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Detailed feedback from Comment Letters (outside online survey)

This report offers only a partial view of the overall feedback. For a complete view the findings in this report (feedback from comment letters only) needs to be read in conjunction with the findings of the online survey. The statistics in this report, in isolation from the qualitative findings of the online survey analysis may be misleading.

About this report

1. EFRAG has conducted a public consultation on the Exposure Draft for a voluntary sustainability reporting standard for non-listed SMEs (including micro undertakings) (VSME ED) to gather view form stakeholders. Beside the feedback received via the online consultation questionnaire, EFRAG has received comment letters from several stakeholders.
2. EFRAG Secretariat has received 22 Comment Letters outside the online survey (2 of which were not published for confidentiality purposes). The result of the analysis of those letters have been summarised in this Detailed Report. Please note that 19 of the 20 comment letters refer to associations, standard setters or authorities and not to individual stakeholders. As such their weight has been considered when describing the trends.
3. This report is organised by stakeholders' group as follows: "preparers" (business associations representing SMEs), "user" (a rating agency) and "others" (associations of accountants, standard setters, academic and authorities).

About the VSME ED public consultation

4. The public consultation launched on 22 January 2024 and was conducted in parallel with the field test (with different deadline for submissions). Field test participants have also replied to the online questionnaire- based survey.

Detailed feedback received outside the online survey, via comment letters

Preparers (5 business associations representing preparers)

<p>Architecture/ Modules</p>	<ul style="list-style-type: none"> • (common) - Online reporting template could be developed to facilitate the transfer of info + standard should be more “pedagogical” and interactive. • Better explanations and provide justification on Business partners request to SME to incentivize sustainability reports via VSME. Additionally provide an example for orientation based on the GRI comprehensive and core approach. • Also mention in “objectives” that sustainability reports will be required by public authorities in the context of public procurement, subsidies, permits etc. • Standard should not be subject to external verification • (1 association) - disagreed with modular approach as basic module is already considered to be demanding. <ul style="list-style-type: none"> ○ Suggests limiting VSME to basic module (with less than 12 metrics for the whole standard – only data that can be collected should be requested). This should all be done without the need for external consultants. <p>These metrics should be:</p> <ul style="list-style-type: none"> ○ Consumption of fossil sources ○ Renewable electricity consumption ○ Non-renewable electricity consumption ○ Water withdrawal (m³) ○ Number of employees ○ Postal code (for deriving if located in biodiversity areas) ○ Total land use ○ Sealed area ○ Description of waste management and circular economy practices. <p>Hard to collect values should either be made available through a calculation tool or should be removed from the standard.</p> <ul style="list-style-type: none"> ○ Calculation tools should cover the following metrics: ○ Scope 1 & 2 ○ Pollutants ○ Biodiversity ○ Waste quantity and recycling ○ Biodiversity ○ Waste quantity and recycling rate ○ Employee data – the ratio of starting minimum pay etc., as the calculation is based on data that SMEs may not have. • (1 association) - Micro undertakings should be exempt from having to report data to users. In addition, data proxies should be used and use
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	<p>the VSME only for data points that are not possible through proxies. Modules should be replaced by a standardized list of questions.</p> <ul style="list-style-type: none"> • (1 association) – create an online tool with “once-only principle” that users can access when needed. ESAP – European Single Access Point, should be ready by time VSME goes live. Germany is currently working on its own platform. • (1 association) – the BP module should be omitted as SFDR information should be asked directly by banks based on their questionnaires.
Value Chain Cap	<ul style="list-style-type: none"> • (2 associations) - Standard should serve as “value chain cap” – this would regulate the maximum amount of VSME data that reporting entities can request as part of the VC. • (1 association) - Currently, the value chain cap, makes the VSME non-voluntary, as the data will be de facto demanded by the users. This can significantly harm the competitiveness. The respondent asks to reduce the legal requirements that users can make to SMEs (request to policy makers and authorities not to EFRAG). <ul style="list-style-type: none"> ○ It’s essential to ensure that the “data gaps” do not fall back on the smaller companies. ○ Regulatory standards should be created in order to prevent larger companies from passing down their reporting operations.
Materiality	<ul style="list-style-type: none"> • (1 association) - Materiality analysis not feasible for SMEs – background info in guidelines too vague to allow for development a general procedure or obtain comparable results (e.g. construction SMEs lack concrete thresholds to assess material topics). DMA for SME should be removed or provide more sector guidance. • (1 association) replace materiality with a “comply or explain” to ease the reporting burdens for SMEs (i.e. German Sustainability Code)
Subsidiary exemption	<ul style="list-style-type: none"> • (common) Agree with subsidiary exemption, but voluntary reporting” proposes to leave to companies to decide on consolidated report or gradually include subsidiaries.
Sector-specific dimension	<ul style="list-style-type: none"> • (common) - preference for option 3 - Undertakings applying VSME ED should apply on a voluntary basis sector specific guidelines and disclosures designed for non-listed SMEs, to be issued by EFRAG as a non-authoritative annex to the future sector-ESRS.
Language implementation support /	<ul style="list-style-type: none"> • (common) - Clearer language and fewer abbreviations are needed. Additionally, more examples are also needed. • VSME refers to external links which are not simple, and extremely long (such as the WRI’s Aqueduct Water Risk Atlas or the GHG protocol). Most of the (external) tools are listed in English and will not be translated into the 24 EU languages. • “if applicable” – there needs to be an explanation for how CSRD companies will be able to deal with “omittance” when certain metrics are reported as “not applicable” by SMEs. • Checklists, free seminars etc. are needed + explanatory notes.

Detailed feedback from Comment Letters (outside online survey)

Costs	<ul style="list-style-type: none"> (common)- The complexity of the standard need to be reduced to avoid using consultants to reduce costs of VSME. No auditing should be imposed.
Timing and location of sustainability report	<p>(1 association)- Paragraph 15: it is appropriate to make express reference "also to the documentation relating to the positive outcomes of the mandatory public controls on profiles of immediate implementation of the sustainability objectives (e.g. the verification by inspectors or public auditors of the democratic or worker/users-participated governance)".</p> <p>(2 associations) There should be no consolidation of the VSME and should not happen yearly as SME investments do happen on a yearly basis.</p>
Coherence with ESRS Set 1	<p>(1 association) It appears that the LSME Standard and the VSME ESRS ask for the same content but with different wording and order, creating extra costs without added benefit. The EU Commission tasked EFRAG with creating an easier-to-apply standard for small and medium-sized companies. It is unclear why two standards are offered, which seems unnecessary.</p>
EU Taxonomy	<p>(1 Association) VSME should not include additional data points to cover EU Taxonomy disclosures. Data points can be added to VSME standards in future, but not currently due to EU taxonomy being work in progress.</p>
Basic Module	<p>General Module Specific Comments (compiled across associations):</p> <ul style="list-style-type: none"> Disclosures should be tailored - to easily gather info without having to hire professional ESG experts Basic metrics refer to other EU and international legislation or EMAS which SMEs are not familiar with or don't use. Recommend removing reference unless absolutely necessary for reporting Some personal data in conflict with data protection B2: to include for cooperatives: <ul style="list-style-type: none"> "The effective participation of workers, users or other interested parties or communities in governance" "the financial investment in the capital or assets of social economy entities referred to in the Council Recommendation of 29 September 2023 (excluding donations and contributions)" "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)" B3: energy consumption should be measured in Joules, since MWh is a second level conversion measure. B9: Data on accidents, less so on work related deaths, may have different definitions depending on the industries and professions. The data should be made comparable between same sectors. B10: add letter 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

	<p>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. ● B11: add positive impacts. The ability to report on external data outside EU is very low, therefore the whole value chain aspect should be dropped as in Europe it’s protected by law. ● B12: to delete. Convictions and fines for corruption and bribery according to the respondent have nothing to do with sustainability.
<p>Narrative Module</p>	<p>General Module Specific Comments (compiled across associations):</p> <ul style="list-style-type: none"> ○ Need to adjust for SMEs and micro-enterprises reporting their PAT – as likely only the largest/sophisticated SMEs would be able to report PAT in its entirety ○ Risk that clients' banks would request information from SMEs which detrimentally affects SMEs with less experience in sustainability reporting meet requirements of this module and therefore excluded from private or public contracts. ○ PAT module should not be included in VSME standard if it’s retained that companies would need sector-specific guidance. ● N1: recommend including the following for cooperatives: <ul style="list-style-type: none"> ○ “existence of institutions or mechanisms for the democratic involvement of workers, users or other interested parties or communities in governance; existence of financial investments in the capital or assets of social economy entities referred to in the Council Recommendation of 29 September 2023 (excluding donations and contributions); existence of limits to the distribution of profits connected to the mutualistic nature or to the nature of the activities consisting of services of general economic interest (SGEI)”; existence of ethical reference principles adopted by the company, which may include sustainability considerations” - reference is made to cooperative principles, among which intergenerationally, interest in the community, information, training and education of members, which inspire cooperative businesses globally ● N4: necessary to "specify whether the involvement is merely consultative/informative, or it is actually accompanied by democratic governance mechanisms of the company and whether there are mechanisms to protect the interests of workers, users and communities interested who are eligible to be admitted to the cooperative business”. ● N5: SMEs do not have a governance body, questions on the specific governance should not be asked, instead descriptive/ qualitative

Detailed feedback from Comment Letters (outside online survey)

	<p>questions should be asked. However, users may want data which is quantifiable.</p>
<p>Business Partners Module (BPM)</p>	<p>General Module Specific Comments:</p> <ul style="list-style-type: none"> • Paragraph 67: question concerning whether consortiums are to be considered suppliers and therefore fall within Scope 3. • (1 association) - Does not agree with BPM as replacement and standardization are too burdensome and complex for SMEs to interpret without external support. • (1 association) Recommends: <ul style="list-style-type: none"> • BP1, BP8, BP9 - Avoid references to other EU/international legislation and reliance on instruments designed with multinationals in mind. • BP1 – BP5, BP7 – BP10 - Data requests are not adapted to majority of SME. • BP3 (2 respondents) – don't agree with inclusion of GHG Scope 3 emissions in BP Module due to resource constraints, difficulty to obtain accurate info and lack of power/control up and down value chain. Use of "EU GHG calculator" for SME to provide approximation of scope 3 emissions • BP4 - Proportionate approach for SMEs rather than transition plans <ul style="list-style-type: none"> • E.g. Could focus on company's GHG reduction plan without reference to alignment with Paris Agreement (too conceptual for SME). • BP8 - Disclosure Annex 2 Basis for Conclusion; overall too complex for SME. Consultation aimed at micro, small and medium sized enterprises, yet reference made to the "OECD Guidelines for Multinational Enterprises." • BP9 – References to external guidelines should be omitted

User (1 rating agency)

<p>VSME role to replace Business Partner Questionnaire</p>	<p>Business partners will still require 3rd parties to engage with SMEs, including through questionnaires, to:</p> <ul style="list-style-type: none"> ○ Collect this data (at least until it is easily available publicly) ○ Analyse the data based on their specific needs (for instance, the data needs from lenders, investors, and corporate clients may differ) ○ Provide an opinion on the level of performance disclosed by SMEs
<p>Proportion of ESG questionnaires that could be replaced by VSME</p>	<ul style="list-style-type: none"> • above 80% of the information from the respondent's Sustainability Rating is included in the VSME Standard. However: <ul style="list-style-type: none"> ○ Some topics covered in the respondent questionnaires are not covered as explicitly as in the VSME ○ The respondent's questionnaires define a large list of specific actions for each material sustainability matter, customized to the company profile. This information cannot be replaced by the

Detailed feedback from Comment Letters (outside online survey)

	<p>current VSME questionnaire, which does not define standardized disclosures on actions in place.</p> <ul style="list-style-type: none"> ○ It is not possible to guarantee that all information produced as part of PAT Module would be considered sufficient as part of the rating ○ The information collected through the Rating Questionnaire provides more granular and actionable insights on the sustainability management system of companies
Value chain cap	<ul style="list-style-type: none"> ● They agree with the value chain approach adopted by EFRAG as for all listed areas of disclosure, undue effect is not expected from ESRS reporting.
Architecture	<ul style="list-style-type: none"> ● Respondent agrees that the different approaches and module combinations are adequate to accommodate the different needs. Important to note that their network of SMEs demonstrates that SMEs have more difficulties to report on metrics, than on narrative information.
Sector-specific dimension	<ul style="list-style-type: none"> ● Undertakings should apply on a voluntary basis sector specific guidelines and disclosures designed for non-listed SMEs, to be issued by EFRAG as a non-authoritative annex to the future sector ESRS.
Basic Module	<ul style="list-style-type: none"> ● It would be helpful to provide an overview to help companies identify where they should read for which modules. Additionally, an overview of disclosures (with the distinction of “if applicable”) would also be helpful. <ul style="list-style-type: none"> ○ B3: covered in Rating questionnaire ○ B4: partially covered Rating Questionnaire. <ul style="list-style-type: none"> ▪ Pollutants to soil not available ▪ Pollutants to water not collected anymore (since 2024) due to too low reporting capabilities. ○ B5: not covered ○ B6 water withdrawal: not covered ○ B6 water consumption: covered ○ B7 recyclable and recycled content in products and packaging: not covered ○ B7 waste: covered ○ B8: partially covered. Number temp/permanent emp, and number emp/country, are not covered. ○ B9 covered ○ B10 Ratio of entry level wage to min wage: Partially covered. Respondent assesses living wage instead of minimum wage. <ul style="list-style-type: none"> ▪ B10 gender pay gap: covered ▪ B10 Percentage of employees covered by collective bargaining agreements: Covered ▪ B10 Number of training hours: partially covered. Breakdown/gender not available. ○ B11: partially covered. Respondent assesses impacts on affected communities only for large size companies. ○ B12: partially covered. Convictions are covered by results of the 360° watch, fines are not recorded.

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Narrative Module	<ul style="list-style-type: none"> • N1: partially covered – rating questionnaire doesn’t have questions regarding the company’s business model. • N2: partially covered – rating questionnaire asks companies to provide materiality assessment but doesn’t require to disclose any details • N3: partially covered - rating questionnaire covers policies, actions and targets related to material sustainability matters (e.g. ghg emissions qualitative objectives and targets, awareness training performed to prevent corruption) but doesn’t cover parts related to financial risks • N4: partially covered - stakeholders engagement topic is not explicitly covered for extra-small to medium size companies • N5: partially covered - governance is partially covered in the rating questionnaire but no specific details are required
BP Module	<ul style="list-style-type: none"> • Scope 3 emissions: covered • BP1: Not covered • BP2 and BP 3 covered. • BP4: partially covered. Only captured if the target is aligned with SBTi. • BP5: not covered • BP6: covered. • BP7: not covered • BP8: partially covered. Concerning guidelines, laws, conventions are not directly mentioned in the rating questionnaire. • BP9: covered. • BP10 and BP 11 not covered.

Others

- 6 association of accountants
- 1 academic
- 2 standard setters
- 3 authorities

VSME role to replace Business Partner Questionnaire	<ul style="list-style-type: none"> • Standard Setters: the role was well supported. One standard setter stated that additional SFDR datapoints need to be included. • Accountants: only one respondent mentioned that the expected replacement of Business Partner Questionnaires is 20-50%. • Academic: No comments. • Authorities: <ul style="list-style-type: none"> ○ general support for the draft VSME ESRS which will allow SMEs to benefit from a standardized and simple reporting framework. ○ Another authority asks for the narrative-Pat module and specifically the BPM to be structured according to the type of external financing (bank, investor) or the type of supply chain parties (larger/smaller, manufacturing/services) with whom the SME is engaged.
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	<ul style="list-style-type: none"> <ul style="list-style-type: none"> <ul style="list-style-type: none"> ▪ To achieve its desired role, this authority suggest that EFARG should specify in their standards and accompanying guidance documents that credit institutions and financial market participants are advised to use the VSME standard for their general appraisal of SMEs and the sustainability profile of their main activity, including in cases where the SME does not publicly disclose any voluntary reporting as they might have the information readily available for key stakeholders and might not wish to make it publicly available. This would help to reduce the burden on SMEs when approaching different financial institutions with their loan/investment request. Furthermore, the Platform recommends EFRAG to advise large enterprises to use the VSME standard for information requests towards SMEs in their supply chain as far as possible. ○ Another authority states that the VSME fulfils its goal, however at times it asks for more information than necessary and in other sections leaves gaps.
Value Chain Cap	<ul style="list-style-type: none"> • Standard Setters: Split views. One standard setter agrees with LSME being the value chain cap, the other requests the VSME to be the value chain cap. • Accountants: All accountants highlighted that VSME should be the Value Chain Cap and called for greater alignment between ESRS LSME and VSME. • Academic: No comments. • Authorities: The draft LSME ESRS cannot as it stands fulfil the function of “cap in the value chain” attributed to it by the CSRD as it may increase sustainability information demands on SMEs which have been kept out of the scope of the directive.
Architecture	<ul style="list-style-type: none"> • Standard Setters: One Standard setter asked to insert an additional datapoint where SMEs will need to provide information if they choose to change the modules, they disclose from one year to another. • Accountants: Overall support of the modular approach in VSME. However, two respondents highlighted that the Basic Module alone would not be sufficient to cover information requests as a combination of Basic + BP Module would be necessary. As such, one recommended moving the Narrative Module after the BP Module. • Academic: Support the modular approach even if in general the Standard is perceived as too extensive and detailed. In addition, greater language simplifications are requested. • Authorities: <ul style="list-style-type: none"> ○ Develop an open access tool to help companies collect and report sustainability information. ○ Another authority suggest that the Business Partners (BP) module could be divided into three submodules: one for supply chain requirements (linked to CSRD), one for investor needs (related to BMR and SFDR), one addressing banking requirements (CSRD and Pillar 3), and a final one for the Streamlined Approach.

Detailed feedback from Comment Letters (outside online survey)

	<ul style="list-style-type: none"> ○ Preferably, and as mentioned above, these indicators would be allocated to specific submodules: <ul style="list-style-type: none"> ▪ one for supply chain (CSRD), ▪ one for investor needs (BMR and SFDR), ▪ one addressing banking requirements (CSRD and Pillar 3) and a ▪ final one for the proposed Streamlined Approach. ○ The authority suggests that the BM indicates that 'Micro SMEs seeking bank lending could benefit by also using the proposed bank sub-module within the BPM for their disclosures'. ○ Additionally, this same authority suggests making a unified reporting template and data collection infrastructure through XBRL, in the absence of an online tool <ul style="list-style-type: none"> ▪ Referring to the online tool the platform also suggests establishing an interactive online tool drawing from the VSME's appendix B
Timing and location of sustainability report.	<ul style="list-style-type: none"> ● Authority: <ul style="list-style-type: none"> ○ One authority suggests ensuring that the sustainability report shall be prepared on annual basis, which is aligned with the frequency required under the Pillar 3 framework. From the perspective of the user of information disclosed by entities in the value chain, the "time-gap" between the disclosure date and reference date of data used shall be well acknowledged.
Sector-specific dimension	<ul style="list-style-type: none"> ● Standard Setters: One standard setter stated that if and when EFRAG decides to develop a sectorial ESRS adapted to SME (listed and non-listed), reference to sector in the VSME ESRS (ie. B6, B7, BP1, BP3 among others) would be deleted in order to have a sector agnostic standard such as ESRS Set 1 and LSME ESRS. ● Accountants: One accountant highlighted the need to develop an implementation guidance outlining material sustainability issues per sector in a concise <5-page table format. Two accountants highlighted that undertakings should apply on a voluntary basis sector specific guidelines applicable to both listed and non-listed SMEs, to be issued by EFRAG as a non- authoritative annex to the future sector-ESRS. ● Academic: No comments. ● Authorities: add voluntary datapoints for relevant sector-specific information (volume of activity, carbon intensity ratios for high-impact sectors); + increase the focus on sectors and provide them guidance: in particular, simplify the materiality analysis by drawing up a brief guide to clarify the main material issues by sectors and by specifying how to conduct a simplified materiality assessment for SMEs;
Materiality	<ul style="list-style-type: none"> ● Standard Setters: One stated that the materiality analysis is difficult but nonetheless supports EFRAG's approach to keep it in as risk management tool for SMEs. The other agrees to keep it (as it only applies to PAT module, i.e. undertaking who already have PAT in place), but stated that it requires simplification and adapted guidance. ● Accountants:

	<ul style="list-style-type: none"> ○ Three accountants deem that guidance should be provided for materiality analysis being highly difficult for SMEs to understand. ○ In particular, one suggests to present it in a flowchart to illustrate the reasoning that leads to determining whether or not a topic is material due to its impact or its financial consequences. ○ Another accountant suggests including a reference to the MAIG developed for the ESRS. Moreover, another respondent suggests introducing positive impacts as for LSME. Lastly, one accountant suggests removing materiality analysis and replace it with the “if applicable approach”. ● Academic: No specific views on materiality for Narrative and BP Module, but agreement with the “if applicable approach” to replace materiality in the Basic Module. ● Authorities: materiality seen as complicated. It is recommended that SMEs should be encouraged to provide brief explanations for their submodule and sustainability topic selections based on their activities and context. SMEs could explain briefly why they provided information on one environmental or social subject and not on others. Lastly, the standards should make clear that SMEs should prioritise responding to those indicators which relate to the type of financing (bank lending, private equity) or the type of supply chain partners (larger/smaller, manufacturing/services) that the SME is in business with. Preferably these indicators should be divided into 3 sub modules.
Basic Module	<ul style="list-style-type: none"> ● Standard Setters: <ul style="list-style-type: none"> ○ Request to clarify the “if applicable” approach ○ B1: <ul style="list-style-type: none"> ▪ add information on the adopted collective labour agreement ○ B3: <ul style="list-style-type: none"> ▪ add - Level of energy efficiency of the collateral (energy performance score in kWh/m2) that is Pillar 3. ○ B4: <ul style="list-style-type: none"> ▪ Clarify “if applicable” ○ B5: <ul style="list-style-type: none"> ▪ Clarify “if applicable” ○ B6: <ul style="list-style-type: none"> ▪ Water consumption should be reported by all undertakings regardless of its activity. If undertaking do not have any water discharge from its activity, it should be pointed out. ○ B7: <ul style="list-style-type: none"> ▪ Move metric BP6 (Hazardous waste and radioactive waste ratio) from Business Partners Module to this metric (B7) in the Basic Module. ▪ Paragraph 33 a and b could be more generic so that all non-listed SME could disclose about it, for example, total

	<p>amount of recycled inputs used and total amount of outputs that are recycled.</p> <ul style="list-style-type: none"> ○ B9: <ul style="list-style-type: none"> ▪ Add the number of days lost to work-related injuries and fatalities from work-related accidents, work-related ill health and fatalities from ill health; and the number of incidents of discrimination leading to sanctions or final decision (both SFDR).. ○ B10: <ul style="list-style-type: none"> ▪ Move paragraph 36 b to the Business Partners Module. ○ B11: <ul style="list-style-type: none"> ▪ Specify that the information may also be provided with regard to positive impacts. ○ B12: <ul style="list-style-type: none"> ▪ Omissions (when datapoint not applicable) shall present explanations. For example, if a company does not have fines for corruption (B12 – Convictions and fines for corruption and bribery), it might be advisable to state this clearly. <ul style="list-style-type: none"> ● Accountants: Three accountants provided detailed feedback on the Basic Module. <ul style="list-style-type: none"> ○ One accountant had the following comments: <ul style="list-style-type: none"> ▪ B1: add disclosure of sector(s), turnover (range), and location(s) of head office and main sites. ▪ B2: In addition to the examples provided which are very useful, mention the labels and certifications obtained, if any. ▪ B10: simplify the training indicator: total cost of training divided by total payroll. Revise the disclosure on minimum wages: the disclosure is unclear in its wording and would benefit from simpler wording. ▪ B11: delete disclosure. ○ Another accountant had the following comments: <ul style="list-style-type: none"> ▪ B3: difficult for SMEs to report on Scope 1 emissions from controlled resources ▪ B5: requires specific knowledge it should be simplified ▪ B8, B9, B10: These metrics cover only employees which is not coherent with the definition of own workforce in ESRS S1. We suggest aligning the definitions. ○ Another accountant had the following comments: <ul style="list-style-type: none"> ▪ data collection issues and especially reliance on third parties (e.g. B7) or for estimates (e.g. B3 - Scope 1 & 2) ● Academic: No comments. ● Authorities: simplify guidance for B6, B5, B3. <ul style="list-style-type: none"> ○ Another authority suggested to include Production volumes at granular level (MWh for electricity production; tons.km or passengers.km for the road freight and road passenger transport;
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	<p>etc.). This information, together with the related GHG emissions, will allow a robust calculation of the company’s departure point and trajectory. However, it should be disclosed with a sufficient granularity.</p> <ul style="list-style-type: none"> ○ Another authority stated that it regards annex C to be missing references with B3.
Narrative Module	<ul style="list-style-type: none"> ● Standard Setters: <ul style="list-style-type: none"> ○ Clarify the “if applicable” approach. ○ No other specific comments ● Accountants: In general, some accountants argued that the vocabulary in the Narrative Module should be further simplified. <ul style="list-style-type: none"> ○ One accountant had the following specific comments: <ul style="list-style-type: none"> ▪ N1: The description of main business relationships should stay at a category level in paragraph (c). to protect the confidentiality of strategic business relationships ▪ N2: Deletion of the details on financial effects, as those requirements have been identified as a difficult exercise in the full ESRS, justifying phase-in measures for large companies. ▪ N3: consolidation of information on stakeholders in the value chain under disclosure N3 on human rights policies (previously required in different locations of the basic and BP modules) and more generally for all sustainability matters. <ul style="list-style-type: none"> ● Add “if applicable” to paragraph 60 (b) v. ▪ N4: moving of information on key stakeholders to disclosure N 2 to avoid redundancies ▪ N5: Simplify the paragraph to require disclosure stating whether the undertaking appointed responsibilities in relation to sustainability matters. ● Academic: No comments. ● Authority <ul style="list-style-type: none"> ○ One suggests translating this module into binary and close-ended questions to the extent possible (complemented with additional free text options). ○ Another suggests keeping the datapoint of this module as they are important for business counterparts. ○ Another authority suggests adding additional datapoints related to: Actions implemented or scheduled to reduce emissions and the financial resources committed for implementation of these actions. This information would help to identify tangible action and limit attempts of greenwashing. Moreover, the financial resources being conditional on the existence of action to reduce emissions by the company, they do not seem to add a disproportionate reporting burden.
BP Module	<ul style="list-style-type: none"> ● Standard Setters: <ul style="list-style-type: none"> ○ BP1:

	<ul style="list-style-type: none">▪ Add that the undertaking shall state whether or not it is excluded from the EU Paris-aligned Benchmarks in accordance with the exclusion criteria stated in Articles 12.1 (d) to (g) and 12.2 of Commission Delegated Regulation (EU) 2020/1818.○ BP3:<ul style="list-style-type: none">▪ Add text underlined: If the undertaking has set GHG emission reduction targets, it shall provide its GHG emission reduction targets (<u>in absolute amount and specifying the target year</u>).○ BP5:<ul style="list-style-type: none">▪ BP5 to be replaced by: the location of single local units, NACE code of single local units (if different from NACE code of the undertaking), net turnover for local unit or, if not available, employees for local unit, presence of insurance coverage against physical risk events with specific indication of i) start date and expiry date, ii) type of risk, iii) amount insured, iv) any deductible [all pillar 3].● Accountants:<ul style="list-style-type: none">○ One accountant had the following specific comments:<ul style="list-style-type: none">▪ BP7, BP8, BP9: too heavy constraints for SMEs.▪ BP10, BP11: these two disclosures are irrelevant○ Another accountant had the following specific comments:<ul style="list-style-type: none">▪ Suggestion to merge BP3 and BP4 into one disclosure.▪ BP5: These indicators seem complex for SMEs. Replacing asset-based analysis with site-based analysis would be more practical for SMEs.▪ BP7 & BP8: Those international instruments are specifically developed for multinational enterprises and countries, they shouldn't be used for SMEs, as they are obviously not fit for purpose.▪ BP7, BP8 & BP9: It would be relevant to group these three disclosures.▪ BP10: delete this disclosure.○ Another accountant respondent had the following specific comments:<ul style="list-style-type: none">▪ BP4, BP5 and BP6: require support from 3rd parties.▪ BP10 and BP11: no value added for these disclosures.● Authorities:<ul style="list-style-type: none">○ An authority highlights the importance of maintaining consistency across data points within the Business Partners module linked to Principal Adverse Impact indicators.<ul style="list-style-type: none">▪ BP 2 – Gender diversity ratio in governance body” inconsistency with PAI 13, which is to be expressed as a percentage of all board members.▪ BP 6 – Hazardous waste and radioactive waste ratio” inconsistency with PAI 9 (hazardous waste ratio, seeking
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	<p>metric tons to calculate owned hazardous waste at the portfolio level)</p> <ul style="list-style-type: none">▪ General consistency check and adaptation needed when ESAs proposals finalized. It should be ensured that the potential adoption of the new draft RTS published by the ESAs in December 2023 is reflected in the VSME standards.▪ BP 7-9: SMEs minimum safeguards through BP 7-9 within the newly proposed investor sub-module, also for Bank Transparency and Accountability Regulation. Due diligence requirements on human and labour rights are also at the core of the Corporate Sustainability Due Diligence Directive.▪ Suggestion to provide specific cross-referencing to all relevant EU legislations (Pillar 3 ITS templates, SFDR datapoints, and EU Taxonomy Regulation KPIs) to facilitate the access of information for all market participants. The cross-referencing should be included in a separate annex.▪ In B1: add information on SMEs' "main activity." to improve banks' access to information in line with Pillar 3 ITS disclosures. <ul style="list-style-type: none">○ Another authority underlines that datapoints of this module shall be kept as they are important for business counterparts.○ Another authority stated that it regards annex C to:<ul style="list-style-type: none">▪ Missing references with regard to BP1. - while Pillar 3 framework does not require information on the revenues, it is indeed required information on whether the entity is active in certain sectors. In this sense, we would suggest that this is made clear in the respective footnotes (when referring to Pillar 3 – template 1). In addition, similarly to the “production of tobacco” and “fossil fuel” we would suggest that a reference to Pillar 3 is also considered for “chemicals productions” as this is listed in the sectors under Template 1.
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