

BASIC MODULE

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

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



COMPREHENSIVE MODULE

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

COMPREHENSIVE MODULE (New proposed approach)

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

AND

ADDITIONAL FINANCIAL INSTITUTIONS (AFI) MODULE

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

AFI MODULE (New proposed approach)

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

Note: To be coherent with the comments from Agenda Paper 05-02 from July's SR TEG and SRB meetings, in this document references to the Comprehensive Module are referred to as Business Partners Module (BP) disclosures. References to the Additional Financial Institutions Module, for the same reason, are also referred to as the "Advanced Module".

ENVIRONMENT

ID	Reference in VSME ED	CHANGE PROPOSED IN PAPER 05-02	FINAL DECISION AT SR TEG (16 July)/SRB (10 and 17 July)	Implemented in new version of VSME (Yes/No)
ENV1	B3 - Energy and Greenhouse Gas Emissions	Allowance for market-based is provided in guidance. No change.	The location-based approach is not useful as it does not allow to take any decarbonization action. However, the market-based approach is the suggested one to reduce Scope 2 emissions as it is actionable, and it should be included along with the location-based approach.	/
ENV1	B3 - Energy and Greenhouse Gas Emissions	§25 already requires the use of estimates.	Approved, but clarify in §25(b) that it could be "electricity, steam or heat" (proper definition from the GHGP).	Yes
ACT 7	B3 - Energy and Greenhouse Gas Emissions	EFRAG will not be directly responsible for delivering tools. However, EFRAG could support the promotion of coordinated implementation efforts by Member States, including the availability of online calculators and databases for inputs for GHG.	Approved.	To be done after VSME
ENV1	B3 - Energy and Greenhouse Gas Emissions	Add building energy performance certificates if available (CORE module to be discussed, instead of BP5(e) (simplification)).	Approved, but request to add Vehicle Emission Standard (with the aim of facilitating SMEs in showing their efforts, and fulfilling certain requests that are already coming from large entities) and enquire on usefulness for banks during the upcoming workshop with them.	Yes & To be clarified with banks
ENV2	B3 - Energy and Greenhouse Gas Emissions	Add guidance on issue of shared facilities and calculation of different indicators.	Approved, but also add guidance on GHG protocol (current page 20 of guidance) with summary and simplified calculation (ideally online).	Yes
ENV3	B3 - Energy and Greenhouse Gas Emissions	Add, where activities relate to energy production, the amount of energy production (split between renewable and non-renewable) (if applicable) module.	Approved	Yes
ENV4	B3 - Energy and Greenhouse Gas Emissions	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).	Approved, but also remove external links (or keep, but summarise the main points of external reference in the guidance). Alternatively, include the consumption levels and let banks carry out the emissions calculations	Yes
ENV5	B4 - Pollution of air, water and soil	Guidance should make explicit this is only required of certain types of SMEs, which typically will not include service/office-based businesses, i.e. (differentiation between production & service SMEs).	Approved	Yes
ACT 8	B4 - Pollution of air, water and soil	EFRAG Secretariat is also cooperating with CEN/CENELEC to map ISO 14001 to VSME	N/A	To be done after VSME
ENV6	B4 - Pollution of air, water and soil	Clarify "or that it already voluntarily reports according to an Environmental Management System such as EcoManagement and Audit Scheme (EMAS)"	Approved	Yes
ENV7	B4 - Pollution of air, water and soil	A list of main pollutants to water (Total solids, COD, BOD, N, P and heavy metals), air (PM10, SOx, NOx, etc) and soil (spills) can be added, as well when they may occur (i.e., in what SMEs activities) can be provided.	Agreement at SR TEG to include with a caveat the most frequent pollutants based on EU law.	Yes
ENV8	B4 - Pollution of air, water and soil	Require disclosure on whether SMEs already report this data (according to law, EMAS, etc.)		Yes
TB1	B4 - Pollution of air, water and soil	A list of all pollutants does not make sense and would overwhelm users. Propose alternative requirements on emissions other than GHG emissions for TEG discussion.	Agreement that a full list of pollutants is not possible.	/
ENV9 and ENV10	B5- Biodiversity	"Near" is defined in §120 and can be included in glossary.	Approved	Yes
ACT 9	B5- Biodiversity	Links for tools provided by global consortiums to map the different conservation areas. Would be useful if these tools would be translated into EU main languages and engagement with the consortiums to further improve it for EU SME usability. All this would strengthen the tools and would be most cost-effective. EFRAG could support member states as relevant.	Approved	To be done after VSME
ENV11	B5- Biodiversity	More guidance and examples can be provided, E.g., an explanation with examples on how to calculate the different land areas.	Approved, but do not refer to EMAS in guidelines as it is too complex, ensure simplified guidance on land use	/
TB2	B5- Biodiversity	Discuss at TEG if should be changed to "within" (inside).	No decision taken	NA
TB3	B5- Biodiversity	TO BE DISCUSSED IN TEG the feasibility opportunity for geolocation, secretariat has concerns about unintended consequences	Secretariat will draft a proposal	Yes
ENV12	B5- Biodiversity	Suggest making B5 paragraph 29 a "shall" only if SME has sites in or near biodiversity-sensitive areas (paragraph 28) for certain sectors. [under ESRS E4 paragraph AR 34 the same requirements are a "may" disclosure (Set1 consistency).]	No decision taken	NA

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ENV13	B6-Water	Guidance will be added (for water and other BM disclosures) for simple calculation methods when using shared offices/co-working facilities; some simplification of the guidance is needed on water consumption, users seem to be confused with references to water discharges (a scheme would probably be best) as well as how to use water utility bills; for high-stress areas	Approved, agreement on the need to simplify existing guidance and to remove external reference links (these are complex and long to read + language barrier)	Yes
ENV14	B6-Water	Applicability of water consumption vs withdrawal can be strengthened in the guidance. [Terminological differences (e.g., withdrawal, consumption) are already explained in the guidance.]	Approved	Yes
TB4	B6-Water	The terms water consumption and withdrawal come from Set1. Discuss with TEG its inclusion or not.	Agreement with secretariat proposal. No change.	Yes
ACT 9bis	B6-Water	On WRI tool, the threshold is high water stress, this is >40% of ratio of water demand/waterrenewable supply. Clarify with PSF comment, but for now do not request a new data point.	Yes, no new datapoint should be requested. Plus, one SR TEG member pointed out that the WRI Global Risk Atlas tool mentioned in the guidance was difficult to navigate through (difficult to find the relevant parts) and it was only in English thus it cannot be used by entrepreneurs.	Yes
ENV15	B6-Water	Instead of a quantitative threshold provide some guidance on potential applicability (e.g. office/service based/co-working not applicable; if in low/medium-low risk area not applicable).	Approved, simplify	Yes
ENV16	B7-Resource use, circular economy and waste management	Suggest that these disclosures are streamlined with EMAS (and ISO14001, to be assessed).	no conclusion reached (see ENV17)	Yes
ACT10	B7-Resource use, circular economy and waste management	Do not propose to add national guidance, this would considerably increase guidance volume and would be very time consuming. To deal with this issue, the approach to tools and engagement for SME support at national level needs to have a clear strategy.	Approved	To be done after VSME
TB5	B7-Resource use, circular economy and waste management	Paragraph 33(d) qualification as a "may" disclosure, to be proposed for SR TEG discussion.	No conclusion reached	Yes
ENV17	B7-Resource use, circular economy and waste management	Simplify in accordance with EMAS to make it easier to calculate (also a solution to concerns on paragraph 33(a,b)).	Yes, but 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.) - significant challenge for SMEs relying on imported materials- and this should be reflected in paragraph 33b.	Yes
ENV18	B7-Resource use, circular economy and waste management	Radioactive waste will be part of the Advanced module, which includes the BP7 datapoints.	SRB asked to move it to Advanced Module ("radioactive waste"). SR TEG agrees	Yes
ENV19	B7-Resource use, circular economy and waste management	Consider units used in different regulations and Set 1 and consider allowing both (believe was changed from weight to volume as considered friendlier for smaller companies).	Approved	Yes
TB9	Scope 3 (paragraph 69-71)	Explore with SR TEG the options for Scope 3 requirements (leave them in the Core module or move them to the Advanced module).	<p>TEG Member 1: The disclosure of Scope 3 GHG emissions should be required for high climate impact sectors, and where material for other sectors, while deleting the entity-specific consideration for all sectors, because it may bring confusion.</p> <p>TEG Member 2: It is not highly difficult. The development of a model based on estimates can take 40 hours and it may provide very valuable information to understand supply chains.</p> <p>TEG Member 3: Scope 3 is an information that is already often requested from (larger) SMEs. While micro and small entities are afraid that addressing Scope 3 will be the trigger for an additional request (and therefore prefer not to address Scope 3 in the VSME at all) it is important for those SMEs that have to provide the information to explain/support Scope 3 information in the VSME. Therefore, support for Advanced Module with a clearer statement on Scope 3 information (currently it is "merely" an example for industry/entity-specific information).</p> <p>TEG Member 4: Considering the results of public consultation and field test, this item could be moved to ADVANCED module (if finally this module is included in VSME), make it voluntary or only mandatory for some sensitive industries (which also would be consistent with the new approach of revised LSME).</p>	Yes
ACT13	Scope 3 (paragraph 69-71)	Explore the approach to tools, which could make easier (and potentially meaningless) the S3 calculation.	<p>TEG Member 2: Discussed in TEG: a calculator like this can be conflicting with local approaches and regs. Scope 3 estimates should be tailored - this was the aim of Quantis, the GHG Protocol calculator for Scope 3 but the outcomes were useless, not adjusted by currency, by inflation among other flaws.</p> <p>TEG Member 3: agree</p> <p>TEG Member 4: agree</p>	To be done after VSME
ENV20	BP 3 - GHG emissions reduction target	Guidance will be strengthened with some additional materials from SBTi for SMEs. However, considerable effort needs to be done to easily translate SBTi concepts into SME actionable steps. Guidance to be included to the extent feasible in available time. To be considered subsequent action.	<p>TEG Member 5: Still a very complicated data for SMEs to acquire. It will need further practical and understandable guidance and tools for SMEs to fully understand and provide results on GHG reduction targets. However, providing a detailed decarbonisation path will require external help which will necessarily be costly and time-consuming for SMEs. This has to be avoided.</p> <p>• Para 76 As we can accept that SMEs have to calculate/estimate GHG emissions according to B3 anyway, under the condition that a free and simple calculation tool is provided, the logical next step could be indeed to set an annual GHG emission reduction target, it may be in absolute figures or percentage....</p> <p>• The Guidance given in para 174-176 should be rewritten and simplified. We question why "removals and avoided emissions do not count as emissions". In addition what should be considered as "a removal and/or avoided emission"? These terms need to be clarified, if kept, but we do not see any reasons not to include them.</p> <p>• Guidance para 177 is then again a too far-reaching condition, "... undertakings should consider the existing scientific evidence on GHG mitigation, ... cross-sector target in GHG emissions reduction, etc....", one cannot expect from entrepreneurs to be informed about existing scientific evidence on GHG mitigation, to research and study all that. This should be skipped.</p> <p>TEG Member 4: agree</p>	Yes
ENV21	BP 3 - GHG emissions reduction target	On the points raised by banks, SF Platforms, and standard setters, ok with merging with BP4 and making targets more actionable and TP easier.	<p>TEG Member 3: agree</p> <p>TEG Member 5: In favour of EFPA Secretariat Orientation under the condition that a general accepted, free and simple calculation tool will be available at the moment of the publication of the VSME. The data are still very complicated for SMEs to acquire. It will need further practical and understandable guidance and tools for SMEs to fully understand and provide results on GHG reduction targets. However, providing a detailed decarbonisation path will require external help which will necessarily be costly and time-consuming for SMEs, which has to be avoided.</p> <p>TEG Member 4: agree</p>	Yes

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TBD11	BP 3 – GHG emissions reduction target	On targets in % and absolute value, to be brought up for SR TEG consideration and explained in the guidance how targets can be expressed.	<p>TEG Member 1 (minor comment): proposal to add: (a) the target year and value, (b) the base year and value, (c) the units used for targets.</p> <p>TEG Member 3: from the paper 05.02 I understand that the absolute value is a very important figure for the users of SME sustainability information; therefore, <u>agree to include</u>.</p> <p>TEG Member 4: agree to include</p> <p>TEG Member 6: With regard to BP 3 GHG emissions reduction target, the targets should be in absolute amount and specifying the target year.</p>	Yes
TBD11	BP 3 – GHG emissions reduction target	Intermediate objectives, GHG emission intensity, GHG emission targets in high impact sectors, GHG removals and avoided emissions are topics to be discussed at SR TEG on whether to include them in the Advanced module.	<p>TEG Member 1 (minor comment): supports the addition of a disclosure of pertinent sectoral GHG emission intensity ratio that is also defined by the guidance.</p> <p>TEG Member 3: Would be important to base the discussion on what really matters / is necessary to users of these information.</p> <p>TEG Member 4: Although the proposal is to include them in the ADVANCED module, the DR/datapoints discussed are so complex and probably out of the scope of many non-listed SME. There is certain degree of consensus about the appropriate complexity of the datapoints discussed on public consultation. At this point is important to clarify what the purpose of ADVANCED module proposed is, is it though for non listed SME (VSME) or it is though such as the extra module for the new ESRS for listed SME (VSME+)? In first case, we consider that it would be better not to significantly increase the complexity of VSME. In the second one, this discussion is focused on non-listed SME.</p>	Yes
ENV22	BP 4 – Transition plan for climate change mitigation	Do not propose explaining scenarios, etc. Better explain in simple words the challenge in terms of emission reductions and the type of steps that companies can take to achieve them, with a few practical examples.	<p>TEG Member 3: Ok</p> <p>TEG Member 4: Ok</p>	Yes
ENV23	BP 4 – Transition plan for climate change mitigation	Merge with BP3 and simplify to make simple disclosures on actions that can help achieve targets. Already limited to SME that have a TP in place, no need to limit to high impact sectors.	<p>TEG Member 1 (major comment): proposes to make the disclosure applicable to undertakings active in high climate impact sectors as SMEs in low impact sectors do not need a transition plan at strategic level (only GHG emission reduction actions) (EFRAG mentions that it is already limited to SMEs that have a TP in place, no need to limit to high impact sectors but ANC argues that given the absence of definition of transition plan, all SMEs may disclose their climate actions which is not the goal).</p> <p>TEG Member 5: We fully agree that this disclosure should be simplified and made more proportionate by deleting the reference to the Paris agreement. It does not reflect SMEs' realities, nor their carbon footprint, which is way lower than other bigger companies and it would imply that entrepreneurs are familiar with the Paris agreement. The 1.5° C is a general goal and cannot be required at micro and small enterprise level. It could be merged with BP3 to simplify the reporting obligations as it would also require external intervention to estimate it. We still recommend to split the BP Module into 3 different sub-modules, for business partners, banks and investors. This datapoint should only be included in sub-modules for banks and investors as there are no legislations requiring SMEs to disclose such information to business partners.</p> <p>This datapoint is not proportionate and relevant to the capacities and characteristics of SME undertakings, as requested by article 29 c of the CSRD. Even if this disclosure is only applicable if the undertaking has adopted such a transition plan, the link to 1.5°C of the Paris Agreement is nonsensical for any SME as it is putting one single micro/small enterprise versus an overall global target. This is a purely political statement. It is also not clear which legislation is requesting the business partners this disclosure from their SME partners.</p> <ul style="list-style-type: none"> • When simplifying and merging BP 4 and BP 3, please take into account, when relevant, the following comments on the Guidance: • Guidance para 179: As already mentioned before, the corresponding Guidance is adding a very complex number of additional information disclosures, not requested in the standard itself. This goes against good standard setting practice which requests that the necessary disclosures are part of / mentioned in the standard itself. • (c) "pathways as well as quantifiable indicators that can be monitored throughout predefined timeframes": this should be limited to GHG emissions, if too many indicators have to be identified, monitored, targets set, etc., it becomes too complex and SMEs drop out. • (d) allow for regular reviewing and updating after stakeholder consultations when appropriate. Fortunately, it says here "when appropriate". But the stakeholder consultation should be skipped here as it is not adapted to the SME reality. • (e) cover the entirety of its own operations and, to the largest possible extent, the value chain or else provide an explanation as to any limitation: if you have to involve your entire value chain, in practice this means a lot of administrative clutter, many SMEs receiving a questionnaire or checklist to fill in (because this is necessary to draw up that comprehensive transition plan) etc. This should be 	Yes
ACT14	BP 4 – Transition plan for climate change mitigation	Do not propose explaining scenarios, etc. Better explain in simple words the challenge in terms of emission reductions and the type of steps that companies can take to achieve them, with a few practical examples. Consider E1 -1 para. 17 (if and when to adopt TP if not yet in place). Needs to work with ecosystem of NGOs working with SMEs for practical tools.	<p>TEG Member 3: Ok</p> <p>TEG Member 4: Ok</p>	To be done after VSME
ENV24 & ENV25	BP 5 – Physical risks from climate change	Disagree this is something banks should be receiving through a SR from SMEs, this should be something banks ask to their clients when the services being requested justifies so.	<p>TEG Member 1: considers that the information is not only for banks and for change management, it would be better to help SMEs understand their risks. However, it should be tightened given the immaturity of the methodology. An initial qualitative assessment based on the availability of information, reflecting the undertaking's maturity, should be asked. Proposed modification: "The undertaking shall disclose: (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> <p>TEG Member 2: For a provider of financial capital it's 10x cheaper and faster to get the geolocation and compute the risks from more sophisticated software. Leaving it in hands of SME will end in problems of granularity of the tools used and the information will not be relevant to users.</p> <p>TEG Member 3: SMEs and users of their sustainability information expect that there will be the need for additional information requests (specific to the business relationship). Therefore, it is not necessary to include all possibly relevant information in the VSME - but try to include in a VSME sustainability report the main / recurring aspects. Therefore, no need to include BP5 information at this level of detail in VSME (especially, since some of them are very costly to SMEs). However, we heard from banks that some kind of information on physical risk are helpful. Therefore, I support general information e.g. information on locations and insurance coverage.</p> <p>TEG Member 5: In favour of EFRAG Secretariat Orientation. The proposed datapoint in the draft was narrative and did not require specific data. SMEs do not have always data to share on physical risks, nor the knowledge that they are at risk, so it is very difficult for SMEs to correctly address this datapoint. It will be indeed the role of the users (e.g. banks) to assess the risks. We agree with the proposal to remove it. Proposal of Secretariat on §79 (e) can also be accepted.</p> <p>TEG Member 4: Most responses from feedback ask for deleting it. This datapoint is complex and in most of the cases it is not clear in what its contribution is. We argue that it is not a datapoint that banks need from all companies. Based on it, it could be deleted, be voluntary in CORE, to include in ADVANCED. If ADVANCED module is going to include the most complex datapoints, it would be a good idea to move there. But if ADVANCED was through to increase the complexity, it should be stated in CORE in a voluntary way.</p>	Yes
TB13	BP 5 – Physical risks from climate change	Geolocation option, NACE codes, turnover per local unit, and insurance coverage are issues to be brought up for SR TEG discussion. §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>TEG Member 1: ANC considers that these datapoints proposed do not relate to physical risks.</p> <p>TEG Member 2: Geolocation provides insight for proper analysis of the sites. Narrative disclosures are useless as they do not identify the actual risks according to different scenarios.</p> <p>TEG Member 3: see ENV 24 & ENV25</p> <p>TEG Member 5: Proposal of Secretariat on §79 (e) can also be accepted.</p> <p>TEG Member 4: ok</p> <p>TEG Member 6: In replacement of BP5 Physical Risks from climate change, in order to simplify the information proposed:</p> <ul style="list-style-type: none"> • 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; 	Yes
ENV26	BP 6 - Hazardous waste and/or radioactive waste ratio	Need to clarify the "if applicable" condition in guidance or FAQ.	<p>TEG Member 3: agree</p> <p>TEG Member 4: agree</p>	Yes

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ENV26	BP 6 - Hazardous waste and/or radioactive waste ratio	Secretariat agrees on including a requirement on contextual information (aggregate quantification of hazardous waste is often not useful) on risks and impacts.	<p>TEG Member 3: agree</p> <p>TEG Member 4 agree</p> <p>TEG Member 5: in favour of EFRAG Secretariat Orientation under the following conditions : It is of utmost importance to better define the term "hazardous waste", this is also the request of the business users.</p>	Yes
ENV27	BP 6 - Hazardous waste and/or radioactive waste ratio	Align with SFDR ratio and language./To check and align with SFDR; consider also EMAS. Agreement to move it to the advanced module.	<p>TEG Member 1: does want to change anything to the current BP6.</p> <p>TEG Member 3 agree</p> <p>TEG Member 4: agree, although it would be recommendable to clarify "if applicable"</p> <p>TEG Member 5: We cannot agree with any reference or alignment with EMAS as it is not adapted to SMEs. There should also no alignment with SFDR language, which is technical. SMEs need understandable language. Need for concrete examples.</p>	Yes
ENV27	BP 6 - Hazardous waste and/or radioactive waste ratio	Further clarification and examples on the points raised will be considered.	<p>TEG Member 2: Not sure about the representativeness of these associations to the nature and details of the activities conducted by their members - hazardous and radioactive waste exists in many industries such as nondestructive tests, healthcare, research - examples are irrelevant, entities that manipulate these type of waste already know they do and are regulated.</p> <p>TEG Member 5: •Para 80: "If the undertaking generates hazardous and/or radioactive waste, the undertaking shall disclose the total amount of hazardous waste and/or radioactive waste generated (radioactive waste is defined in Article 3(7) of Council Directive 2011/70/Euratom)." First, it must be clear to the SME what is meant by "hazardous waste" in this context: does it include lamps, discarded and empty batteries, etc.? (need for a clear and exhaustive definition). Then it has to be clarified (in Guidance) what all can be radioactive waste: reference to a Council Directive Euratom is not acceptable. This constant reference to external documents is not acceptable, as this is how people get turned off. In addition the definition in the referred article 3(7) does not give any useful information to an entrepreneur (7) "radioactive waste" means radioactive material in gaseous, liquid or solid form for which no further use is foreseen or considered by the Member State or by a legal or natural person whose decision is accepted by the Member State, and which is regulated as radioactive waste by a competent regulatory authority under the legislative and regulatory framework of the Member State);...</p> <p>• It should be better by referring in the Guidance 181 to more concrete examples in an SME context, such as smoke detectors, or to sectoral examples such as certain types of medical equipment (for the medical sector).</p> <p>TEG Member 3: agree</p> <p>TEG Member 4: agree, although it would be recommendable to clarify "if applicable"</p>	Yes

SOCIAL

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TBD6	B8 –Workforce –General characteristics	Question for SR TEG is to include a new datapoint on number or percentage of non-employees. The definition of non employees is aligned with set 1 (i.e., self-employed and agency workers from 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.	Yes
TBD7	B8 –Workforce –General characteristics	Percentage of female in managerial roles or employees by type of contract arises from set1, however it is not SFDR nor drives from existing legislation. To be discussed as part of the ADVANCED module (see separate doc.)	Seen as a red flag by a 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 module with 50 people threshold.	Yes
SOC1	B8 –Workforce –General characteristics	Clarification to be added for country breakdown whereby the contractual relationship (for example, in the case of employees that is the employment contract) defines the country.	Approved. Additional discussion related to staff turnover: agreement by TEG members to add it as a new datapoint.	Yes
ACT11	B9 –Workforce – Health and safety	This is a SFDR datapoint on health and safety which is considered as feasible. Propose to wait with using the new proposed SFDR formula until adopted by the EC to be consistent with set 1.	Approved, agreement with secretariat proposal	To be done after VSME
TBD8	B9 –Workforce – Health and safety	To discuss with TEG the proposal of the single banking association. Secretariat position: 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. 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. iii) Compulsorily employed staff for protected categories: to have as datapoint in the ADVANCED module (B8 additional breakdown of employees with disabilities).	Approved, agreement with secretariat proposal	Yes
SOC2	B9 –Workforce – Health and safety	In addition, consensus from different groups of stakeholders is being 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.	Approved, agreement with secretariat proposal	Yes
SOC2.bis	B9 –Workforce – Health and safety	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.	Approved, agreement with secretariat proposal	Yes
SOC3	B10 –Workforce –Remuneration, collective bargaining and training	Adequate wages - Reformulation of the disclosure by substituting entry level wage with minimum wage or determined according to a collective bargaining agreement.	Approved, agreement with secretariat proposal	Yes
SOC4	B10 –Workforce –Remuneration, collective bargaining and training	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's unadjusted pay gap. To add a voluntary datapoint (may) related to the split by professional role.	On threshold of gender pay gap, EFRAG SR TEG supports alignment with the Pay transparency directive (100 threshold). Conclusion: no changes from Secretariat's proposal	Yes
SOC5	B10 –Workforce –Remuneration, collective bargaining and training	Collective bargaining agreements - to add a voluntary contextual datapoint when there is a different concept of collective bargaining.	SRT members did not agree and rejected the proposal	No
SOC6	B10 –Workforce –Remuneration, collective bargaining and training	Training : to remove informal training.	Approved, no change from secretariat's position. However, one SRT member was highly in favour on including informal trainings.	Yes

SOCIAL

ID	Reference in VSME ED	CHANGE PROPOSED IN PAPER 05-02	FINAL DECISION AT SR TEG (16 July)/SRB (10 and 17 July)	Implemented in new version of VSME (Yes/No)
SOC7	B11 – Workers in the value chain, affected communities, consumers and end-users	Following the mixed feedback received albeit consensus from participants on the complexity of the datapoints requested, Secretariat proposed to reformulate this datapoint and move it outside the basic module. It will also include positive impacts in the formulation: Does the undertaking have a process in place to understand and manage its negative or positive impacts on (dropdown menu): i) value chain workers ii) affected communities and/or. iii) consumers and end-users? If this is the case, please describe.	Proposal to move B11 in the core as a “may” datapoint (not the advanced) or to put it in B2. Conclusion: to be further discussed by Secretariat.	Yes
ACT12	B11 – Workers in the value chain, affected communities, consumers and end-users	Secretariat will provide add additional guidance which includes examples of workers in the value chain and affected communities.	Approved, agreement with secretariat proposal	To be done after VSME
SOC8	BP 7 – Alignment with internationally recognised instruments	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. Refer to the revised text below: • 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 complaints handling mechanism for own workforce?	TEG Member 1: supports the approach based on drop down menu. TEG Member 7: Support merging without losing SFDR alignment. It's important for them to remain aligned, otherwise banks will continue with their questionnaires. The ED and the new SEC proposals deviate from SFDR (for example, SFDR is not restricted to own workforce). Reducing it to the workforce is a red flag, should be impacts on human rights/ people more broadly. Suggestion to align to revised SFDR indicators (possible ESMA suggestion while waiting for final version from EC + include guidance. Additionally, the list of workers rights (drop menu) need to be given as examples and should not be represented as an exhaustive list). TEG Member 3: Support for addressing these matters in a much simpler form (instead of references to international instruments). Support for specific questions as proposed. TEG Member 4: Agree the new proposed version of this datapoint with specific questions. TEG Member 5: As already stressed SMEs will be discouraged from using this Module and the VSME if it keeps all the crossreferences. This disclosure appears too disconnected from SMEs’ realities who do not know and are not supposed to know these international texts and which usually do not own a legal service. They have to know and respect the national legislation. The reference to international instruments is too abstract for micro companies, they do not have the resources to respond to this kind of request. BP7 and BP8 could indeed be merged and be further simplified for SMEs to apprehend it fully. A list of more concrete questions could be an option. We support rephrasing it into questions.	Yes
ACT15	BP 7 – Alignment with internationally recognised instruments	In addition, Secretariat will include definitions for the terms in 2) and 3) and examples for point 3) above.	TEG Member 3: Agree TEG Member 4: Agree	To be done after VSME
SOC8.bis	BP 8 – Processes to monitor compliance and mechanisms to address violations	Same as SOC8 above.	TEG Member 3: Agree TEG Member 4: Agree TEG Member 5: How can one request from a micro enterprise to have a monitor system in place which is developed for multinational enterprises? Not proportional.	Yes
SOC9	BP 9 – Violations of OECD Guidelines for Multinational Enterprises or the UN Guiding Principles	Revised wording of BP9- incidents related to severe human rights cases (and we use the SFDR cases being human trafficking, child labour and forced labour).	TEG Member 3: Agree TEG Member 4: Agree TEG Member 5: Same comment as for BP7 and BP8, we support rephrasing this disclosure as simple questions for SMEs to fully apprehend its content and facilitate SMEs’ compliance. In the case of an infringement of a national legislation it is not up to a citizen/entrepreneur to assess this towards the mentioned international texts. This has nothing to do with sustainability. Not proportional.	Yes

SOCIAL

ID	Reference in VSME ED	CHANGE PROPOSED IN PAPER 05-02	FINAL DECISION AT SR TEG (16 July)/SRB (10 and 17 July)	Implemented in new version of VSME (Yes/No)
SOC10	BP 9 – Violations of OECD Guidelines for Multinational Enterprises or the UN Guiding Principles	Following feedback received, proposal to streamline the content of this datapoint to: Does the undertaking have confirmed cases related: i) child labour; ii) forced labour; iii) human trafficking; or iv) discrimination? If so, the undertaking may describe the actions being taken to address the violations described above.	<p>TEG Member 1: supports the approach based on drop down menu.</p> <p>TEG Member 7: Same alignment issues as in BP7 & 8. + same issue with dropdown menu list. These should be examples and should not be referred to as an exhaustive list; human rights should be included and if needed exemplified with the 5 mentioned core labour rights proposed by the SEC.</p> <p>TEG Member 3: agree</p> <p>TEG Member 4: Agree</p>	Yes
SOC11	BP 10 – Work-life balance	Following the responses from the various stakeholder groups, the proposal is to delete.	<p>TEG Member 1: <u>Agreement with the proposed deletion.</u> However, (as a minor comment) the TEG member proposes to add a disclosure on the number of departures in the reporting period, alongside qualitative information on work-life balance in the narrative module. Proposal: "The undertaking shall disclose the number of permanent FTE departures (voluntary and involuntary) during the reporting period."</p> <p>TEG Member 3: agree</p> <p>TEG Member 4: Agree</p> <p>TEG Member 5: In favour of EFRAG Secretariat Orientation. The disclosure is indeed not relevant. Who is entitled to take family-related leave and the scope is defined in the legislation and thus generally known. The information requested does not give any relevant information about the sustainability of the undertaking or the work-life balance.</p> <ul style="list-style-type: none"> • The request for the percentage who took family related leave is also not relevant. • The Guidance 189, 190 and 191 dis not add any useful information and should be skipped anyway. 	Yes
SOC12	BP 11—Number of apprentices	Following the responses from the various stakeholder groups, the proposal is to delete.	<p>TEG Member 1: agreement with proposed deletion</p> <p>TEG Member 3: agree</p> <p>TEG Member 4: Agree</p> <p>TEG Member 5: In favour of EFRAG Secretariat orientation. We would however like to stress that the replies of banks and large businesses ignore the importance of apprenticeships for the training and education of youngsters by SMEs and the efforts this implies from the SME owners. For many SME-owners this is part of their corporate social responsibility. We suggest that it could be mentioned in a part "additional comments/information" at the end of the report.</p>	Yes

ID	Reference in VSME ED	User Public Consultation Comment	Other Public Consultation Comment	CHANGE PROPOSED IN PAPER 05-02
GOV1	B12 –Convictions and fines for corruption and bribery	<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 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>NGOs: Suggestion: Link B12 to governance and make SMEs disclose their legal form. Additional suggestion: add other types of litigations including competition and harassment.</p> <p>Standard Setters: suggestion: make preparers explain why a disclosure has been omitted.</p> <p>Accountants: additional guidance.</p>	<p>Include in the dropdown menu supporting disclosure of policies - actions-targets in basic module whether the undertaking has implemented a charter etc.</p>
TBD10	BP1 – Revenues from certain sectors	<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 refers to companies that derive 1% or more of their revenues from the exploration, extraction, distribution or refining of hard coal and lignite; (e) companies that obtain 10% or more of their revenues from the exploration, extraction, distribution or refining of fuel oils; f) companies that obtain 50% or more of their revenues from the exploration, extraction, production or distribution of combustible gases; g) companies that obtain 50% or more of their revenues from electricity production with a greenhouse gas intensity greater than 100 g CO₂e/kWh. This should apply to medium enterprises only. Small and micro-SMEs should have the option to disclose. 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>Standard Setters: Proposed alignment to SFDR: "(a) manufacture or selling of controversial weapons such as antipersonnel mines, cluster munitions, chemical weapons and biological weapons."</p> <p>A standard setter sees BP1 unnecessary, despite SFDR.</p> <p>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.</p> <p>SFP/Authorities: SFP: If the indicator is not applicable/determinable to the SME, they should be allowed to report 0 revenues which could be translated to 0 exposures Provide clarity on what "active in" means (included in the guidance).</p> <p>Additional comment on BP1: Add references to Pillar 3 – template 1 ("production of tobacco" and "fossil fuel but also to add it for chemical production as it is listed in Template 1)</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>
GOV2	BP1 – Revenues from certain sectors			<p>Add reference in Appendix C to Pillar 3 (only Benchmark and SFDR are now covered)</p>
GOV2.bis	BP2 – Gender diversity ratio in governance body	<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, completion should be further simplified. The information requested could be limited to the following: - Average female/male ratio 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>NGOs: Essential. Request for further guidance.</p> <p>Standard Setter: Essential, however one standard setter sees BP2 as not particularly useful.</p> <p>SFP/Authorities: SFP: align the formula in the VSME indicator with the formula in the matching SFDR PAI 13.</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>

GOVERNANCE

FINAL DECISION AT SR TEG (16 July)/SRB (10 and 17 July)	Implemented in new version of VSME (Yes/No)
<p>Final decision by TEG to keep disclosure B12 as is. In insert in B2 the proposed changes (Include in the dropdown menu supporting disclosure of policies actions-targets in basic module whether the undertaking has implemented a charter etc.).</p> <p>In addition to the following changes, SR TEG agreed to insert in B1 the legal form</p>	<p>Yes</p>
<p>One TEG Member found the datapoint not found pertinent or proportionate. Agreement to add to Advanced module and further discuss with banks during the workshop in september.</p> <p>SR TEG Member 5: In favour of EFRAG Secretariat Orientation, however see my comments and proposals concerning the wording of BP 1 and the Guidance.</p> <p>1. Para 74. The disclosures of revenues from certain sectors requested in BP 1 are not at all problematic for SMEs. In our view it can even be added to the Basic Metric Module without any problem. It should then be put at the end of the Basic Module or in the beginning to identify the undertaking (if a digital format will be available, the BP should only appear if applicable). <i>Decision was made to reject this comment and keep the disclosure in the Core Module.</i></p> <p>2. However the words "and/or" in this para should be replaced by "or". (Please note that in the Guidance these words are not repeated and does not give guidance, on the contrary).</p> <p>3. Para 74 (a): States that "Controversial weapons such as...". The use of the words "such as" indicate that there are more / possible more controversial weapons than the ones mentioned. It cannot be left to the interpretation, individual opinion of the entrepreneur/prepare if a weapon is controversial. Consequently the words "such as" should be skipped to ensure legal certainty.</p> <p>4. Guidance para 169 in its entirety does not add any useful information. Point a) and b) are simply repeating what is already mentioned in BP 1, so it does not give any guidance. On the contrary it is time consuming to read. In addition the whole sentence about why controversial weapons are prohibited should be skipped as it is not relevant and is only adding text.</p> <p>5. Para 74 c) For our member organisations, (and the broader European SME context) the most and probably only relevant sector in this context that comes into play here is the distribution of fossil fuels (including transportation, storage and trade. This point c) is however not well formulated. It gives the impression that an undertaking selling oil has also to give a disaggregation of revenues derived from coal and gas, even if there are no revenues from these two sectors. This should not be the case. <i>Comment 5 cannot be taken into account as they go against the wording of Set 1.</i></p> <p>6. In addition the reference to an article in a Regulation is not acceptable. One cannot expect from an entrepreneur that the is going to search for this article. The necessary information has to be mentioned in the Guidance document itself. It has to be mentioned that in the Guidance there is even less information on this point, what is in contradiction with a Guidance document.</p> <p>7. Para 74 d). Very badly formulated and in addition there is a reference to a footnote. Here again it is not acceptable that one has to look for this article. Reading the footnote it gives the impression that point d) only applies to "the manufacture of pesticides and other agrochemical products". If this is so, point c) should clearly mention this, if not, it should be made clear in its generality. The full information (if any) can then be given in the Guidance. <i>Comment 7 cannot be taken into account as they go against the wording of Set 1.</i></p> <p>8. Para 170 of the Guidance document should be skipped, as it does not give any additional information for the entrepreneur. However we understand that it gives a justification for the requested information, which is appreciated in the context of a consultation, but it should not remain in a standard. However it gives only a vague justification as it does not mention which legislation(s) is requesting this. It should have been mentioned here as a footnote. We also do not understand the meaning here of the word "criteria". <i>Deleted, will be added to the basis for conclusions.</i></p>	<p>Yes</p>
<p>SR TEG Member 4: agree</p> <p>Approved, agreement with secretariat proposal</p>	<p>Yes</p>
<p>TEG Member 4: agree</p> <p>TEG Member 1: No need to change anything in BP2; no need to expand BP2 to include management roles (it would bring confusion).</p> <p>TEG Member 5: RED FLAG. Most SMEs do not have a governance body as only 9 million of the 24 million SMEs are incorporated (Source DG FISMA) Most of the incorporated family-owned companies cannot ensure gender equality in their governance body. (Average family in EU 28 counts 2.3 persons (data 2021)). It is not relevant for the majority of SMEs. Moreover, directive (EU) 2022/2381, on improving the gender balance among directors of listed companies, article 2, clearly exempts SMEs from its scope. It is unacceptable that new obligations are introduced through a standard. We also contest the statement by the secretariat that " a significant proportion of respondents consider this essential".</p> <p>• It is unacceptable that through a standard new obligations are imposed on SMEs while they are excluded from the scope of the legislation. Indeed article 2 of "Directive (EU) 2022/2381 on improving the gender balance among directors of listed companies and related measures" clearly states that it only "applies to listed companies" and "This Directive does not apply to micro, small and medium-sized enterprises." The Directive excludes thus explicitly SMEs from the yearly reporting (article 7). The disclosure request information on which SMEs in general do not have an influence as they are very often family businesses or a partnership so they have no choice on whom will be in the board.</p> <p>• There is also no legislation that would request the business partners of an SME to provide them this information. It is not correct at all what is stated in para 67 that "This module provides additional datapoints in relation to the information that is generally needed by the undertaking's business partners, investors and lenders." It seems that according to art 13 of Directive (EU) 2022/2381 on improving the gender balance among directors of listed companies and related measures, the Commission for its evaluation of the Directive is even not interested in the situation of SMEs.</p> <p>• The users from the banking sector and the large undertakings that consider this necessary information do not motivate this request.</p> <p>• While this Disclosure Point has to be skipped, as well as the corresponding Guidance 171-173, we propose to add in line with what Cluster 8 had proposed, to give the necessary information on the ownership, which is important information for all stakeholders.</p> <p>This (new) Disclosure Point should then be part of the Basic Module: "The undertaking shall disclose to understand its ownership, whether it is incorporated, a partnership or a sole proprietorship. The disclosure shall include: (a) The organisation's legal form; (b) A description of the ownership structure; (c) In case of a company a description of roles and responsibilities of its owner or manager(s)."</p> <p>TEG Member 3: agree with proposal</p> <p>TEG Member 4: agree with proposal</p> <p><i>Regarding the definition of the ratio: the definition used is already the one of SFDR, so no changes were made.</i></p>	<p>No</p>