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EFRAG VSME Survey – Support Guide C3 (GHG Reduction targets and climate transition) & C7 (Severe negative human rights incidents)

Survey introduction

Thank you for taking the time to complete this survey.

This survey assumes that respondents are familiar with the VSME Standard.

The purpose of this survey is to receive feedback from stakeholders on the Support Guides that EFRAG is currently developing to accompany the VSME Standard. This feedback will provide critical input for further development of these draft Support Guides.

VSME and Omnibus proposal: 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. When responding to this survey, please consider this scope of application (companies with less than 250 employees). The content of the VSME guides under discussion has been 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.

Why Support guides? Following EFRAG's [delivery of the Voluntary Sustainability Reporting Standards for non-listed SMEs \(VSME\) to the European Commission](#), EFRAG is now developing the VSME Ecosystem. This initiative aims to promote and ensure market acceptance of the VSME across the EU market.

The VSME Ecosystem is composed of a number of deliverables, including support guides that illustrate how to prepare the information required by the standard (i.e. they do not add new requirements). These stem from requests provided by participants of the field tests and public consultation. This survey concerns the Support Guides on **Disclosure C3** (GHG Reduction Targets and Climate Transition) and **Disclosure C7** (Severe Negative Human Rights Incidents).

The VSME is a simpler, voluntary sustainability reporting standard for use by non-listed SMEs to enable them to respond to requests for sustainability information from banks and business counterparts in an efficient and proportionate manner. Following the same spirit,

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the support guide presented in this survey has an **illustrative nature only and does not advance additional requirements to SMEs.**

This survey is structured into **two** parts.

1. **First part** on the Support Guide on **Disclosure C3** (GHG reduction targets and Climate Change Transition)
2. **Second part** is on the Support Guide on **Disclosure C7** (Severe Negative Human Rights Incidents).

The deadline to complete this survey is **Friday 11 April 2025 COB.**

Information on the survey participant

1. Before starting this questionnaire, we appreciate understanding who you represent.

First Name:

Last Name:

Email:

Name of organization:

Part 1- Support Guide for Disclosure C3 (GHG Reduction Targets and Climate Transition)

Questions on the overall approach of the Support Guide (C3)

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1. The Support Guide C3 aims to provide an overview on how SMEs can report on their GHG reduction targets (if they have them in place) and, if they operate in high climate impacts sectors, on their transition plans (for SMEs in high climate impact sectors) – see extract for disclosure below. The request for this Support Guide stems from EFRAG’s VSME ED Public Consultation.

The aim of this guide is to break down the technical aspects of target-setting and climate transition plans to ensure proportionality for those SMEs that decide to report on Disclosure C3.

C3 – GHG reduction targets and climate transition
<p>54. If the undertaking has established GHG emission reduction targets, it shall disclose its targets in absolute values for Scope 1 and Scope 2 emissions. In line with paragraphs 50 to 53 above and if it has set Scope 3 reduction targets, the undertaking shall also provide targets for significant Scope 3 emissions. In particular, it shall provide:</p> <ul style="list-style-type: none">(a) the target year and target year value;(b) the base year and base year value;(c) the units used for targets;(d) the share of Scope 1, Scope 2 and, if disclosed, Scope 3 that the target concerns; and(e) a list of main actions it seeks to implement to achieve its targets.
<p>55. If the undertaking that operates in high climate impact sectors⁶ has adopted a transition plan for climate change mitigation, it may provide information about it, including an explanation of how it is contributing to reduce GHG emissions.</p>
<p>56. In case the undertaking operates in high-climate impact sectors and does not have a transition plan for climate change mitigation in place, it shall indicate whether and, if so, when it will adopt such a transition plan.</p>

Do you agree with the aim of this Support Guide as an overview on how to report on Disclosure C3 of the VSME?

YES/NO. If NO, please explain.

2. *Are there any reliable and currently used sources (websites/ tools etc.) that could be further referenced or used by EFRAG in the Support Guide?*

YES/NO/ IF YES, please specify and provide link.

3. *Should EFRAG explore other forms of cooperation in this domain? With whom?*

YES/NO. If YES, please specify and provide link.

Questions on the content of support guide C3

In this section you will be asked to provide answers on the content of the Support Guide on C3.

To ensure the proportionality of this guide (for preparers), while ensuring reliable and meaningful data for users, this support guide proposes a simplified approach for target setting and climate transition plans that is still in line with international initiatives such as the SBTi. The specific simplified approaches are described below. The support guide aims at complementing the implementation of paragraph 222 (reduction targets) and paragraph 225 (climate transition plans) of the VSME. For reference see the paragraph extracts below.

222. To set a target, undertakings should consider the existing scientific evidence on GHG mitigation. The SBTi recommends a cross-sector target in GHG emissions reduction of -42% by the year 2030 and -90% by the year 2050 (base year 2020). The Stockholm Resilience Centre also proposes a 'carbon law' that sets out concrete steps to achieve full decarbonisation by 2050 based on a flexible way of thinking about reducing carbon emissions by halving emissions every decade and increasing **renewable energy** roll-out exponentially. The authors argued that this roadmap would ensure a 75% chance of keeping the Earth below 2°C above pre-industrial temperatures – the target set out in the Paris agreement¹⁵. SBTi also proposes a streamlined target-setting route for small- and medium-sized undertakings¹⁶. Specific pathways also exist by sector and may be considered by undertakings when setting their GHG emission reduction **targets**.

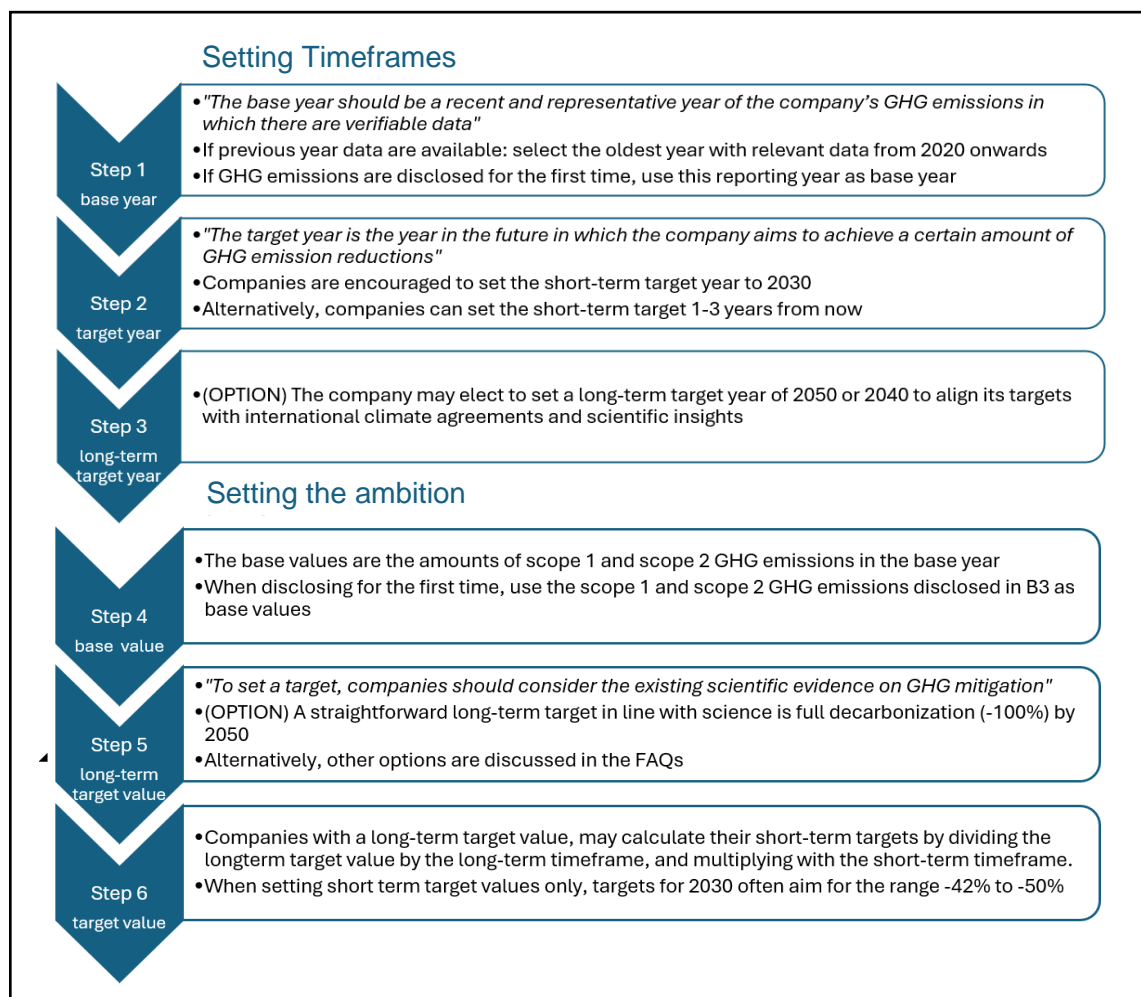
225. Establishing a credible transition plan for the undertaking is something that should be supported by elements such as (a) identifying clear responsibilities and roles; (b) integrating the plan into the undertaking's business strategy and financial planning; (c) including information on decarbonisation levers and pathways as well as quantifiable indicators that can be monitored throughout predefined timeframes; (d) allowing for regular reviewing and updating after stakeholder consultations when appropriate; and (e) covering the entirety of its own operations and, to the largest possible extent, the **value chain** or else providing an explanation as to any limitation.

QUESTIONS

Target-setting

4. The flowchart below depicts how the step-by-step approach of the support guide could be designed with regards to GHG target setting. It includes 6 total steps that cover setting timeframes + ambition levels. In sight of the proportionality aspect and to set a clear methodological base, the step-by-step guide defines the following:

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Are the steps an adequate and proportionate approach to structure GHG reduction targets for SMEs?

Please put the focus on the content of each step

YES/ NO, please explain. For comments on a specific step please mention it by number.

(Severe negative human rights incidents)

5. When applying these steps for short-term target setting, a possible outcome within the draft support guide could look like the example shown below.

An SME disclosing for the first time and setting a short-term target only, would set the base year at the reporting year (“2026”), and set the target year for example in 2030.

The SME decides to procure green energy by 2030, fully decarbonizing its scope 2 emissions. It also decides to reduce scope 1 emissions by electrifying part of its company fleet, aiming for a reduction of about 35% emissions.

Total GHG reduction target results in around 48% by 2030, in line with 42%-50% reduction target suggested in the VSME guidance.

Table 1 - Example of target setting for an SME using a short-term target only

Target setting example (short-term only)	Baseline	Current report	Short-term Target	% change
Year	2026	2026	2030	
Scope 1 (tCO2eq)	185	185	120	-35%
Scope 2 (tCO2 eq)	45	45	0	-100%
Total (tCO2eq)	230	230	120	-48%

Do you think this example is sufficiently clear and useful?

YES/NO. If NO, please specify why.

6. For SMEs setting long-term targets, the Support Guide could propose using a linear decrease. This would result in an example below:

The short-term GHG reduction target is then calculated as follows:

$$\text{shortterm target value} = \frac{\text{short timeframe}}{\text{long timeframe}} * (\text{longterm target value})$$

For this example this results in a short-term target value of 17% GHG reductions (2030-2026 = 4 years, 2050-2026=24 years, and a long-term reduction of 100%*4 years/24 years=17%). Multiply this percentage with the base values for scope 1 and scope 2 to find the actual amounts of GHG reductions.

Table 2 - Example of target setting for an SME using short- and long-term targets

Target setting example (short- and long-term)	Baseline	Current reporting year	Short-term Target	% change	Long-term Target	% change
Year	2026	2026	2030			
Scope 1 (tCO2eq)	120	120	100	-17%	0	-100%
Scope 2 (tCO2 eq)	200	200	166	-17%	0	-100%
Total (tCO2eq)	320	320	266	-17%	0	-100%

Do you agree that this example is sufficiently clear and useful?

YES/NO. If NO, please specify why

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7. SMEs disclosing on C3 are required to also provide the list of main actions associated with their Scope 1 & 2 GHG reduction targets (para. 54). The draft support guide may suggest for SMEs to use their C2 practices and future initiatives as input for C3. This would link GHG reduction targets with their actions in a tangible, proportionate, and straightforward way.

Box 1 Example of main actions to implement the company GHG reduction targets

Scope 1: Low-carbon transport

Our actions include retiring depreciated diesel vans and leasing new electric vans (e-vans) to replace them. Additionally, cargo bikes will be leased in alignment with the company's growth strategy to further reduce greenhouse gas emissions.

Scope 1: Energy efficiency measures

We plan to upgrade machines to A-label energy-efficient models in line with the depreciation rate, ensuring a gradual transition to lower energy consumption.

Scope 2: Renewable energy – renewable electricity sourcing

To reduce reliance on fossil fuels, 50% of the company's electricity will be sourced from renewable electricity providers.

Do you find this linkage between C3 and C2 a useful and proportionate way of ensuring that the setting GHG reduction target actions remains manageable for SMEs while still being useful for users?

YES/NO. If NO, please specify why

Climate Transition Plan

8. The VSME's guidance on the Climate Transition Plan applies to high climate impact sectors only and provides a set of elements that should be reported on (paragraph 225, see below).

225. Establishing a credible transition plan for the undertaking is something that should be supported by elements such as (a) identifying clear responsibilities and roles; (b) integrating the plan into the undertaking's business strategy and financial planning; (c) including information on decarbonisation levers and pathways as well as quantifiable indicators that can be monitored throughout predefined timeframes; (d) allowing for regular reviewing and updating after stakeholder consultations when appropriate; and (e) covering the entirety of its own operations and, to the largest possible extent, the **value chain** or else providing an explanation as to any limitation.

Specifically for paragraph 225(b) "*integrating the plan into the undertaking's business strategy and financial planning*", the draft support guide could provide an example which builds upon the list of main actions already provided (see Question 7) to illustrate how the strategic and financial impacts could be assessed.

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Example – financial impacts of GHG reductions

To achieve its GHG reduction targets, Company A is implementing strategic actions focused on **low-carbon transportation, energy efficiency, and renewable energy**. These initiatives are expected to respond to regulatory pressure, lower energy costs, and comply with client expectations. The CEO - responsible for the plan - projects the following impacts:

1. Low-Carbon Transport

- Strategic benefit: Align with low-emission zoning trend and low carbon tax rules for commercial fleets
- Financial impact: €0.2M-0.4M (OpEx annually, for full fleet, under current government incentives scheme) but fuel savings might halve this

2. Energy Efficiency Measures

- Strategic benefit: Improve production flexibility and energy consumption to avoid energy peak pricing
- Financial impact: investments of €0.05M-0.1M (CapEx) per % efficiency gain
- Return on investment estimated under 2 years

3. Renewable Energy – Green Electricity Sourcing

- Strategic benefit: Client's supplier code of conduct stipulates decarbonization requirements
- Financial impact: €0.1M-0.15M (OpEx annually) for current electricity consumption
- Prevents loss of sales contracts worth a significant share of turnover

To reduce the exposure to volatile energy markets, increasing carbon taxes, and to comply with client expectations, significant additional investments will be needed over time to reduce buildings and process emissions.

Do you consider the example provided on integrating the plan into the undertaking's business strategy and financial planning sufficiently clear and useful?

YES/NO. If NO, please specify why

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9. As guidance for paragraph 225(c) “including information on decarbonisation levers and pathways as well as quantifiable indicators that can be monitored through predefined timeframes”, the guidance then explains that “decarbonisation levers” is a technical term referring to the list of main actions discussed in question 7 above, and that “pathways” refer to the planning of these actions. The Support Guide could show an example on how to create such a pathway by selecting near-term actions and longer-term actions:

Example – creating the transition plan

Actions up to 2030 (targets: -17% scope 1, -17% scope 2)

- 1. Low-Carbon Transport**
 - Contributes 40% of total GHG reductions
 - Measure of progress: Share of electric vehicles in the company fleet (%)
 - Estimated cost: €0.1M-0.2M (OpEx annually by 2030 - for 50% of fleet)
- 2. Energy Efficiency Measures**
 - Contributes 20% of total GHG reductions
 - Measure of progress: Efficiency gain (% vs baseline)
 - Investment required: €0.15M-0.3M (CapEx - for 3,5% total efficiency gain)
- 3. Renewable Energy – Green Electricity Sourcing**
 - Contributes 40% of total GHG reductions
 - Measure of progress: Share of green electricity in total consumption (%)
 - Expected cost: €0.15M-0.2M (OpEx annually - projected growth included)

Post 2030 actions

- Decarbonization of transport by 2035
- Continued investments in energy efficiency
- Gradual decarbonization of emissions from buildings and processes by 2050

Do you consider that this approach to a simplified pathway is sufficiently clear and useful?
YES/NO. If NO, please specify why

10. A list of Frequently Asked Questions (FAQs) could be added to the Support Guide. Following questions may be envisioned:
- a) What counts as reduction of GHGs? (e.g. carbon credits do not count)
 - b) How to set targets post-2030?
 - c) How to set formal science-based targets?

These questions are already answered in the VSME guidance but would be summarized here for ease of reference.

FAQ

1. What counts as reduction of GHG?

- Effectively reducing absolute scope 1 and scope 2 emissions
- Reducing emissions intensity by reducing the product or portfolio footprint and other reductions in scope 3 emissions
- What doesn't count are: GHG removals (e.g. carbon credits from compensation programs like reforestation) and avoided emissions (e.g. GHG emissions avoided because of selling insulation products). For further elaboration please consult paragraph 218-219 in the standard.

Do you consider it useful to add these questions to the Support Guide?

YES/NO, If NO, please specify.

11. Depending on the type of activities carried out by the undertaking, disclosing Scope 3 GHG emissions can be appropriate (paragraph 50-52). The guidance provided in the standard is shown below.

214. When determining whether disclosure of Scope 3 is appropriate following paragraph 50, the undertaking may screen its total Scope 3 GHG emissions based on the 15 Scope 3 categories identified by the GHG Protocol using appropriate estimates and report by incorporating this information by reference. This allows for the identification and disclosure of its significant Scope 3 categories based on the magnitude of their estimated GHG emissions and other criteria provided by the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Version 2011, p. 61 and 65-68) or EN ISO 14064-1:2018 Annex H.3.2, such as financial spend, influence, related transition risks and opportunities or stakeholder views.

215. SMEs operating with manufacturing, agrifood, real estate construction and packaging processes are likely to have significant Scope 3 categories ([CDP, 2024](#)), which may be considered relevant for reporting in the undertaking's sector.

Do you think that the Support Guide should offer more guidance on Scope 3 GHG emissions, either for calculation or target setting?

YES/NO. If YES, explain why.

Part 2- Support Guide for Disclosure C7 (Severe Negative Human Rights Incidents in the value chain)

Questions on the overall approach of the Support Guide (C7 – 62(c))

1. The Support Guide C7 aims to provide hands-on guidance to support SMEs in disclosing eventual severe negative human rights incidents that arise in the value chain, in relation to workers, affected communities and consumers/end-users.

The request for this Support Guide stems from EFRAG's VSME ED Public Consultation. It is important to consider that this guide focuses on paragraph 62(c) of Disclosure C7 – see extract below.

C7 – Severe negative human rights incidents

62. The undertaking shall disclose an answer to the following questions:

(a) Does the undertaking have confirmed incidents in its **own workforce** related to:

- i. child labour (YES/ NO);
- ii. forced labour (YES/ NO);
- iii. human trafficking (YES/ NO);
- iv. discrimination (YES/ NO); or
- v. other? (YES/NO – if yes, specify).

(b) If yes, the undertaking may describe the **actions** being taken to address the **incidents** described above.

(c) Is the undertaking aware of any confirmed **incidents** involving **workers in the value chain**, **affected communities**, **consumers** and **end-users**? If yes, specify.

Do you agree with the aim and need of this support guide which seeks to provide hands-on guidance for SMEs disclosing if they are aware of any confirmed severe human rights incidents in their value chain, with a particular focus on paragraph 62(c)?
YES/NO. If NO, please explain.

Questions on the content of support guide C7 - 62(c)

2. In paragraph 238 (VSME Guidance), a “confirmed incident” refers to a *legal action or complaint registered with the SME or competent authorities through a formal process, or an instance of non-compliance identified by the undertaking through established procedures. Established procedures to identify instances of non-compliance can include management system audits, formal monitoring programs, or grievance mechanisms.*

This implies that an SME could be aware of such incidents via a variety of channels and tools that may provide context on specific sectors, specific countries as well as specific groups of affected people (rights or rights holders) that can be concerned by such incidents in relation to workers, affected communities and consumers/end-users.

To support preparers the guidance may provide examples of confirmed incidents that could pop-up on a digital template. Possible examples are as follows:

An example for Workers in the Value Chain could look like this:

A small construction company received a formal complaint through a report/letter from an NGO raising concerns about child labour at one of its suppliers in Southeast Asia. The complaint, submitted by a local labour rights group, included photos and testimonies indicating that children under 14 were involved in physically demanding work, such as carrying heavy bricks and operating kilns without protective equipment. The issue gained further attention when a local journalist reported on the factory’s conditions, increasing pressure on the SME to respond. Given the lack of an internal compliance team, the SME engaged a trusted local expert to visit the supplier and verify the claims. The investigation confirmed that several children were working in unsafe conditions and often as part of a family debt repayment system. With limited leverage over the supplier, the SME sought support from an industry association and a local NGO to address the issue.

(Severe negative human rights incidents)

An example for Affected Communities could look like this:

A SME is operating several fruits and vegetable plantations in Southern Europe. Several local communities in two regions have initiated a campaign, alleging that the fertilizers used on the plantations contain harmful components that pose risks to human health. They further allege that some forms of illness suffered by members of the communities are caused by the fertilizers. These communities claim that the use of such fertilizers is compromising their right to health and their right to live in a clean and healthy environment. Investigations into these allegations are underway, in collaboration with relevant authorities and experts, to assess the situation and address any identified issues.

An example for Consumers and End-users could look like this:

A medium-sized tech SME launched a cloud-based service to store and to manage sensitive customer data. Despite efforts to ensure data security and data privacy protection, a breach occurred, leading to unauthorised access to customer data. The breach exposed personal information (names, addresses, and financial details) impacting thousands of customers. This breach also significantly increased the risk of identity theft. Concerned customers filed formal complaints with data protection authorities, alleging that their right to privacy has been impacted with the company failing to implement adequate security measures. The authorities launched an investigation into the company data privacy practices and discovered several lapses in its security protocols.

Are these examples sufficiently comprehensive and clear to enable the awareness of the confirmed incident, including the affected stakeholders and the specific human rights violated?

YES/NO. If NO, please explain

3. Are there any reliable and currently used source (websites/ tools etc.) that could be further referenced or used by EFRAG in the Support Guide?

YES/NO/ IF YES, please specify and provide link

4. (OPTIONAL) Do you think that support guides should also include educational aspects (e.g. SME Compass), for SMEs to become familiar in anticipating severe negative violation in relation to workers, affected communities and consumers/end-users?

YES/NO. If YES, please explain

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5. *Are there additional elements that should be included in the support guide for C3 or for C7 – 62(c) that you have not yet been addressed in the above questions?*
YES/NO. If YES, please explain