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

Update on the development of EFRAG's VSME Ecosystem – Cover Note [Same document uploaded for SR TEG meeting 3 April 2025]

Objective

1 The objective of this paper is to update the EFRAG SRB on the development of the VSME Ecosystem. Important to note that the European Commission will shortly adopt EFRAG's VSME in its current form (with possible minor editorial changes) as indicated in the Explanatory Note accompanying the Omnibus proposal ("According to the proposal, the Commission would adopt the voluntary standard as a delegated act. In the meantime, to address market demand, the Commission intends to issue a recommendation on voluntary sustainability reporting as soon as possible, based on the VSME standard developed by EFRAG"). This update is articulated along the five deliverables of the VSME ecosystem:

(a) SME Forum;

(b) Mapping of initiatives on Platforms/ Tools/ Initiatives;

(c) Outreach Events and Training sessions;

(d) Survey on VSME Acceptance Progress;

(e) VSME Support Guides:

i. A digital template reflecting the VSME standard illustrating the data entry and validation;

ii. An XBRL Taxonomy reflecting the VSME standard, enabling a single and open data exchange format;

iii. Examples of practices, policies and future initiatives for transitioning towards a more sustainable economy (Disclosure C2) to be used as a dropdown menu for a future VSME online template;

iv. Examples of GHG reduction targets and climate transition (Disclosure C3);

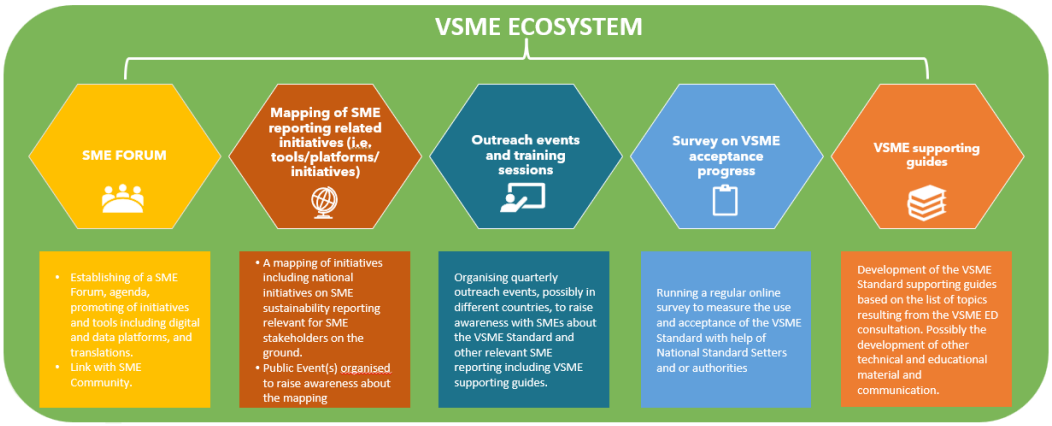
v. Examples of actions being taken to address severe negative human rights incidents (Disclosure C7).

The European Commission in the Omnibus proposal released on 26 February 2025 proposes to use the VSME Standard as the basis of a future voluntary standard to be used for companies with 251 to 1000 employees. The VSME Standard has been developed for use by non-listed SMEs including micro-

enterprises and has not been tested for use by other larger and more complex companies. The VSME support guides that are being developed in the current EFRAG work are to be understood as supporting the application of the VSME Standard by companies with less than 250 employees. The content of the VSME guides under discussion is being developed to be proportionate to these small and less resourced undertakings, taking into account of the (low) complexity of their operations. Should they be destined to a different group of companies, their content could be different and less simplified.

VSME Ecosystem Background

2 Following EFRAG's technical advice on the VSME to the European Commission, EFRAG has been working on the roll-out of the VSME Ecosystem which includes complementary initiatives aimed at promoting market acceptance of the VSME in order to fully realize the benefits of the standard. The ecosystem will span until November 2025.



Update on the five deliverables of the VSME Ecosystem

3 Development of the VSME Ecosystem:

(a) **SME Forum:** The first SME Forum survey aimed to assess the extent of VSME uptake among participating organizations and members. Questions were divided into general categories for Preparers, Users, and Observers, and a targeted section for Online Platforms. The feedback confirmed that many stakeholders have already engaged in translation of the VSME standard, creation of training materials or educational session, organization of outreach events to promote VSME. Some stakeholders indicated that they were on hold to take further action, due to the omnibus 'uncertainty. The outcome of this survey was discussed in the EFRAG SME Forum's first meeting on 17 February. The Forum and Community are also being consulted on VSME Support Guides C2 (practices, policies and future initiatives), C3 (GHG reduction targets and climate transition) and C7 (severe human rights incidents). The survey on Support Guide C2 was sent on 20 February, with responses currently being analyzed, while the survey on Support Guides C3 and C7 (**Agenda Paper 06-03**) was sent on 21 March.

The SME Forum consists of 48 institutional representatives, including Observers. The VSME Community, revamped in January 2025, is now composed of 521 members

(mainly individuals). Further details on the statistics of the SME Forum and VSME Community composition are available in **Agenda Paper 06-04**.

(b) **Mapping of initiatives on Platforms/Tools/Initiatives:** The EFRAG Secretariat issued a call for interest regarding initiatives, tools and platforms for SME sustainability reporting from 4-24 February 2025. Through a self-assessment form, EFRAG is seeking to map existing and ongoing initiatives on SME sustainability reporting, digital platforms, and digital tools. The assessment aims to compare the consistency of the platforms and other initiatives with EFRAG's VSME to stimulate and ensure a coordinated adoption in Europe. EFRAG Secretariat has received 224 responses to the survey on platforms and SME related initiatives, while 99 responses to the survey on tools (68 in operational phase). EFRAG Secretariat is currently analysing the responses. Taking into account that only 95 platforms are operational and that the criteria mentioned in the call for expression for interest were 500 preparers and 200 users which would have led to a very small sample (7 platforms only) to perform a self-assessment, EFRAG Secretariat has revised the criteria while keeping the same proportions (i.e. 125 preparers and 50 users) in order to incorporate a more statistically significant pool of respondents (35 platforms). It is important to mention that within these 35 respondents, also national initiatives have been included. EFRAG Secretariat will send the instructions for the self-assessment in the following weeks. This is primarily an internal deliverable and for the Commission, thus, to be discussed at a later stage if and how this information will be published. EFRAG Secretariat will emphasise in all the communications that taking part of the self-assessment does not mean that EFRAG is certifying the "VSME compliance" or giving any forms of accreditation to such platforms.

(c) **Outreach Events and Training sessions:** On 7 April 2025, EFRAG has scheduled a hybrid outreach event titled "VSME in Action: Empowering SMEs for a Sustainable Future" aimed at providing stakeholders with a comprehensive understanding of the VSME and its implementation. This event will also serve as an opportunity to collect stakeholder feedback to improve its market acceptance and to provide updates on ongoing initiatives within the EFRAG VSME Ecosystem. Simultaneously, EFRAG has been developing a series of educational videos on the VSME (in addition to the ones released in December 2024, now available in 15 languages), organized by ESG themes, with each video focusing on a specific theme. EFRAG Secretariat also plans to participate in hybrid trainings organised by the European Commission (DG GROW). More information will follow, once available. On 11 June 2025, OECD and EFRAG will organise a joint VSME Outreach Event.

(d) **Survey on VSME Acceptance Progress:** Will be tentatively launched before the summer of 2025. However, the date of publication of the survey could vary depending on the European Commission adoption of VSME as Recommendation.

(e) **VSME Supporting Guides:**

(i) **Excel template/mock-up of the VSME:** The VSME excel digital template is currently being finalised, and it is designed for preparers to fill out their information. A first draft of the VSME Digital template will be shared for targeted feedback with the SME Forum members

and Digital Reporting Consultative Forum members in April 2025. In addition, EFRAG Secretariat will conduct workshops in the month of April with SME forum preparer and user organisations to validate the feedback. As the European Commission will tentatively issue the recommendation of VSME in June 2025, EFRAG Secretariat will make the final adjustments based on that in the month of June. The final version of the VSME Digital Template (together with an Explanatory note and educational videos explaining the template) will be published by the end of June 2025 (tentative depending on the issuance of the VSME Recommendation by the EC).

(ii) **XBRL format of the VSME:** EFRAG Secretariat is currently working on the XBRL taxonomy which will be finalised by the end of March. In parallel, EFRAG Secretariat is also working on a converter which will be enable the automatic generation of the XBRL report once the undertaking fills the VSME excel digital template. The converter is expected to be finished by the end of April 2025.

(iii) **Supporting Guide on disclosure C2** (practices, future initiatives, and policies): The survey to design this support guide was sent to the SME Forum members and VSME Community and closed on 21 March 2025. The EFRAG secretariat is currently analysing the result, please refer to Agenda paper 06-02 for the full questionnaire. The first draft will be presented to SRT and SRB on 30 April 2025 with a 2 weeks period of written comments. The draft guide will be exposed to targeted consultation (VSME Community and SME Forum) with the aim of finalising the support guide in Autumn 2025.

(iv) **Support Guides on disclosure C3** (GHG reduction targets and climate transition) and **disclosure C7 – 62(c)** (Severe Negative Human Rights Incidents): The survey to design the support guide on C3 was sent to the SME Forum members and VSME Community on 21 March 2025 and will be closed on 11 April 2025, in conjunction with the Survey on C7. Please refer to Agenda paper 06-03 for the full questionnaire. The First Draft will be presented to SRT and SRB on 12 May 2025, with a 2 weeks period of written comments. The draft guide will be exposed to targeted consultation (VSME Community and SME Forum) with the aim of finalising the support guide also in Autumn 2025.

As already agreed in the SRB (18 January 2025) and SR TEG (21 January 2025) meetings, in terms of process, considering that this stream of activity is on top of the ordinary EFRAG work programme, the supporting guides are following a simplified decision making, due to their SME-specific nature. As such the EFRAG secretariat is first collecting input from the VSME Community and the newly established SME Forum, to gather feedback from a wide range of users, preparers and other relevant stakeholders on the initial drafts. EFRAG SR TEG and SRB would be invited to provide written input and to approve in written. Following the EFRAG SR TEG and EFRAG SRB

approval, when relevant these documents would be open for public consultation

Next Steps

Support Guides:

- 30 April: **joint SRB - SR TEG:** Presentation of C2 draft Support Guide. 2 weeks written feedback period (until 13 may)
- 12 May: **joint SRB & SR TEG** – Presentation of revised C3 & C7 Support Guides. 2 weeks written feedback period (until 29 may)

SME Forum:

- 3 June 2025, Second SME Forum Meeting

Agenda Papers

4 In addition to this cover note, agenda papers for this session are:

(a) Agenda paper 06-02 – EFRAG Second SME Forum Survey – Design VSME Support Guide – C2

(b) Agenda paper 06-03 – EFRAG Third SME Forum Survey – Design VSME Support Guide - C3 & C7

(c) Agenda paper 06-04 – EFRAG SME Forum and VSME Community – Statistics

(d) Agenda paper 06-05 – EFRAG Report of first Design VSME Support Guide Survey C2 [PRIVATE, for SRB members only]