse' (paragraph 42(b)) meant.</p> <p>- Another SME representatives member expressed that other Circular Economy (CE) practices, such as "repair", "refurbish" etc. should be included to address specific sector needs, such as for the textile and dry-cleaning sectors that focus on circularity-based services.</p>	<p>19 September – SR TEG:</p> <p>Following the public consultation and the SR TEG of 18 July, EFRAG Secretariat redrafted the disclosure in accordance with the simplifications proposed in July.</p> <p>In this simplification that took place over the summer, EFRAG secretariat proposed the following:</p> <ul style="list-style-type: none"> - Deletion of former paragraph 32 (VSME ED) (introductory paragraph) - Reformulation of paragraph 33 (VSME ED), into 3 sub-paragraphs. <p>During SR TEG a rather in-depth discussion took place for the formulation and metrics of this disclosure (current paragraph 40).</p> <p>40(a): The proposal for paragraph 40 (a) (hazardous/ non-hazardous waste), was deemed as OK.</p> <p>40(b): SR TEG members were more hesitant with the Secretariat's proposal and asked to verify whether this formulation was needed.</p> <p>42.c (mass flows): Following the discussion at SR TEG, the members also asked EFRAG secretariat to check the usefulness with users to understand whether the datapoint was worth deleting.</p> <p>10 October – SR TEG:</p> <p>Following the previous SR TEG, it was deemed that this disclosure was important, however, EFRAG Secretariat proposed a reformulation of this disclosure. It reintroduced the introductory paragraph on circular economy principles that had previously been deleted in the version drafted after July's SR</p>

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						<p>TEG (paragraph 32 VSME ED), current para. 39. A discussion was held at SR TEG, on the need to have this narrative paragraph at the start of the disclosure. The reasoning behind it was to allow SMEs to provide additional information on circularity principles.</p> <p>In the end, SR TEG Chair suggested to keep only one point of paragraph 39 (in comparison to the ED): "The undertaking shall disclose, whether and if yes how, it applies circular economy principle". SR TEG members approved the reformulation of points (a).</p> <p>On mass flows (already discussed on 19 September), (Paragraph 40(c)), an extended discussion was held at SR TEG, during which certain SR TEG members asked to include a reference to sectors using significant mass flows within the scope of this sub-paragraph. Moreover, the word "other" was included in addition to the manufacturing, construction and packaging sectors already present in the ED. An emphasis on significant material flows was also placed. SR TEG members agreed on the final reformulation. Further guidance on mass-flow was added. SR TEG members agreed with the reformulation of point (c) as well.</p> <p>Radioactive waste (former AFI 3 – See AFI row in this table, currently part of B7):</p> <p>SR TEG members agreed to make radioactive waste ratio explicit in the guidance under B7.</p> <p>This datapoint was previously part of BP6 (see row on BP6), however, at SR TEG it was agreed to move it to hazardous and non-hazardous waste (radioactive waste addressed in the guidance) within B7. This was also due to the fact that it was not possible to include this datapoint under the AFI module as the module was withdrawn.</p> <p>22 October – SR TEG Approved by SR TEG</p>
<p>B8 – Workforce – General characteristics</p> <p>39. The undertaking shall disclose the number of employees in headcount or full-time equivalent for the following metrics:</p> <p>(a) type of employment contract (temporary or permanent);</p> <p>(b) gender; and</p> <p>(c) country of the employment contract, if the undertaking operates in more than one country.</p> <p>40. The undertaking shall disclose the employee turnover rate over the reporting period for undertakings that employ at least 50 employees.</p>	<p>B8 – Workforce – General characteristics</p> <p>39. The undertaking shall disclose the number of employees in headcount or full-time equivalent for the following metrics:</p> <p>(a) type of employment contract (temporary or permanent);</p> <p>(b) gender; and</p> <p>(c) country of the employment contract, if the undertaking operates in more than one country.</p> <p>40. The undertaking shall disclose the employee turnover rate over the reporting period for undertakings that employ at least 50 employees.</p>	<p>SMEs: Overall perceived as feasible by most respondents. Suggestion to clarify requirements for self-employed and agency workers, as well as for cross-border placements of employees, and interns. Some requested to clarify the country breakdown.</p> <p>Banks: Essential for most. Suggestion to add additional datapoints by banks: 1) percentage of non-employee personnel (work-supply contracts) on the total number of employees 2) percentage of female staff in managerial roles by one financial institution, 3) staff turnover.</p> <p>Additionally, one European Association proposed to disclose</p> <ul style="list-style-type: none"> - Staff with other types of contracts (contracted and other) - Staff in managerial roles - Number of employees promoted by gender - Number of deceased employees. <p>Moreover, there should be clarification if the employee statistics refer to the year average or point in time (European banking association).</p> <p>Large undertakings: essential for most. It was requested to specify whether paragraph 34 c) refers to employees and clarification on how to proceed in the case of cross-border employees.</p>	<p>18 July – SR TEG: During SR TEG in July, two additional proposals made by EFRAG Secretariat, as a result of the public consultation were discussed.</p> <ul style="list-style-type: none"> - Non-employees (NACE code N78): Split views on the EFRAG Secretariat proposal to add a datapoint on non-employees. One SR TEG member suggested having headcount before FTE (editorial). Considered as a red flag by another member, unless limited to agency workers. Another member suggested to require this datapoint for industries of specific sectors (agriculture and constructions). Secretariat to research and further discuss during sept workshop with banks. - Female to male ratio at management level: Seen as a red flag by an SR member stating that this does not work for family-run companies - not adapted to the reality of SMEs. Ok to have it in the advanced/ AFI module with 50 people thresholds. <p>In addition to these two main points of discussion, SR TEG, based on EFRAG Secretariat's proposal, agreed on the following:</p> <p>Agreement with SR TEG proposal to ass a clarification to be added for country breakdown (contracts).</p> <p>Agreement with EFRAG Secretariat proposal to add an additional datapoint on staff turnover.</p>	<p>Concerning non-employees the majority of banking associations (except one national) agreed that paragraph can be deleted. Suggestion to introduce in the basis for conclusions the fact that information concerning non-employees could be asked bilaterally at a national level (i.e. Italy).</p> <p>Concerning staff turnover, majority banking associations (except 2) support keeping it.</p> <p>Agreement by all banking associations to delete the disclosure on disabilities (former additional datapoint from AFI module). EFRAG Secretariat to add in the basis for conclusions a sentence explaining that such disclosure could be requested bilaterally at a national level (i.e. Italy).</p> <p>Concerning the female to male ratio at management level, agreement to keep it. And move this datapoint to either the Basic Module under B8 or Comprehensive Module.</p>	<p>On paragraph 44 (employee turnover rate), all SME representatives were against this datapoint stating that they did not understand how it was linked to sustainability.</p> <p>An SME representatives highlighted how this rate may penalise micro and small SMEs, by leading them to have a high turnover rate.</p> <p>The SME representatives questioned the use of "non-employees" and would rather prefer the use of the term "temporary agency workers".</p>	<p>26 September – SR TEG:</p> <p>SR TEG members agreed with the formulation of the employee turnover datapoint agreed upon in July, however they requested to add a threshold of 50 employee.</p> <p>During this SR TEG meeting, the members agreed to move the datapoint on non-employees to the comprehensive module.</p> <p>The female to male ratio was agreed upon on 18 July for Advanced/ AFI module. During this SR TEG meeting it was agreed move it to the Comprehensive module along with a finetuning of the definition of management. Hence further SR TEG discussions on this disclosure can be found in row "C5"</p> <p>10 October – SR TEG:</p> <p>Following the changes made after the SR TEG of 26 September, SR TEG members agreed with the formulation of this disclosure.</p> <p>22 October – SR TEG Approved by SR TEG</p>
<p>B 9 – Workforce – Health and safety</p> <p>41. The undertaking shall disclose the following information regarding its employees:</p> <p>(a) the number and rate of recordable work-related accident; and</p> <p>(b) the number of fatalities as a result of work-related injuries and work-related ill health.</p>	<p>B 9 – Workforce – Health and safety</p> <p>41. The undertaking shall disclose the following information regarding its employees:</p> <p>(a) the number and rate of recordable work-related accident; and</p> <p>(b) the number of fatalities as a result of work-related injuries and work-related ill health.</p>	<p>SMEs: Overall, most public consultation respondents found the disclosure feasible. Several requests to have a clear definition of what a work accident entails. Data should be made comparable between sectors. Some respondents proposed to add non-employees (i.e., self-employed and agency workers) given that they are critical members of the workforce for SMEs.</p> <p>Banks: Essential for most respondents. One national banking association suggested to add: i) Number of days lost due to injuries, accidents, fatal accidents or professional diseases, ii) Number of cases related to discrimination (e.g. sexual and non-sexual harassment, discrimination on the basis of gender, racial or ethnic origin, nationality, religion or belief, disability, age or sexual orientation) with sanctions or definitive measures (i.e., not ongoing lawsuits but definitive measures), iii) Compulsorily employed staff (for protected categories).</p> <p>Large undertakings: essential for most respondents. Necessity to clarify which cases of accidents at work are considered. Suggestion that only fatalities defined by law should be included.</p>	<p>18 July – SR TEG: On B9, SR TEG agreed with the following proposal of EFRAG Secretariat:</p> <ul style="list-style-type: none"> - B9 is an SFDR datapoint on health and safety that's considered as feasible. Propose to wait with using the new proposed SFDR formula until adopted by the EC to be consistent with set 1. – SR TEG Agreement with secretariat proposal – no action - "To discuss with SR TEG the proposal of a single national banking association. Secretariat position: <ul style="list-style-type: none"> o i) Number of days lost due to injuries, accidents, fatal accidents or professional diseases: to reject it as Health and safety compulsory SFDR are already covered. – SR TEG decision: no action o ii) Number of cases related to discrimination with sanctions or definitive measures: to reject it as discrimination for policies and violations are already included in BP7, BP8 and BP9. – SR TEG decision: no action o iii) Compulsorily employed staff for protected categories: to have as datapoint in the ADVANCED/ AFI module (B8 additional breakdown of employees with disabilities)." – SR TEG Agreement with secretariat proposal - "In addition, consensus from different groups of stakeholders is being 	<p>N/A</p>	<p>SME representatives had a common position against the inclusion of commuting accidents as part of work-related accidents.</p>	<p>26 September – SR TEG:</p> <p>During this SR TEG meeting, the members decided to remove the newly added paragraph on health and safety for self-employed and agency workers. (this additional datapoint has been previously agreed upon on 18 July)</p> <p>Overall, no deviations from the VSME ED.</p> <p>22 October – SR TEG Approved by SR TEG</p>

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			<p>reached regarding the relevance of self-employed within SMEs. Secretariat is proposing to add a voluntary datapoint of accidents and fatalities of self-employed and agency workers." – SR TEG Agreement with secretariat proposal</p> <p>- Most of the respondents stated that commuting accidents are included as per the specific question conveyed in the public consultation. A definition of accidents will be included. – SR TEG Agreement with secretariat proposal.</p>			
<p>B10 – Workforce – Remuneration, collective bargaining and training</p>	<p>B10 – Workforce – Remuneration, collective bargaining and training</p> <p>42. The undertaking shall disclose:</p> <p>(a) whether the employees receive a pay that is equal or above applicable minimum wage for the country it reports on, determined directly by the national minimum wage law or through a collective bargaining agreement; when a significant proportion of employees are compensated based on wages subject to minimum wage rules, the relevant ratio of the entry level wage to the minimum wage;</p> <p>(b) the percentage gap in pay between its female and male employees. The undertaking may omit this disclosure when its headcount is below 150 employees, and this threshold will be reduced to 100 employees from 7 June 2031;</p> <p>(c) the percentage of employees covered by collective bargaining agreements; and</p> <p>(d) the average number of annual training hours per employee, broken down by gender, that are related to the development of skills and competences, whether acquired through formal or informal forms of capacity building.</p>	<p>SMEs: Overall feasible for majority. Request for further clarifications: how to apply wage baseline for entry level as this can be different for different categories of employees; also noted the need to clarify if it's adjusted vs unadjusted pay gap in the disclosure. Also noted that to tracking training may be complicated. Additional suggestion: add a point that commits the company to inform on "the possible existence of mechanisms for involving workers, users and the communities directly interested in the democratic governance of the company, as well as mechanisms for protecting the rights of stakeholders who are eligible to be admitted to the cooperative business".</p> <ul style="list-style-type: none"> Possible "social" b-10 linked disclosures could create legal problems for SMEs disclosing information on remuneration etc. <p>Field test:</p> <ul style="list-style-type: none"> Challenge to compare gender pay gap in small undertakings. Definitions of formal and informal training unclear. Clarification on minimum wage disclosures for countries without one. Clarification on parental leave and more guidance on FTE requested. Privacy concerns for micro and small SMEs on disclosing salaries. <p>Banks: essential for majority. Reformulate and add the following datapoints:</p> <ul style="list-style-type: none"> Pay gap (men's pay - women's pay/men's pay) by classification: executives, managers and employees, is structured training provided? Of which mandatory? Average number of training hours per employee and by gender Training on issues related to sustainability. <p>Field test: Split views: some participants highlighted that only training information should be reported, the other datapoints of this disclosure are not relevant as they are already covered by national laws. Others commented that monitoring annual trainings is irrelevant, while others stated that they were already collecting these metrics.</p> <p>Large undertakings: Essential for majority. One request to delete the disclosure on minimum wages (paragraph 36a). Other request for further clarifications.</p>	<p>18 July – SR TEG: On B10, SR TEG agreed with the following proposal of EFRAG Secretariat:</p> <p>"Adequate wages - Reformulation of the disclosure by substituting entry level wage with minimum wage or determined according to a collective bargaining agreement." – Agreement by SR TEG.</p> <p>"Pay gap – Given that the threshold is at 50 employees in some of the member states, Secretariat proposes to lower it to 100 employees based on the to reduce to 100 Pay Transparency Directive. To clarify that it is unadjusted pay gap." – Agreement by SR TEG, threshold included.</p> <p>Informal trainings removed following SR TEG discussion.</p> <p>SR TEG Rejected the following:</p> <p>Collective bargaining agreements- to add a voluntary contextual datapoint when there is a different concept of collective bargaining.</p>	<p>N/A</p>	<p>1. An SME representative asked to make paragraph 48 (c) (percentage of employees covered by collective bargaining agreements) an "if applicable" disclosure. The rationale is that for many specific SME sectors, there are not possible/ existing bargaining agreements.</p> <p>2. Additionally, SME representatives stated that the threshold for paragraph 48 (b), should be 150 employees and not 100 employees; based on the Pay Transparency Directive (threshold of 150 employees until 2031, and then 100 from 2031 onwards).</p>	<p>7 October – SR TEG:</p> <p>EFRAG Secretariat + SR TEG Chair stated that it is OK to add "above or equal" in par. 42 (a) – (adequate wages). – Formulation proposed by the Secretariat accepted by SR TEG members.</p> <p>Pay gap threshold: An in-depth discussion on the threshold to be placed for this disclosure was held. The two main views were to have it either at 100 or 150 employees. No final decision was taken, however, the threshold of 1100 employees was kept.</p> <p>10 October – SR TEG:</p> <p>During this SR TEG meeting, the discussion on the threshold continued and it was ultimately decided to rephrase B10's threshold following the Pay Transparency Directive as specified by SR TEG Chair. (150 employee threshold until 2031, 100 employee thresholds afterwards).</p> <p>22 October – SR TEG:</p> <p>SR TEG agreed to delete the second "whether" and say: "whether the employees receive a pay that is equal or above applicable minimum wage for the country it reports on, determined directly by the national minimum wage law or through a collective bargaining agreement."</p> <p>Approved by SR TEG</p>
<p>B 11 – Workers in the value chain, affected communities, consumers and end-users</p>	<p>B 11 – Workers in the value chain, affected communities, consumers and end-users</p> <p>The undertaking may disclose whether it has a process in place for identifying if there are value chain workers, affected communities, or consumers and end-users who are affected or are likely to be affected by severe negative impacts in relation to the undertaking's operations (i.e., its products, services and activities). In that case, the undertaking may describe this process. If identified, the undertaking may also describe the types of impacts, including where they arise and the groups that are affected by them.</p>	<p>SMEs: Consensus on the complexity to prepare this disclosure and difficulty to understand which affected stakeholders to consider. It is noted that it should be moved to the Narrative PAT module by preparers and business organisations. Some respondents suggested deleting it. Request to include positive impacts.</p> <p>Banks: Split views with half of the banks considering it essential and the other half not necessary.</p> <p>Field test: While certain users suggested deleting the disclosure completely, others (banks/investors) suggested that this disclosure be replaced by BP7 in the Business Partners Module.</p> <p>Large undertakings: Split views between essential and not necessary. Disclosure is complex, some suggested deleting B11 as it is too complex.</p>	<p>18 July – SR TEG:</p> <p>Following the public consultation's negative response on B11 by preparers and a mixed reaction by users, EFRAG Secretariat proposed to reformulate this disclosure significantly.</p> <p>On this disclosure, at SR TEG level it was proposed to move B11 in the comprehensive module as a "may" datapoint or to place it in B2.</p> <p>SR TEG conclusion: To be further discussed at Secretariat level.</p>	<p>N/A</p>	<p>N/A</p>	<p>12 September – SR TEG:</p> <p>B11 deleted, the sustainability matters in AR 16 including the ones previously covered by B11 are now covered in the redrafted B2 as discussed and agreed at SR TEG.</p>
<p>B 112 – Convictions and fines for corruption and bribery</p>	<p>B 112 – Convictions and fines for corruption and bribery</p> <p>45. In case of convictions and fines in the reporting period, the undertaking shall disclose the number of convictions, and the total amount of fines incurred for the violation of anti-corruption and anti-bribery laws.</p>	<p>SMEs: Feasible for majority of respondents. General consensus on the disclosure possible posing privacy/confidentiality issues + feasibility to collect data. Split views on whether to delete it or not – despite it not being complicated to collect.</p> <p>Banks: essential for most. A European banking association propose to limit to the adoption (or not) of active and passive anticorruption policies. Number of convictions and number of fines imposed for violations of the laws against active and passive corruption - Is there a system in the company to report violations of laws or</p>	<p>18 July – SR TEG:</p> <p>SR TEG agreed with Secretariat's proposal to keep disclosure B12 as is.</p>	<p>N/A</p>	<p>An SME representatives stated that the SME is not legally forced to disclose its legal fines.</p> <p>EFRAG Secretariat stated that it validated B12 with all user types, and that the VSME report does not need to be made public but could be rather exchanged bilaterally only with the users.</p>	<p>7 October – SR TEG:</p> <p>No changes to be implemented in this disclosure.</p> <p>However, during this SR TEG meeting, a member stated that this disclosure would be a red flag, as existing legislation does not require SMEs to disclose convictions and fines. SR TEG Chair reiterated that the primary focus of this standard is to replace users' questionnaires and given that it was deemed as essential by banks, this disclosure should be kept.</p> <p>Another SR TEG specified that if more datapoints are removed from the standard, then the standard would risk of having a low adoption rate by the market as it would not be useful and complete.</p>

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		<p>regulations, crimes and cases of corruption. Another European association asks reformulating as follows: "The undertaking shall disclose, whether it has implemented a charter/code of conduct for its employees to formalize its ethical commitments. If applicable, the undertaking shall specify: - which topics are covered (corruption, fraud, anti-competitive practices, human rights, labour code provisions, tax transparency) and what measures have been put in place; - what verification/internal control processes are in place to ensure compliance with the code of ethics/charter. Additional suggestion to include human rights violations including other legal infractions or fines, such as environmental legislation violations or money laundering.</p> <p>Large undertakings: essential for most. Confidentiality issue that needs to be addressed. An association suggested to delete the disclosure.</p> <p>Field test: not see as relevant by large undertakings.</p>				<p>It was therefore decided to keep this disclosure unvaried.</p> <p>22 October – SR TEG</p> <p>Approved by SR TEG</p>
Comprehensive Module Business Partners Module						
<p>Entity-specific consideration when reporting on GHG emissions under B 3 (Basic Module)</p>	<p>Entity-specific consideration when reporting on GHG emissions under B 3 (Basic Module)</p> <p>47. Depending on the type of activities carried out by the undertaking, disclosing a quantification of its Scope 3 GHG emissions can yield relevant information (see paragraph 10 of this [draft] Standard) on the undertaking's value chain impacts on climate change.</p> <p>48. Scope 3 emissions are indirect GHG emissions (other than Scope 2) that derive from an undertaking's value chain. They include the activities that are upstream of the undertaking's operations (e.g., purchased goods and services, purchased capital goods, transportation of purchased goods, etc.) and activities that are downstream of the undertaking's operations (e.g., transport and distribution of the undertaking's products, use of sold products, investments, etc.). If the undertaking decides to provide this metric, it should refer to the 15 types of Scope 3 GHG emissions identified by the GHG Protocol Corporate Standard and detailed by the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. When it reports on Scope 3 GHG emissions, the undertaking includes significant Scope 3 categories (as per the Corporate Value Chain (Scope 3) Accounting and Reporting Standard) based on its own assessment of relevant Scope 3 categories. Undertakings can find further guidance on specific calculation methods for each category in the GHG Protocol "Technical guidance for Calculating Scope 3 Emissions".</p> <p>49. When reporting its Scope 1 and Scope 2 emissions, if the undertaking discloses entity-specific information on its Scope 3 emissions, it shall present it together with the information required under "B 3 – Energy and greenhouse gas emissions."</p>	<p>SMEs: SPLIT views: 50/50 on whether this metric is too complicated. National SME associations state that it is highly difficult, and they do not support its inclusion in the standard.</p> <p>Users (Banks + Large Undertakings): Essential despite heavy burden for companies.</p> <p>Banks: consider Scope 3 necessary, one European banking association suggest disclosure only if already available.</p> <p>Large undertakings: agreement that scope 3 is essential, despite too complex for SMEs. Some view this disclosure as not essential.</p>	<p>EFRAG Secretariat's Orientations in July (proposal to SR TEG):</p> <p>Explore with SR TEG the options for Scope 3 requirements (leave them in the Core module or move them to the Advanced module). Explore the approach to tools, which could make easier (and potentially meaningless) the Scope 3 calculation.</p> <p>SR TEG members written comments over the summer.</p> <p>The written SR TEG comments stated that the entity specific disclosure is indeed considered as difficult. An SR TEG member suggested limiting scope 3 emissions only to high climate impact sectors. Another member suggested moving this disclosure to the advanced/ AFI module.</p>	<p>N/A</p>	<p>Point raised by SME representatives that paragraph 54 (scope 3 reporting for high impact sectors), should not be compulsory.</p>	<p>7 October – SR TEG:</p> <p>Following the no changes implemented over the summer, during the review of scope 3, it was decided among SR TEG members to keep this entity 'specific consideration as is. Add guidance on sectors.</p> <p>This disclosure remains same as VSME ED. In the guidance, it has been specified that the SMEs in the manufacturing, constructions and/or packaging sectors are likely to have higher scope 3 emissions.</p> <p>22 October – SR TEG</p> <p>Approved by SR TEG</p>
<p>Disclosure C 1 (former BP1) – Revenues from certain sectors and exclusion from EU reference benchmarks</p>	<p>Disclosure C 1 (former BP1) – Revenues from certain sectors and exclusion from EU reference benchmarks</p> <p>52. If the undertaking is active in one or more of the following sectors it shall disclose its related revenues in the sector(s):</p> <ul style="list-style-type: none"> (a) controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons); or (b) the cultivation and production of tobacco; or (c) fossil fuel (coal, oil and gas) sector (i.e., the undertaking derives revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and the Council 17), including a disaggregation of revenues derived from coal, from oil and from gas; or (d) chemicals production, if the undertaking is a manufacturer of pesticides and other agrochemical products. as its activities fall under Division 20.2 of Annex I to Regulation (EC) No 1831/2003 <p>53. The undertaking shall disclose whether it is excluded from any EU reference benchmarks that are aligned with the Paris Agreement.</p>	<p>SMEs: Feasible for most. Some suggest moving BP1 to the BM in the form of 'if applicable' Suggestion to report gross profit rather than turnover.</p> <p>Banks: essential for most. Suggestion of a European banking association to request whether companies are excluded from the EU reference indices aligned with the Paris Agreement pursuant to art.12 par.1, letter. from d) to g), and of the art. 12 par. 2 reg. (EU) 2020/1818) - This should apply to medium enterprises only. Small and micro-SMEs should have the option to disclose.</p> <p>Field tests: Incorporating NACE codes would improve comparability.</p> <p>Large undertakings: suggestion to clearly name the sectors in the main text and suggestion by some to use gross profit rather than turnover for B1 reporting.</p>	<p>EFRAG Secretariat's Orientations in July (proposal to SR TEG):</p> <p>Discuss with EFRAG SR TEG possible additional disclosure of whether companies are excluded from the EU reference indices aligned with the Paris Agreement.</p> <p>Add reference in Appendix C to Pillar 3 (only Benchmark and SFDR are now covered).</p> <p>As a results of SR TEG members written comments over the summer, this additional datapoint was added in the advanced/ AFI module.</p>	<p>AFI – EU Reference Benchmarks: Agreement by all banking associations that this disclosure is to be kept and has to be moved to the Comprehensive Module after C 1 – Revenues from certain sectors.</p>	<p>N/A</p>	<p>7 October – SR TEG:</p> <p>All SR TEG members supported the phrasing and integration of the former AFI 5 disclosure into C1 (following the suggestion derived from the banks workshop).</p> <p>22 October – SR TEG:</p> <p>On the guidance of C 1 – Revenues from certain sectors and exclusion from EU reference benchmarks: Agreement at SR TEG to align with Set 1 the text of the guidance on the exclusion from EU Paris Benchmarks (AFI5 – see narrative- PAT module).</p> <p>Approved by SR TEG</p>
<p>Disclosure C 2 (former BP2) – Gender diversity ratio in governance body</p>	<p>Disclosure C 2 (former BP2) – Gender diversity ratio in governance body</p> <p>54. If the undertaking has a governance body in place, the undertaking shall disclose the related gender diversity ratio.</p>	<p>SMEs: Individual SME preparers see the disclosure feasible. However, national and European SME associations ask to delete the disclosure as family-owned undertakings cannot apply it.</p> <p>Banks: A majority considers disclosure essential. However, 4 European Banking Associations deem this disclosure not necessary. Additional request to move BP2 into the BM and adding the share of independent members in the supervisory body. A European banking association states that banks do not necessarily require this information from their counterparties. The information is currently also not required for CRR disclosures or a bank's ESG risk management from a regulatory standpoint. If it is maintained, compilation should be further simplified. The information requested could be limited to the following: • Average female/male ratio</p>	<p>EFRAG Secretariat's Orientations in July (proposal to SR TEG):</p> <p>Secretariat considers that generally families also have female members, and the size of the undertaking (one-person company) should be obvious from other disclosures.</p> <p>Given that a significant proportion of respondents consider this essential, not convinced about limiting the disclosure to certain entities.</p> <p>No preference on the definition of the ratio (SFDR vs usually used) as both have advantages and disadvantages. However, should be clear which ratio is used.</p> <p>Proposal to use SFDR PAI definition for ratio.</p> <p>On basis of SR TEG members written comments over the summer. EFRAG Secretariat did not modify the disclosure.</p>	<p>All banking association representatives agreed to keep C2 as needed. Only one national association stated that it did not need it. To clarify that if the SME does not have a governance body in place, it does not have to report this disclosure.</p>	<p>SME representative stated that this disclosure is a concern.</p>	<p>7 October – SR TEG:</p> <p>SR TEG members agreed to keep the disclosure as in VSME ED (support public consultation and banks workshop). However, one SR TEG member dissents.</p> <p>22 October – SR TEG</p> <p>Approved by SR TEG</p>

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		<p>among directors - excluding micro • Percentage of members of the administrative, management and control bodies by gender - excluding micro. This should apply to medium enterprises only; Small and micro-SMEs should have the option to disclose.</p> <p>Large undertakings: Split views. A majority state that the disclosure is essential. Some others deem this disclosure not relevant as SMEs are often family-run SMEs (especially micro and small ones).</p>	<p>But one SR TEG member raised this disclosure as a red flag.</p>			
<p>Disclosure C 3 – GHG reduction targets and climate transition (Former: Disclosure BP 3 – GHG emissions reduction target + Disclosure BP 4 – Transition plan for climate change mitigation)</p> <p>55. If the undertaking has set GHG emission reduction targets, it shall provide its GHG emission reduction targets for in absolute value for scope 1, scope 2 and, if applicable, significant scope 3 emissions. In particular, it shall provide:</p> <p>(a) scope 1 emissions; and (b) scope 2 emissions; 77.</p> <p>This disclosure includes Scope 3 emissions, only when they are disclosed under paragraph 74 above and the undertaking has set GHG emission reduction targets for Scope 3 emissions. (FORMER BP3)</p> <p>(a) The target year and target year value; (b) the base year and base year value; (c) the units used for targets; (d) the share of the scope 1, scope 2 and, if disclosed, scope 3 concerned by the target; and (e) a list of main actions it seeks to implement to achieve its targets.</p> <p>56. If the undertaking that operates in high climate impact sectors⁵ has adopted a transition plan for climate change mitigation, it may provide information about it, including an explanation of how it is contributing to reduce GHG emissions.</p> <p>57. In case the undertaking operates in high climate impact sectors and does not have a transition plan for climate change mitigation in place, it shall indicate whether and, if so, when it will adopt such a transition plan.</p> <p>The undertaking shall provide information about its transition plan for climate change mitigation with an explanation of how GHG emission reduction targets are compatible with the limiting of global warming to 1.5°C in line with the Paris Agreement. This disclosure is applicable only if the undertaking has adopted such a transition plan. (FORMER BP4)</p>	<p>BP3: SMEs: Overall split views. Some regarded this disclosure as feasible to prepare, other respondents as difficult, no majority. A European and a national SME association, which considered these requirements as difficult, suggested to include this disclosure only in the "green finance" submodule. These two associations requested targets to be disclosed in percentages or absolute values. Additional suggestion to include an "EU GHG emission calculator" for scope 3 approximations.</p> <p>Banks: essential to most. Additional request to: i) merge BP3 and BP4; ii) align with set 1 on absolute value; iii) require only for SMEs with targets + intermediate time objectives; iv) only report GHG emission intensity if measured, GHG emissions reduction targets should be disclosed of high impact sectors.; vi) add removals, avoided emissions to emissions reduction targets. A European association suggests including: • Scope 1 & 2 GHG emissions • Publication of quantitative carbon emission reduction targets to align with the Paris Agreement? If so, provide intermediate objectives [e.g. 2025, 2030, etc.]. (Not for micro's) • Is the intensity related to GHG emissions measured? (e.g. tons of GHG per million turnover) • Change in GHG emissions from last two years or one year. While BP3 is relevant for CRR disclosures, (e.g. Template 3: or 35 a) in EBA/CP/2024/02 for portfolio alignment), the DR obsolete if disclosing a transition plan (BP4). Suggestion for guidance for high impact sectors (medium enterprises only, voluntary for small and micro).</p> <p>Large undertakings: deemed by a respondent as highly complex for SMEs. Most state that it is essential (despite difficulty).</p> <p>BP4: SMEs: split views, 50/50 regarding difficulty. Suggestion to disclose this data in an ad hoc bank submodule (a European and a national SME Association). Additional suggestion to make this disclosure more proportionate by not referencing the Paris Agreement. Field tests: Disclosure perceived as difficult. There were several suggestions to add guidance through examples, scenarios and on sectoral transition plans.</p> <p>Banks: Essential for most. Suggestion to merge BP3 and BP4. However, additional argument on the importance of BP4 for loan/ risk management purposes. A European banking association suggests adding the follow: In case the company does not yet have a transition plan in place, does it plan to do so and if yes, by when? This should, however, be accompanied by guidelines on the structure of transition plans, including elements like ambition, implementation strategy, metrics & targets and governance. This should apply to medium enterprises only; Small and micro-SMEs should have the option to disclose.</p> <p>Large undertakings: Essential for most. Disclosure should be applicable only if the undertaking has adopted a transition plan. Additional suggestion to include a qualitative assessment of the SME's actions to reduce GHG emissions.</p>	<p>EFRAG Secretariat's Orientations in July (proposal to SR TEG):</p> <p>Former BP3: 58. Strengthen guidance additional materials from SBTi for SMEs. 59. Proposal to merge with BP4 and making targets more actionable and simplifying TP requirements. 60. Address sectoral GHG emission intensity, as well as GHG emission targets in high impact sectors. 61. Add (a) target year and value, (b) base year and value, (c) units used for targets.</p> <p>Former BP4: 62. Merge with BP3 and simplify to make simple disclosures on actions that can help achieve targets. 63. Do not propose explaining scenarios, etc. 64. Delete reference to Paris agreement.</p> <p>SR TEG members overall agreed with the secretariat's proposals (BP3 + BP4)</p>	<p>All banking associations agree with this disclosure. One national banking association suggests specifying the scope of the target.</p>	<p>N/A</p>	<p>7 October – SR TEG: SR TEG members agreed with the merge and changes made over the summer.</p> <p>22 October – SR TEG Approved by SR TEG.</p>	
<p>C4 – Climate risks Former: BP 5 – Physical risks from climate change</p>	<p>C4 – Climate risks (Former: BP 5 – Physical risks from climate change)</p> <p>58. If undertaking has identified climate-related hazards and climate-related transition events, creating gross climate-related risks for the undertaking, it shall:</p> <p>(a) briefly describe such climate-related hazards and climate-related transition events;</p>	<p>SMEs: Split views in public consultation. However, all European and national SME associations consider it to be very difficult to report. One European association suggests replacing BP5 with a narrative disclosure as it will be the role of users to assess the risks.</p> <p>Banks: essential for most, as in line with EBA Pillar 3 and EBA/CP/2024/02 One national banking association suggest replacing with: geolocation of</p>	<p>EFRAG Secretariat's Orientations in July (proposal to SR TEG):</p> <p>EFRAG Secretariat understands the formulation of BP5 may be complicated and agrees that it would be easier for banks to assess their client's own risks.</p> <p>Geolocation option, NACE codes, turnover per local unit, and insurance coverage are issues to be brought up for SR TEG discussion.</p>	<p>One banking association viewed points (a + b) of paragraph 63 to be too complicated for SMEs and mentioned that these points could be covered under geolocation EFRAG secretariat reminded that the VSME should raise awareness in managing environmental risks (among others) and by providing only geolocation SMEs would remain passive in</p>	<p>On insurance for physical risks, the SME representatives highlighted that it is not acceptable to ask for this datapoint even in a Y/N manner, as it leads to moral hazard.</p>	<p>7 October – SR TEG: During this SR TEG, there was an in-depth discussion among SR TEG members. EFRAG Secretariat presented the redrafted disclosure following the SR TEG decision on 18 July.</p> <p>SR TEG members agreed to remove the breakdown of the carrying value of the SMEs real estate assets (present already in the VSME ED)</p> <p>Additionally, the estimation of the monetary value of the physical risks was decided to be replaced by a simpler assessment that requires to understand whether the financial performance/business operations in the short, medium and long term, are</p>

⁵ High climate impact sectors are those listed in NACE Sections A to H and Section L as defined in Annex I to Regulation (EC) No 1893/2006.

Disclosure	CHANGES FROM VSME ED (new changes in yellow, deletion from VSME ED with strikethrough)	Public consultation feedback on VSME ED (focus preparers and users)	EFRAG Secretariat Orientations + SR TEG and SRB decisions in July 2024.	Bank Workshop Feedback (16/09/2024)	SMEs representatives Workshop Feedback (23/09/2024)	Final Decision at SR TEG/SRB September, October 2024
	<p>(b) disclose how it has assessed the exposure and sensitivity of its assets, activities and value chain to these hazards and transition events;</p> <p>(c) disclose the time horizons of any climate-related hazards and transition events identified; and</p> <p>(d) disclose whether it has undertaken climate change adaptation actions for any climate-related hazards and transition events.</p> <p>59. The undertaking may disclose the potential adverse effect of physical risk, that may affect its financial performance or business operations in the short, medium or long term, with an indication as to whether the undertaking assesses that the risk is high/medium/low.</p> <p>The undertaking shall disclose the anticipated financial effects that physical risks from climate change may have on the company. This disclosure is applicable only if the undertaking is exposed to material physical risks. In particular, it shall disclose:</p> <p>a. the monetary amount and the percentage of the undertaking's total assets that can be subjected to material physical risks over the short-, medium- and long-term before considering climate change adaptation actions disaggregated by acute and chronic physical risk;</p> <p>b. the proportion of assets at material physical risk addressed by the climate change adaptation actions;</p> <p>c. the location of the significant assets affected by material physical risks;</p> <p>d. the monetary amount and proportion (percentage) of net revenue from its business activities at material physical risk over the short-, medium- and long-term; and</p> <p>the breakdown of the undertaking's carrying value of its real estate assets by energy efficiency classes</p>	<p>individual local units (+field test participants); NACE codes for individual local units if different from that of the company; Turnover per local unit or if not available employees per local unit (a definition of local unit must be provided); Presence of insurance coverage for physical risk events with specific indication of: i) start date and expiry date, ii) type of risk (earthquake, floods, landslides, floods/inundations, other natural risks linked to the climate), iii) amount insured, iv) any deductible. One European banking association suggests simplifying requirements 79 (e) carrying value EPC. Another European banking association suggests that this should apply to medium enterprises only, Small and micro-SMEs should have the option to disclose.</p> <p>Large undertakings: Split views, no majority on essential.</p>	<p>§79(e): propose a simplification for SR TEG's consideration (e.g., "state if your building portfolio is characterized for energy efficiency; disclose areas/carrying value by EE classes (A to F)").</p> <p>SR TEG members written comments over the summer. A specific SR TEG member's comment was implemented as a compromise for simplification of the disclosure.</p> <p>An SR TEG member stated that the information of this disclosure should also be for change management (for the SMEs themselves) and therefore the methodology of doing so should be made lighter. This SR TEG member then proposed to use the following phrasing:</p> <ul style="list-style-type: none"> - (a) whether it has identified climate-related hazards and transition events, - (b) if so, how it has assessed the vulnerability of its assets, activities and value chain to these hazards and transition events, creating gross climate-related risks, with the time horizons, and - (c) whether it has undertaken adaptation actions. <p><u>An additional datapoint was added as an additional request from the banks, (insurance)</u></p>	<p>assessing those risks (SR TEG discussions in July).</p> <p>On paragraph 64 (insurance coverage) banking representatives compromise to ask as a YES/NO question whether or not insurance coverage exists; if needed banks can ask for the insurance contracts and further details on maturity bilaterally.</p> <p>All agreed that building energy certificates paragraph should be deleted on the basis that it is only needed for those buildings used as collateral for a loan that are requested bilaterally in the mortgage files.</p>		<p>perceived to have a high/medium/low risk. Additionally, the location of the significant assets has been moved to disclosure B1 (Basic module).</p> <p>Following the presentation of the reformulated disclosure, SR TEG members decided to delete insurance coverage which EFRAG Secretariat had proposed to include within the standard. SR TEG found this datapoint as deviating from the outcome of the banks workshop, and as a datapoint that would overburden SMEs and go beyond set1.</p> <p>Based on these decisions at SR TEG level, the disclosure was agreed to be renamed to "Climate risks".</p> <p>22 October – SR TEG:</p> <p>EFRAG SR TEG agreed to add a datapoint to give the possibility to SMEs to describe climate-related hazards and transition events. In addition, SR TEG also agreed to use the word "exposure and sensitivity" instead of "vulnerability" to be aligned with Set 1.</p> <p>Approved by SR TEG.</p>
<p>Disclosure BP 6 – Hazardous waste and/or radioactive waste ratio</p> <p>See B7</p>	<p>Disclosure BP 6 – Hazardous waste and/or radioactive waste ratio</p> <p>See B7</p>	<p>SMEs: Split views: majority of national and European SME associations consider this disclosure as not relevant/ not applicable, with some suggesting deleting the disclosure entirely. However, the majority of individual SME respondents deem this disclosure as feasible. The general suggestion is to increase guidance/ provide examples.</p> <p>Banks: Majority confirm importance of BP6, especially on hazardous waste.</p> <p>Large undertakings: essential for most. Clarifications needed concerning the term hazardous (to be better defined).</p>	<p>17 July – SRB</p> <p>Following EFRAG Secretariat's orientations, EFRAG SRB decided to move the datapoint on radioactive waste to the advanced/ AFI module. This new disclosure was called AFI3.</p>	<p>Banks workshop confirmed the need of this datapoint to be moved to either Basic or Comprehensive modules.</p>	<p>N/A</p>	<p>10 October – SR TEG:</p> <p>On radioactive waste (former AFI3) SRT agreed to move it to B7 as a specification of hazardous waste. SR TEG agreed to make radioactive waste ratio explicit in the guidance.</p> <p>22 October – SR TEG</p> <p>Approved by SR TEG.</p>
<p>Disclosure C 5 – Workforce (General) Additional characteristics</p> <p>(not previously part of the VSME ED)</p>	<p>Disclosure C 5 – Workforce (General) Additional characteristics (not previously part of the VSME ED)</p> <p>60. If the undertaking employs 50 or more employees, the undertaking may disclose the female to male ratio at management level for the reporting period.</p> <p>61. If the undertaking employs 50 or more employees, the undertaking may disclose the number of self-employed without personnel that are working exclusively for the undertaking, and temporary workers provided by undertakings primarily engaged in "employment activities".</p>	<p>Request to by two banking associations to add the percentage of female to male staff in managerial roles and the percentage of non-employees.</p>	<p>N/A – refer B8 for non-employees, and the AFI4 in the Advanced/ AFI row.</p>	<p>Concerning the female to male ratio at management level, agreement to keep it. Suggestion to insert this datapoint in the Basic Module under B8 or in Comprehensive.</p> <p>Concerning non-employees, the majority of banking associations (except 1 national association) agreed that paragraph 45 can be deleted.</p> <p>However, EFRAG Secretariat to introduce in the basis for conclusions the fact that information concerning non-employees could be asked bilaterally at a national level (i.e., Italy).</p>	<p>SME representatives highlighted how they are not okay with the use of "non-employees" and would rather prefer the use of the term "temporary agency workers".</p>	<p>26 September – SR TEG</p> <p>SR TEG agreed with moving the female to male ratio at management level to the Comprehensive Module, along with a finetuning of the definition of management. (see AFI4 in Advanced/AFI module row)</p> <p>SR TEG agreed to move non-employees from B8 in the Basic Module to the comprehensive module, introducing a quantitative 50-employee threshold to limit this datapoint's scope (note that this additional datapoint was agreed at SR TEG in July and was not part of the ED). This data point was requested in the public consultations by a number of other stakeholders, beside one bank association.</p> <p>22 October – SR TEG</p> <p>Female to male management ratio at management level: EFRAG SR TEG agreed to change the disclosure to a "may". (see AFI4 in Advanced/AFI module row)</p> <p>Non-employees: Agreement with EFRAG Secretariat proposal: "The undertaking may disclose the number of self-employed without personnel that are working exclusively for the undertaking and temporary workers provided by undertakings primarily engaged in "employment activities ". In addition, SR TEG agreed to move the reference to NACE Code 78 to the guidance. Three TEG members dissented on the "may "rather than "shall" in this disclosure.</p> <p>Approved by SR TEG.</p>
<p>Disclosure C6 – Human rights policies and processes</p> <p>(Former: BP 7– Alignment with internationally recognised instruments</p> <p>+ BP 8 – Processes to monitor compliance and mechanisms to address violations)</p> <p>Former: BP 7– Alignment with internationally recognised instruments</p> <p>+ BP 8 – Processes to monitor compliance and mechanisms to address violations</p>	<p>Disclosure C6 – Human rights policies and processes (Former: BP 7– Alignment with internationally recognised instruments + BP 8 – Processes to monitor compliance and mechanisms to address violations)</p> <p>62. The undertaking shall disclose an answer to the following questions:</p> <p>(a) Does the undertaking have a code of conduct or human rights policy for its own workforce? (YES/NO)</p> <p>(b) If yes, does this cover (dropdown menu):</p> <ul style="list-style-type: none"> i. Child labour (YES/ NO); ii. Forced labour (YES/ NO); iii. Human trafficking (YES/ NO); iv. Discrimination (YES/ NO); v. Accident prevention (YES/ NO); vi. Other (YES/NO, if yes specify). 	<p>Former BP7:</p> <p>SMEs: Split views. Some prepares view this disclosure as feasible rather than difficult. National and European SME associations view the disclosure as too complex as it contains reference to international instruments that are not actionable for SMEs. Some respondents asked for increased guidance and that the disclosure be rephrased to include concrete questions on policies in place.</p> <p>However overall, a significant number of individual SME respondents deem this disclosure feasible.</p> <p>Users (Banks + Large Undertakings): A simplified reference to a due diligence process would be preferable, otherwise too complex.</p> <p>Banks: Split views. Small majority considering it essential. A suggestion to move BP7 to the Basic Module and to change the title to refer to human rights (for clarity). If no change, proposal to reword to yes/no questions such as: "has the SME undertaken or intends to undertake action plans</p>	<p>EFRAG Secretariat's Orientations in July (proposal to SR TEG):</p> <p>Clear feedback received for this disclosure and BP-8 in terms of complexity and understandability mainly because the international due diligence instruments are being referred to. With some views being to delete it. Proposal to merge BP-7 and BP-8 and reformulate it simple questions with a dropdown menu.</p> <p>Refer to the revised text below:</p> <ul style="list-style-type: none"> • Do you have an undertaking's code of conduct or human rights policy for its own workforce? To note: those that have a due diligence process in place shall answer positively. If yes, do these cover (dropdown menu): i) Child labour ii) Forced labour iii) Human trafficking iv) Discrimination v) Accident prevention • Do you have a complaint handling mechanism for own workforce? <p>In addition, Secretariat will include definitions for the terms in 2) and 3) and examples for point 3) above.</p>	<p>Agreement from banking representatives with the drop-down menus proposed under these two disclosures.</p> <p>One national banking association (National Banking Association) stated that the SMEs should have the possibility to complement the drop-down menu responses with a narrative option.</p>	<p>Drop down menu and simplifications well supported from SME representatives.</p>	<p>22 October – SR TEG</p> <p>During this SR TEG the changes proposed by the Secretariat were first reviewed and then approved.</p> <p>An SR TEG suggested expanding the scope of this disclosure beyond "won workforce" to cover the equivalent topics of S2-S4. The SR TEG member proposed to add as a sixth dropdown menu point, in parallel to the option "other", the specific reference to human rights in general (including value chain workers etc.). EFRAG secretariat stated that it did not find this suggestion to fit as the dropdown menu includes a granular breakdown of human rights in within "own workforce", and that opening the disclosure to all other non-own workforce related datapoints, it would jeopardise the granular objective of the drop-down menu.</p> <p>It was then suggested by EFRAG Secretariat to evaluate whether this point could be further explained within the guidance of B2 (which includes all sustainability issues including value chain workers, affected communities, end-consumers or users). However, to avoid complicating disclosure B2, SR TEG chair clarified that no changes should be made to B2.</p> <p>As a result, C6 was not modified, a compromise was found in conjunction with C7. As a result, C6 was accepted as proposed by the Secretariat.</p> <p>Approved by SR TEG</p>

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	<p>(c) Does the undertaking have a complaints handling mechanism for its own workforce? (YES/ NO)</p> <p>The undertaking shall disclose whether its policies pertaining to its own workforce are aligned with relevant internationally recognised instruments, including the UN Guiding Principles on Business and Human Rights.</p> <p>The undertaking shall disclose whether it has processes in place to monitor compliance with the OECD Guidelines for Multinational Enterprises and with the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the International Bill of Human Rights and the eight fundamental conventions identified in the ILO Declaration or grievance/complaints handling mechanisms, to address violations of the above standards with regard to its own workforce.</p>	<p>aimed at improving working conditions, reducing risks regarding its workforce and any negative impacts on it, including policies for the prevention of accidents at work in addition to what is established by the regulations in force on the matter (Y/N); Human rights policies [including workers' rights (Y/N)]. (one European banking association). Disclosure suggestion: This should apply to medium enterprises only; voluntary for small and micro-SMEs.</p> <p>Large undertakings: essential for most. A European business association suggested introducing a reference to a Code of Conduct or to international guidelines applied/referred to by the company. Another European business association suggests reconsidering the proportionality and information requested by this metric.</p> <p>Former BP8 SMEs: Split views. The majority found the disclosure feasible. However, National and European SME associations found the disclosure difficult and suggested rephrasing with actionable questions or removing it. Suggestion to delete cross references to international laws and to provide disclosure-specific requirements extracted from the current cross references.</p> <p>Users (Banks + Large Undertakings): A simplified reference to a due diligence process would be preferable, otherwise too complex.</p> <p>Banks: essential for most. Reword and limit to: • Due diligence process or procedure to identify, prevent, mitigate and address adverse human rights impacts? (Yes/No) • Procedures and measures to prevent human trafficking? (Yes/No). • Operations and suppliers at serious risk of child labour in terms of geographic area or type of operation. • Operations and suppliers at serious risk of child, force or compulsory labour among workers in the company's value chain, in terms of geographical area and/or type of operation. labour among workers in the company's value chain, in terms of geographical area and/or type of operation. Only for medium enterprises; voluntary for small and micro-SMEs.</p> <p>Large undertakings: The majority considers BP8 as essential. Some suggestions to merge BP8 and BP9 and align them with GRI 406-1 (Incidents of discrimination and corrective actions taken).</p>	<p>SR TEG members written comments over the summer.</p> <p>All SR TEG members supported the simplifications with the drop-down menu proposed. Only one SR TEG member asked to not to restrict this datapoint to own workforce.</p>			
<p>Disclosure C 7 – Severe negative human rights incidents</p> <p>Former BP 9 – Violations of OECD Guidelines for Multinational Enterprises or the UN Guiding Principles</p>	<p>Disclosure C 7 – Severe negative human rights incidents (Former BP 9 – Violations of OECD Guidelines for Multinational Enterprises or the UN Guiding Principles)</p> <p>63. The undertaking shall disclose an answer to the following questions:</p> <p>(a) Does the undertaking have confirmed incidents in its own workforce related to:</p> <ul style="list-style-type: none"> i. Child labour (YES/ NO); ii. Forced labour (YES/ NO); iii. Human trafficking (YES/ NO); iv. Discrimination (YES/ NO); v. Other (YES/NO, if yes specify). <p>(b) If yes, the undertaking may describe the actions being taken to address the incidents described above.</p> <p>(c) Is the undertaking aware of any confirmed incidents in workers in the value chain, affected communities, consumers and end-users? If so, explain.</p> <p>The undertaking shall disclose whether there have been any violations of the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work or the OECD Guidelines for Multinational Enterprises with regard to its own workforce during the reporting year.</p>	<p>SMEs: Split views. The majority sees the disclosure as feasible. Some suggest merging it with BP7. However, National and European SME associations view this disclosure as difficult with some suggesting rephrasing it (with possibly a list of the requirements to be met/ specific processes the company must report on); others suggest deleting it completely. Additional suggestion to omit reference to external guidelines.</p> <p>Field test: Some respondents suggested modifying this to a Yes/No question. Seen as low difficulty.</p> <p>Users (Banks + Large Undertakings): A simplified reference to a human rights process would be preferable, otherwise too complex.</p> <p>Banks perceived essential by a majority. One European banking association suggested facilitating SME reporting with information requirements limited to: • Number of serious human rights problems and incidents. They specify that this should only apply to medium enterprises and that small and micro undertakings should have the option to disclose. However, some banks suggested extending the disclosure requirements to value chain if material, as well as to disclose the topics related to any violations.</p> <p>Large undertakings: A majority considered BP9 as essential, although one large undertaking association suggested deleting the disclosure's reference to the OECD guidelines. Additionally, one large undertaking association suggested replacing disclosures BP7, 8, and 9 with a question about the existence of a code of conduct.</p>	<p>EFRAG Secretariat's Orientations in July (proposal to SR TEG):</p> <p>Following feedback received, proposal to streamline the content of this datapoint to: <i>Does the undertaking have confirmed cases related:</i></p> <ul style="list-style-type: none"> <i>i. child labour;</i> <i>ii. forced labour;</i> <i>iii. human trafficking; or</i> <i>iv. discrimination?</i> <p><i>If so, the undertaking may describe the actions being taken to address the violations described above.</i></p> <p>SR TEG members written comments over the summer.</p> <p>SR TEG members in their written comments supported the rephrasing of this disclosure, however, one SR TEG member asked to expand this beyond the own workforce.</p> <p>Secretariat proposal integrated.</p>	<p>Agreement from banking representatives with the drop-down menus proposed under these two disclosures.</p> <p>One national banking association (FBF) stated that the SMEs should have the possibility to complement the drop-down menu responses with a narrative option.</p> <p>Additionally, one European banking association (EBF) asked to increase clarity on the word "confirmed cases" in C6.</p>	<p>Drop down menu and simplifications well supported from SME representatives.</p>	<p>22 October – SR TEG</p> <p>Following on from the discussion held on C6, an SR TEG member reiterated the concern on the restricted scope of C7 (not beyond own workforce).</p> <p>Another SR TEG member suggested a compromise, which would allow to keep C6 as proposed by the Secretariat and would broaden the scope of C7 beyond own workforce.</p> <p>All SR TEG members agreed to with the disclosure and the final decision was to add this datapoint: "Is the undertaking aware of any confirmed incidents in workers in the value chain, affected communities, consumers and end-users? If so, please explain."</p> <p>Approved by SR TEG.</p>

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Disclosure BP 10 – Work-life balance	<p>Disclosure BP 10 – Work-life balance</p> <p>The undertaking shall disclose the percentage of its employees:</p> <p>(a) who are entitled to take family-related leave with a breakdown by gender; and</p> <p>(b) who took family-related leave with a breakdown by gender.</p> <p>Family-related leave includes maternity, paternity, parental and carers' leave.</p>	<p>SMEs: most respondents consider this disclosure feasible. However, some National and European SME associations questioned its relevance, including some stating that BP10 may be too difficult for SMEs to disclose. Respondents also suggested widening the scope of the disclosure to cover more comprehensive work-life balance metrics. One national SME association requested clarification that BP 10 does not cover future claims or potential claims.</p> <p>Banks: a majority found not relevant. A European banking association suggested removing this disclosure as it is not related to SFDR datapoints. Additionally, one European banking association stated that only medium undertakings should report on this and that micro and small undertakings should have the option to disclose.</p> <p>Large undertakings: Although BP10 is perceived as feasible, views on its relevance are split.</p>	<p>EFRAG Secretariat's Orientations in July (proposal to SR TEG):</p> <p>Following the responses from the various stakeholder groups, the proposal is to delete.</p>	N/A	N/A	<p>16 July – SR TEG</p> <p>SR TEG agreed to delete this disclosure.</p>
Disclosure BP 11 – Number of apprentices	<p>Disclosure BP 11 – Number of apprentices</p> <p>If applicable, the undertaking shall disclose the number of apprentices in the reporting period.</p>	<p>SMEs: most support this datapoint as it is feasible for SMEs.</p> <p>Users (Banks + Large Undertakings): split views on relevance. Banks Irrelevant for most respondents. One European banking association suggested removing this disclosure as it is not related to SFDR datapoints. It also states that the disclosure should not apply to micro and small undertakings, who should have the option to disclose.</p> <p>Large Undertakings: Considered unnecessary/ irrelevant by majority.</p>	<p>EFRAG Secretariat's Orientations in July (proposal to SR TEG):</p> <p>Following the responses from the various stakeholder groups, the proposal is to delete.</p>	N/A	N/A	<p>16 July – SR TEG</p> <p>SR TEG agreed to delete this disclosure.</p>
Placeholder on future streamlined alignment with EU Taxonomy aligned and eligible activities (currently being developed by the Platform on Sustainable Finance)	<p>Placeholder on future streamlined alignment with EU Taxonomy aligned and eligible activities (being developed by the Platform on Sustainable Finance)</p> <p>The Platform of Sustainable Finance is starting to work on a streamlined approach for non-listed SMEs to simplify their sustainability efforts for Taxonomy eligible activities. In essence, the streamlined approach serves a dual purpose: facilitating non-listed SMEs in the interaction with banks and the financial sector for the access to sustainable finance, while also providing information to larger companies for their compliance with taxonomy criteria, particularly when such criteria demand value chain information.</p> <p>This disclosure is effective on a voluntary basis starting when this streamlined approach will be available.</p>	<p>SMEs: do not support the inclusion of taxonomy disclosures. A European SME association suggests making it voluntary.</p> <p>Banks: do not support inclusion until sustainable finance platform develops simplified methodology (except 2 national banking associations). (request GAR denominator not to include SMEs). A European banking association believes that taxonomy should not apply to SMEs, not even in a simplified format. At the current point in time, the EU taxonomy should not apply to SMEs.</p> <p>Large undertakings: Some do not support inclusion of taxonomy disclosure, too premature.</p>	<p>EFRAG Secretariat's Orientations in July (proposal to SR TEG):</p> <p>Include placeholder for Taxonomy disclosures, to be effective only once the PSF tool is in place.</p>	One national banking association suggested to correct the title and include "Taxonomy aligned activities" as only "eligible" is not that useful for banks. EFRAG Secretariat will amend the title.	N/A	<p>10 July – SRB:</p> <p>SRB Agreed on the insertion of the disclosure's placeholder in an additional module.</p> <p>22 October – SR TEG</p> <p>SR TEG agreed to recommend that the standard does not include a placeholder on future taxonomy alignment until there is clarity from the Platform on Sustainable Finance on the content and requirements of the disclosure (also see Advanced/AFI module)</p> <p>Approved by SR TEG</p>