

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

No Re-Exposure needed for the VSME Standard Issues Paper

Objective

- 1 The objective of this paper is to confirm for due process reasons that the VSME Standard should not be subject to re-exposure.

EFRAG Secretariat analysis

- 2 Following the public consultation, at the SRB and SR TEG meetings in July, EFRAG Secretariat proposed a series of architectural and disclosure level changes to SR TEG and SRB stemming from public consultation and field test which SRB members agreed on. These changes respond to the feedback from a vast majority of respondents in both the public consultation and field test. These are presented in the **Appendix**.
- 3 During the public consultation EFRAG Secretariat received comments from 311 respondents of which:
 - (a) 126 preparers;
 - (b) 39 users; and
 - (c) 146 other respondents
- 4 During the field test EFRAG Secretariat received comments from 164 respondents of which:
 - (a) 111 preparers;
 - (b) 24 proxy for preparers; and
 - (c) 29 users or proxy for users
- 5 During the public consultation, ERAG Secretariat also received 22 comment letters on top of the online survey respondents.
- 6 The analysis of the public consultation and field test results has been conducted by EFRAG Secretariat and has been published on EFRAG's website. Please find the links below of the executive summaries:
 - (a) [Executive Summary online survey responses VSME Public Consultation](#);
 - (b) [Executive Summary for Comment Letters Only VSME ED Public Consultation](#);
 - (c) [VSME ED field test - Key findings](#).
- 7 Once the strategic directions were defined by the SRB in July and implemented during the summer, EFRAG Secretariat has had **two workshops** with preparer and user associations

following the public consultation, in order to check whether the changes envisaged were able to meet the expectations of the two groups of stakeholders. These were:

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

8 The EFRAG SR TEG was debriefed of both workshops during the meetings of 19 September 2024 and 26 September 2024. The outcome of the workshops has been considered in the discussions at SR TEG due to primary focus on user's needs of the VSME Standard. It will be published as part of the Basis for Conclusions.

9 Considering the above, the EFRAG Secretariat considers that in a potential new consultation on the Revised draft the SRB would not learn anything substantially new. The feedback from the public consultation and field test has not brought radical changes to the standard itself, rather it has fostered greater simplifications that have been welcomed by both users and preparers during the workshops held in September 2024.

10 Accordingly, the EFRAG Secretariat suggests not to re-expose the revised VSME after

Question[s] for EFRAG SRB:

11. Does EFRAG SRB agree with EFRAG Secretariat Orientation?

APPENDIX – Changes from the ED to Revised VSME

- (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.
- (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) An additional **placeholder** module for an upcoming **simplified EU taxonomy** for SMEs has been placed into the standard.
- (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 decided to only propose to include the taxonomy disclosure as separate from the Basic and Comprehensive modules.

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(g) The following diagram depicts the new structure of the VSME:

