

# EFRAG Public Consultation – January 2024 - Questionnaire VSME Exposure Draft

## 1. DISCLAIMER

---

This questionnaire supports the development of the Exposure Draft for a Voluntary Standard for non-listed SMEs ('VSME ED'). The purpose of this consultation is to collect feedback from a variety of stakeholders on the content of its content.

The VSME ED is the result of EFRAG SRB and SR TEG and includes inputs from EFRAG Expert Working Group and the EFRAG VSME community as well as stakeholders outreach events. This work benefits from the research conducted by the SME working group "Cluster 8" of the EFRAG Project Task Force on European sustainability reporting standards.

The following background documents are included in the package to help respondents framing their responses:

Annex 1: VSME ED [link](#)

Annex 2: Basis for conclusions for VSME illustrating the reasoning behind the content of the ED [link](#)

Annex 3: Approach to Value Chain Cap in ESRS LSME ED and VSME ED [link](#)

Deadline for answer is 21 May 2024 (EoD)

## 2. SURVEY INTRODUCTION

---

Thank you for taking the time to complete this survey.

The purpose of this survey is to receive feedback from constituents on the VSME ED. The feedback will be collated by EFRAG Secretariat and analysed by EFRAG SR TEG and SRB to finalise the VSME draft for delivery to the European Commission ('EC').

Why VSME? EFRAG's work on a voluntary standard for non-listed micro, small and medium enterprises is outside the Corporate Sustainability Reporting Directive (CSRD).

As specified in the EC Q&A accompanying the adoption of the Delegated Acts ESRS in July 2023, EFRAG is developing simpler, a voluntary standard for use by non-listed SMEs to enable non-listed SMEs to respond to requests for sustainability information in an efficient and proportionate manner as well as to facilitate their participation in the transition to a sustainable economy. The EC SME Relief Package of September 2023 refers to the VSME ED as a measure to support SMEs in accessing sustainable finance and to reduce the reporting obligations by 25%.

The VSME ED will allow non-listed SMEs (including micro) to face growing requests for ESG data and to lower the entry barrier to reporting. Undertakings with no company statute (self-employed) are expected to use this VSME. The benefits of VSME will depend on market acceptance and recognition that the VSME ED is suitable to replace a substantial part of the various questionnaires (from lenders, corporates, investors) currently used to collect such information from SMEs.

Micro, small and medium undertakings are in number the vast majority of enterprises in Europe.

General approach to users' needs: When answering to the questions in this Survey and assessing the appropriateness of the proposed disclosures, respondents are invited to consider the perspective of the users' needs of this particular ED (users being primarily SMEs' business partners, i.e. lenders, other investors, corporates) and to take into account the capacities of the SMEs, especially as they are not in the scope of the CSRD. Such information is also expected to support the perspective of public interest.

In this questionnaire, if not differently specified, the terms "SMEs" and "undertaking(s)" refers to non-listed micro, small and medium undertakings in the scope of VSME ED.

If you have no opinion on a question you can skip the question.

## 3. INFORMATION ON SURVEY PARTICIPANT

---

First Name:

Eleonora

**Last Name:**

Marino

**Email**

e.marino@confindustria.eu

**Organization:**

**Name of organization:**

Confindustria

**Type of organization:**

Preparers are identified as those which choose to prepare a sustainability report under the VSME ED.

Users are identified as those using the sustainability information produced by applying VSME ED (in particular those are investors, lenders, large undertakings as SME's value chain partners).

Other

**Please specify whether you are:**

Other (please specify)

“Other” respondents can choose to respond either as as Preparers (proxy) or as Users (proxy). In this case, in addition they can provide complementary comments to cover the other perspective, using the last open question in Part 2 of the questionnaire.

**Please specify:**

Association representing business

**Main country of operations:**

Italy

**Main sector of operations:**

Manufacturing

Depending on the group you have selected, you will be asked different questions.

## 4. Survey structure and instructions

---

This survey is structured as follows:

A) Part 1: VSME ED – General key questions (CRITICAL, please consider answering all questions) (If you only wish to complete Part 3, please page through the questionnaire to there)

B) Part 2: VSME ED – Detailed questions on principles and datapoints in the 3 modules (ADDITIONAL, please complement your answers in part 1 by answering part 2 as much as possible) (If you do not wish to complete this part, please page through to Part 3 on the Value chain cap or the submission page as relevant)

C) Part 3: Value chain cap (Separate section on the role of VSME and LSME in respect to the trickle-down effect) value chain cap as determined by the ESRS LSME) (Please note that here you are requested to choose whether you want to respond in brief on this topic or in a more detail. Please note that the questions on the value chain cap here are the same as in the LSME questionnaire in part A2 and if you respond to both questionnaires, you do not need to repeat your answers.)

You can choose to answer any part on its own or combination with the other parts.

### Survey instructions

Some questions in the survey will appear depending on your previous answers or choices. You will now be able to save your responses before final submission . Please note that EFRAG only considers completed surveys - partial submissions cannot be technically processed. You will receive an email with your response on submission.

## 5. A) Part 1: General key questions

---

## **A) PART 1: General Key Questions (CRITICAL)**

### **a. Objective, simplifications and modules**

*Please refer to the text of VSME ED in [Annex 1](#) and to the text of Basis for conclusions for VSME ED in [Annex 2](#).*

**1. The objective of this ED is to provide a simple reporting tool, that can credibly replace a substantial part of the questionnaires used by business partners (lenders, investors and corporate clients) in requesting ESG data from SMEs and that can support SMEs in monitoring their sustainability performance. While the ED has been built mainly on the basis of questionnaires from business partners, the resulting information is expected to also benefit SMEs by improving their management of sustainability issues and, in this way, contribute to a more sustainable and inclusive economy.**

**Do you agree with this standard setting objective?**

Yes

**Please explain your answer:**

Sustainability reporting requirements have grown to affect all types of market operators. Confindustria shares the need to have the VSME ED as a tool that can make the administrative burden for non-listed SMEs more manageable. However, it is essential that the standard is effectively simplified so that it is workable and gains general acceptance from both companies and market users.

The draft submitted to this consultation seems to be a good starting point to help SMEs monitor their sustainability performance thus improving their management of sustainability issues and contributing to the overall goal of a more sustainable and inclusive economy. However, as a voluntary standard, it is important that the disclosures are coherent with what financial institutions and large corporates typically request from their clients or suppliers, as well as allow for flexibility regarding presentation and placement of the sustainability report.

Some entities might wish to disclose a separate report outside the annual report while others might not have the necessary resources to present the sustainability report at the same time as the financial statements, as foreseen in the current presentation times. Moreover, if the sustainability information is part of the management report, it will also be subject to the auditors' review. As the goal is to make the standard attractive and flexible enough to apply for SMEs, it would be better to place voluntary information outside the statutory annual report.

Finally, we also find it important that the VSME-standard (and not the LSME standard) becomes the de facto reference of market users (financial institutions, investors and large corporates) when engaging with SMEs. For this end, EFRAG could consider preparing a new version of the LSME ED based on the VSME ED and implemented with an additional module that would contain the information needed and required by investors. This would make sustainability reporting easier for SMEs while avoiding the complexity of the provisions included in the LSME's value chain cap.

**2. VSME ED has been structured in three separate modules:**

**The Basic Module is the entry level for SMEs and the target for micro-SME; it is required also in case of use of one of the two other modules.**

**The Narrative-Policies, Actions and Targets (PAT) Module is expected to be used by SMEs that have already in place some formalised policies, actions and targets.**

**The Business Partners (BP) Module is expected to be used when an SME faces data requests from its business counterparties.**

**The following alternatives for reporting uses are possible under the VSME ED:**

- 1) The Basic Module alone;**
- 2) The Basic Module with the Narrative-PAT Module;**
- 3) The Basic Module with the Business Partners (BP) Module;**
- 4) All three Modules together.**

**Do you agree that these alternatives are appropriate to deal with the diversified undertakings in scope (both number of employees and economic sectors) in the context of the objective as stated in Q1 of this questionnaire?**

Yes

**Please explain your answer:**

Confindustria considers the module-based approach of the voluntary standard is well balanced and reasonable considering the wide variety of companies that may have reasons to apply the standard. It provides a good basis for SMEs to begin their sustainability reporting thus contributing to the objectives stated in Q1, benefitting SMEs by improving their management of sustainability issues and, in this way, contributing to a more sustainable and inclusive economy for all.

However, Confindustria believes that the modular approach should be intended in a flexible way giving the chance to expand the basic module with other elements possibly taken from the PAT and BP modules, in accordance with the options embedded in paragraph 11 and 19. These options are essential for the uptake and relevance of the VSME standard as they would allow for greater flexibility in the reporting. Confindustria calls for EFRAG to better illustrate not only the three modules, but also these options that would allow SMEs to claim compliance with the Basic Module and to state that further disclosures from the BP-module or PAT-module have been included.

Finally, Confindustria emphasizes the desirability of a reassessment of some of the time horizons given for the preparation of the different modules. More specifically, the "more than five years" long-term time horizon established on point 40 regarding preparing the Narrative-PAT and Business Partners modules is unrealistic, especially from the perspective of a proportional exercise from SMEs. In most cases, for SMEs the key variables and, above all, the dynamics that will determine behaviour in the long term are unknown, making it necessary to make unaffordable investments to model them. Moreover, the high uncertainty concerning the results obtained will additionally render them of little value.

**3. The Basic Module is written in simplified language to make it easily understandable for micro and SME undertakings, while ensuring clarity in terms defined by the ESRS with 12 disclosures to be reported. There is no need for a materiality analysis. Certain disclosures are required only if the undertaking considers them "applicable".**

**Do you agree that the Basic Module is proportionate, understandable (in terms of language), and has a reasonably complete set of disclosures to be used as a starting point?**

Yes

**Please explain your answer:**

Confindustria appreciates the efforts made by EFRAG to provide an understandable and manageable Basic Module to encourage micro and SME undertakings to uptake on simple and relevant sustainability reporting.

However, we cannot fully agree with the proportionality and reasonability of it all. The terms/expressions used to describe the contents of some reporting requirements should allow for more flexibility in explaining some of the data indicated in the metrics. In addition, some disclosures should be tailored to ensure that micro and SME undertakings can easily gather the information without having to hire ESG-professional experts to do it for them (see response to Q13).

**If answer is NO, please indicate the relevant disclosure.**

**4. The Narrative-Policies, Actions and Targets (PAT) Module is suggested in addition to disclosures in the Basic Module, to undertakings that have formalised and implemented PAT. Materiality analysis is required to determine and disclose the sustainability matters that which sustainability matters are relevant for the undertaking.**

**Do you agree with the content of and approach to the Narrative-PAT Module, which is reserved to undertakings that have Policies, Actions and Targets (PAT) in place?**

No

**Please explain your answer:**

Confindustria believes only the largest, and most sophisticated SMEs will report on the PAT-module in its entirety. However, this Module still provides a good basis for larger SMEs reporting, provided that some adjustments are made to it.

The VSME sets out rather detailed requirements for the content of an SME's narrative PATs. At the same time no guidance is provided for enterprises to compile such a narrative based on the criteria. It should be considered if the VSME could build in more flexibility for the microenterprises and SMEs to narrate their own PAT, and just provide guidelines and examples.

On another side, we would encourage EFRAG to ensure that the double materiality analysis required under the PAT Module is explained as simply as possible and supported by good guidance, while building on the same principles as the double materiality analysis for the ESRS. A qualitative approach, rather than a too conceptual approach, could add value to the materiality analysis to be conducted under this Module provided that (i) it remains flexible, (ii) general explanations are redrafted for an easier understanding by SMEs' executives who are neither familiar with ESG nor with standard setting, and (iii) some disclosures are simplified and streamlined. Double materiality is not easy to understand for non-specialists. An effort should be made to explain the concept with references to a practical, everyday perspective.

**5. The Business Partners (BP) Module sets datapoints to be reported in addition to disclosures in the Basic Module, which are likely to be included in data requests from lenders, investors and corporate clients of the undertaking. Materiality analysis is required, in order to determine and disclose the sustainability matters that are relevant for the undertaking.**

**Do you agree with the content and approach to the Business Partners (BP) Module as a replacement and standardisation of information requests by business partners, being a proportionate but complete set of ESG disclosures?**

No

**Please explain your answer:**

Confindustria welcomes the interest of the BP Module, considered a good start by financial market participants. Nevertheless, the conclusion is that it remains too burdensome and complex for SMEs to understand it without external assistance. A better balance needs to be found between the need to respond to business partners requests of information and the need to ask SMEs to disclose simplified and manageable data.

Some of the adjustments proposed to enable an extended use of the Module by SMEs are:

- Avoiding reliance on instruments which are specifically developed for multinational enterprises, as done in BP 8 or BP 9.

- Finding a proportionate approach for SMEs rather than BP 4 transition plans. An alternative could be to focus on the undertaking's action plan to reduce GHG, without reference to alignment with the Paris agreement as it is too conceptual for an SME, and

- Basing the materiality analysis on the disclosure requirements in the BP Module rather than on the list of topics in appendix B, since it is not clear from the standard how the specific datapoints in the BP Module relate to the topics in appendix B. For example, gender equality and diversity are more complex than just the gender diversity ratio of the governance body. Should the assessment of materiality be based on the governance body or the general situation at the workplace of the reporting entity? If BP 2 is not disclosed, does it mean that the gender balance of the governance body is even, or does it mean that the issue of diversity and gender equality is not considered material by the reporting entity?

## 6. QUESTIONS

---

### **A) PART 1: General Key Questions (CRITICAL)**

#### **b. Sector guidance**

**6. Sustainability matters may be highly dependent on the specificities of the relevant sector(s) that the reporting undertaking operates in. Please select your recommended course of action for standard setting and guidance purposes on this matter.**

**Please note that your answer will be complemented by question 13 on the additional dimension of reporting including sectors.**

**Please select one:**

Undertakings applying VSME ED should apply on a voluntary basis sector specific guidelines and disclosures designed for non-listed SMEs, to be issued by EFRAG as a non-authoritative annex to the future sector-ESRS.

**Please provide your comments, if any:**

Confindustria is convinced of EFRAG's central role in governing and controlling the reporting process and the delicate relationship between the ESRS and the VSME. We consider that SMEs could benefit of simplified and voluntary sector information. For that, a short, separate VSME sector standard to be issued by EFRAG as a non-authoritative annex to the future sector-ESRS as stated under option 3 seems appropriate. However, it is difficult to give a definitive answer to this question until there is clarity on the sector-specific ESRS standards and how they will be structured.

## 7. B) Part 2: Detailed questions on principles and datapoints

---

### **B) PART 2: Detailed questions on principles and datapoints (ADDITIONAL, to complement part 1)**

#### **a. Principles for preparation**

Please refer to the text of VSME ED in [Annex 1](#).

## 7. Do you agree with the proposed Principles for the preparation of the sustainability report in VSME ED?

Principles for the preparation of the sustainability report (Basic Module, Narrative-PAT Module, Business Partners Module)

	Please select:		Comment
	Agree	Disagree	
a) Complying with this Standard (paragraphs 9 and 10 in VSME ED)	X		
b) Preparation on a consolidated basis (paragraph 12 in VSME ED)	X		
c) Timing and location of the Sustainability Report (paragraphs 13, 14 and 15 in VSME ED)		X	See Q1
d) Classified and sensitive information, and information on intellectual property, know-how or results of innovation (paragraph 16 in VSME ED)	X		

If you disagree please explain your reasoning:

Please select a principle:

Explanation:

8. Additional question on Preparation on a consolidated basis. The VSME ED recommends the undertakings that are parent of small and medium sized groups to prepare consolidated reports for their sustainability statement, i.e. to include data of their subsidiary/ies in the report.

Do you agree with this approach?

Please explain your answer:

9. Since non listed SMEs are outside the scope of CSRD, the subsidiary exemption (see CSRD Art. 19a9) does not apply to them. One proposal that EFRAG could consider is to include such exemption in VSME ED, as a further incentive to apply consolidated sustainability reporting.

Would you consider the inclusion of a subsidiary exemption to VSME ED as pertinent and feasible?

Yes

Please explain your answer:

10. Additional information component including sectors (VSME ED par. 11, applicable to all the modules) Depending on the type of activities carried out, the inclusion of additional information about issues that are common to the undertaking's sector supports the provision of relevant, faithful, comparable, understandable and verifiable information. While acknowledging the difficulties that this requirement may raise for SMEs, the inclusion of this additional dimension was considered an important element of VSME ED to fulfil in particular-sector specific disclosures.

Do you agree with this approach?

Yes

Please explain your answer:

Yes, but it is important that sectoral information is provided on a voluntary basis by SMEs.

## 8. QUESTIONS

### **B) PART 2: Detailed questions on principles and datapoints (ADDITIONAL, to complement part 1)**

#### **b. Basic Module**

11. The Basic Module is the entry level for non-listed SMEs and has a highly simplified language. Ideally the undertaking should be able to produce these disclosures with limited help of consultants. It comprises 12 disclosures which have been mapped with existing voluntary initiatives (i.e. Nordic Sustainability reporting standards for SMEs, German Sustainability Code, CDP guide for SMEs etc.). These disclosures have been identified as recurring in the questionnaires analysed by the EFRAG Secretariat (please refer to *Annex 2 Basis for conclusions for VSME ED* for more details).



With reference to the proposed disclosure requirements, please include your answer in table below:

	Do you have comments on the inclusion and content of this disclosure?
Disclosure B 1 – Basis for Preparation	B1 Additional disclosure on key features: The basic module could require the disclosure of the undertaking's sector(s), turnover (range), and location(s). Especially as this information does not increase the reporting burden as it is already available internally.
Disclosure B 2 – Practices for transitioning towards a more sustainable economy	
B 3 – Energy and greenhouse gas emissions	Confindustria agrees with the inclusion of the contents in items 23 and 24 of disclosure B 3. However, the calculation of gross greenhouse gas (GHG) emissions (point 25) could be complex, as specific coefficients which may be difficult for SMEs to find are needed to provide the required information. This information, moreover, requires more specific analysis and investigation depending on the different sectors. In general, it might be useful to include, in addition to the GHG protocol, ISO 14064-1 (Carbon Footprint), with no certification requirement. This would allow companies greater flexibility in choosing the reporting framework that best suits their specific needs.
B 4 – Pollution of air, water and soil	
B 5 – Biodiversity	
B 6 – Water	
B 7 – Resource use, circular economy, and waste management	B 7 – Resource use, circular economy, and waste management: It might be useful for the "guidance" section to clarify that companies that only produce waste that can be assimilated to household waste do not have to provide the waste indicators mentioned. B7 – paragraph 33 (a-b): We recommend including "if applicable". There are types of packaging for which recyclable materials cannot be used (for certain types of sectors, e.g. pharmaceuticals), or because the reference standard indicates the maximum percentage to be used. If the "a" is applicable, then the company can also report the "b". B7 paragraph (d): it would be appropriate to include the option to indicate the volume size of annual waste destined for recycling or reuse. In this regard, we point out that, given the specificity of some activities and their size (as may be, for example, construction activity), many wastes are measured in volume (m3) and not, instead, in weight. In addition, in the section "Guidance on total waste generation and waste diverted to recycling or reuse", and particularly in the table showing information on waste generated, it might be appropriate to include also "Recovery" in the "Waste diverted to recycle or reuse" column. Moreover, for some activities, consideration could be given to including the use of other typical and essential tools for the circular economy including, for example, "by-products." In particular, an additional letter could be inserted, i.e., supplementing (d) by adding after the words "recycling, or reuse" the following words "or the management of these as by-products."
B 8 – Workforce – General characteristics	
B 9 – Workforce - Health and Safety	
B 10 – Workforce – Remuneration, collective	B10 Revision of the disclosure on minimum wages (36a): The information contained in letters a), b) and c) of this disclosure should leave more flexibility to the reporting company. For countries that do not have a legal minimum wage, the references for remuneration are represented by the levels set by collective agreements and this case, too, should be explicitly mentioned among the cases (letters) of the disclosure. Another remark concerns the disclosure of the percentage of employees

bargaining, and training	covered by collective bargaining agreements: If a company applies collective agreements to all its employees, the percentage will consequently be 100%, so this disclosure is pleonastic in some cases.
B 111 – Workers in the value chain, affected communities, consumers and end-users	B 11 This Disclosure includes the reference to a due diligence process regarding, among others, workers in the value chain. A micro enterprise (< 10 employees) is certainly not in measure of collecting nor managing this type of information. The reference to value chain workers should be deleted or, at least, replaced with "activity chain workers". Moreover, it would be very useful (ref. to micro/small companies) to rely on material examples describing possible "severe negative impacts" related to the company's activity, to its products/services.
B 12 – Convictions and fines for corruption and bribery	

**1 - This datapoint was not identified in any of the questionnaires analysed by EFRAG Secretariat but was inserted to keep consensus based on the recommendation by some EFRAG SRB members.**

**12. B3 to B7 require disclosure of environmental performance metrics. There are other schemes used by SMEs requiring reporting of similar metrics, such as the European Eco-Management and Audit Scheme (EMAS – Regulation (EC) No. 1221/2009).**

**Do you see any potential for better alignment with those other reporting schemes?**

Yes

**Please explain your answer:**

There are several methods that a company can refer to in order to monitor the metrics outlined in B3 through B7, such as, for example, ISO 14001 (Environmental Management Systems), which attests to a company's commitment to environmental management and reducing the environmental impacts of its operations.

**13. The guidance provided for B9 on the number of fatalities as a result of work-related injuries and work-related ill health refers to incidents arising during travel and, outside of the undertaking's responsibility (e.g. regular commuting to and from work). These incidents are subject to the applicable national legislation that regulates their categorisation as to whether these are work-related or not.**

**Is the practice in your country to include such incidents as work-related fatalities?**

Yes

**Please explain your answer including references to the relevant legislation.**

In Italy, the public body for social/assistance (INAIL) includes in the calculation of fatal accidents at work the fatal accidents occurred during the exercise of the working activity and the ones occurred in itinere "(arised during travel), by then distinguishing them according to two different modalities of occurrence:

1. Accidents occurred during the working activity.

o Without means of transport

o With means of transport

3. Accidents occurred in itinere.

o Without means of transport

o With means of transport

Important remark: the modalities of collecting data on work-related injuries are different in the Member States, there is no homogeneous approach at EU level on this issue.

**14. B10 (a) requires undertakings to disclose the relevant ratio of the entry level wage to the minimum wage, when a significant proportion of employees are compensated based on wages subject to minimum wage rules. This datapoint deviates from the disclosure requirement on adequate wages established in ESRS S1-10 – Adequate wages (from paragraphs 67 to 71) as a simplification (i.e., easier to collect).**

**Do you consider that this requirement will provide relevant and comparable information?**

No

**Please explain your answer:**

See above table (B 10)

**15. B11 was drafted to cover, in a simplified way, a description of the process to identify material impacts and a description of those for workers in the value chain, affected communities and consumers/end-users. This disclosure**



is an exception to the general approach in the Basic Module where materiality does not apply. As a compromise, it was included as a voluntary disclosure.

Do you agree with this approach?

No

Please explain your answer:

No. This disclosure should be omitted in the Basic Module. Although voluntary, it creates expectations on SMEs as regards due diligence on such aspects, which is not realistic nor manageable.

**16. In order to help SMEs prepare the sustainability report, specific guidance has been developed for the Basic Module in paragraphs 87 to 167 of the VSME ED.**

Do you think that it is useful for the preparation of the report? Do you think it is sufficient?

Yes

Please explain your answer or add suggestions:

Confindustria believes that the specific guidelines for the Basic Module are useful because they provide a clear direction to the person who has to complete the report. However, some of the required information, e.g., the calculation provided with reference to energy and CO2 emissions data, could be complicated and difficult for SMEs to carry out, especially since some of the necessary information is not readily available.

## 9. QUESTIONS

### **B) PART 2: Detailed questions on principles and datapoints (ADDITIONAL, to complement part 1)**

#### **c. Approach to materiality of matters and Principles for preparation (common to Narrative-PAT and Business Partners Modules)**

**17. Do you think that the language and approach to the Principles of Materiality to be applied to the Narrative-PAT Module and Business Partners (BP) Module are proportionate for the undertakings in scope? Please include your feedback in the table below:**

	Please select:		Comment
	Agree	Disagree	
Impact materiality (paragraphs 46-50 in VSME ED)	X		Confindustria believes that a list of additional practical examples and cases should be included for explanation of impact and financial materiality in order to support SMEs in the preparation of PAT and Business Module
Financial materiality (paragraphs 51-55 in VSME ED)	X		
Stakeholders and their relevance to the materiality analysis process (paragraphs 56 and 57 in VSME ED)	X		

**18. The VSME ED requires performing a materiality analysis in order to disclose which of the sustainability matters listed in Annex B of VSME ED (which is the same as AR 16 of ESRS 1 General requirements) are material to the undertaking. Therefore, users will understand for which material matters the undertaking does not have Policies Actions and Targets (PAT) in place. This approach (like for ESRS Set 1) is designed to have a reliable depiction of what the undertaking is doing to address sustainability matters, avoiding greenwashing. At the same time, this approach only requires reporting the PAT (Policies, Actions and Targets) that the undertaking has in place. No information is required when they have no PAT in place for a material matter (in addition to the list of material matters itself).**

In the VSME ED, the Narrative-PAT and Business Partners Modules require assessing the materiality of the matters, as it considers the disclosure of only material matters as essential information for users. Do you agree with this approach?

Yes

**Please explain your answer.**

We generally agree with the approach used in relation to the need to report only relevant material issues, as this helps to contrast greenwashing.

However, the text seems not easy to understand for SMEs in the part where it lists-in Appendix B (List of Sustainability Issues)-the relevant sustainability issues that they must argue.

In fact, this list appears to be too complex and articulated, to the point that micro and small/medium enterprises might have difficulty understanding how to demonstrate which of their PATs already in place might fall under the various headings.

Specifically, it might be difficult to explain actions and strategic choices related to climate change adaptation and mitigation.

In this sense, it would be appropriate to make the document more intuitive, and thus modify the text so that each item contained within Appendix B would find more correspondence in the explanations articulated in the various Metrics contained in the Basic template or indicate directly to which item it refers by reporting the page number or title of the principle.

**19. As a way to simplify the materiality approach, whenever possible the notion of “report only if applicable” has been introduced. This filters information to be reported by undertakings on the basis of relevance. No disclosure is expected for a specific datapoint, when the undertaking’s circumstances are different from those that would trigger disclosure of that specific datapoint, as described by the relevant provision in VSME ED. This is particularly important for the Basic Module, where no materiality analysis is foreseen and all the disclosures are to be reported, if applicable.**

**Disclosures in the Business Partners module are to be reported are to be reported if they are applicable and for BP 5,7, 8, 9, 10 (for which the “if applicable” approach would not work) if they are relevant to the undertaking’s business and organisation.**

**Do you agree with this approach?**

Yes

**Please explain your answer:**

Yes, but a clearer explanation about the “if applicable” approach is needed.

**20. Financial opportunities have been included only on an optional basis in VSME ED since the CSRD focused on negative impact when addressing SMEs.**

**Do you agree?**

Yes, reporting for financial opportunities should be optional

**Please explain your answer:**

**21. Do you agree with the proposed principles for the preparation of the sustainability report for the Narrative-PAT and Business Partners Module in VSME ED?**

**Principles for the preparation of the sustainability report (Narrative-PAT Module, Business Partners Module)**

	Please select:		If you disagree please explain your reasoning:
	Agree	Disagree	
a) Time horizons (paragraph 40 in VSME ED)		X	See Q.2
b) Coherence and linkages with disclosures in financial statements ((paragraph 41 in VSME ED)	X		

**Please add your comments, if any:**

## **10. QUESTIONS**

**B) PART 2: Detailed questions on principles and datapoints (ADDITIONAL, to complement part 1)**

**d. Narrative-Policies, Actions and Targets (PAT) Module**

22. Do you agree with the content of the disclosures required by the Narrative-PAT Module of VSME ED? Please refer to Annex 2 Basis for conclusions for VSME ED for further detail. Please include your feedback in the table below:

	Do you have comments on this disclosure?
Disclosure N 1 – Strategy: business model and sustainability related initiatives	Confindustria requires the development of guidelines and examples, in order to assist the enterprises sufficiently to narrate their own PAT.
Disclosure N 2 – Material sustainability matters	
Disclosure N 3 – Management of material sustainability matters	
Disclosure N 4 – Key stakeholders	
Disclosure N 5 – Governance: responsibilities in relation to sustainability matters	

23. N3 requires the disclosure of policies, actions and targets to manage material sustainability matters. There are other schemes used by SMEs requiring reporting of similar information, such as the European Eco-Management and Audit Scheme (EMAS – Regulation (EC) No. 1221/2009) regarding environmental policies, actions and targets.

Do you see any potential for better alignment with those other reporting schemes?

Yes

Please explain your answer:

As regards the environmental aspects it is possible to refer to ISO 14001.

## 11. QUESTIONS

### **B) PART 2: Detailed questions on principles and datapoints (ADDITIONAL, to complement part 1)**

#### **e. Business Partners (BP) Module**

24. While acknowledging the complexities of this calculation specifically for SMEs, the inclusion of greenhouse gas (GHG) Scope 3 emissions as the entity-specific dimension was considered an important element of disclosure in some sectors. The Business Partners Module includes an entity specific consideration for GHG Scope 3 emissions to guide undertakings in certain sectors and for which Scope 3 GHG emissions are material in addition to the disclosures envisaged in B3 Energy and GHG emissions (Basic Module).

Do you agree with the inclusion of GHG Scope 3 emissions in the Business Partner Module in the paragraph “Entity specific consideration when reporting on GHG emissions under B3 (Basic Module)”?

Yes

Please explain your answer:

The Scope 3 emissions measurements are certainly relevant information from a medium-term perspective. However, it is important to point out that this aspect is also an important effort for large companies today. For this reason, therefore, Confindustria recommends that this point be treated accurately, balanced and with the utmost precision of terms, stressing that it would represent an addition to what is planned and reported in the B3 metrics. Calculating scope 3 emissions (Disclosure BP 3), in fact, requires expertise and may be too burdensome for SMEs.

**25. Do you agree with the content of disclosures required by the Business Partners (BP) Module of VSME ED? Please note that you can find the background for each Disclosure in the Annex 2 Basis for conclusions for VSME ED (BC130. to BC149). Please include your feedback in the table below:**

	Comment:
Disclosure BP 1 – Revenues from certain sectors	
Disclosure BP 2 – Gender diversity ratio in governance body	Need to better specify the expression "If the undertaking has a governance body in place" (in connection with answer given to Q5).
Disclosure BP 3 – GHG emissions reduction target	The evaluation of greenhouse gas emission reduction targets could be complex because it requires the use of specific coefficients that are difficult to find, and this information, moreover, requires more specific analysis and investigation according to different sectors.
Disclosure BP 4 – Transition plan for climate change mitigation	This information could be complex for SMEs. It could be envisaged that this information would be included only after an initial testing phase of this document
Disclosure BP 5 –Physical Risks from climate change	This information may complex for SMEs. Especially what is provided in (d), could be difficult to quantify if it is part of a larger process.
Disclosure BP 6 – Hazardous waste and/or radioactive waste ratio	We agree. This is easily available data for businesses.
Disclosure BP 7 – Alignment with internationally recognized instruments	BP 7- The international instruments referred to in BP 7-BP 9 are complex texts that SMEs may have difficulties understanding and managing. A simplified reference to a due diligence process would be preferable (e.g. for BP 7: possible reference to a Code of Conduct or to international guidelines being applied/referred to by the company).
Disclosure BP 8 – Processes to monitor compliance and mechanisms to address violations	BP8 Same comment as above on the complexity of the international instruments referred to in BP 7-BP 9 (e.g. BP 8 and BP 9 could be unified and aligned to GRI 406-1 (Incidents of discrimination and corrective actions taken). Processes or grievance complaints handling mechanisms implies too much narrative.
Disclosure BP 9 – Violations of OECD Guidelines for Multinational Enterprises or the UN Guiding Principles (including the principles and rights set out in the 8 fundamental conventions of the ILO Declaration and the International Bill of Human Rights)	BP9 Same comment as above on the complexity of the international instruments referred to in BP 7-BP 9 (e.g. the reference to the OECD Guidelines in BP 9 should be eliminated, as this instrument is addressed to multinational companies).
Disclosure BP 10 – Work-life balance	BP 10 Percentage entitled + Family related leave – Does not always have added value. If you have an employee in 2024 who takes a leave to take care of a sick person, but not in 2025, would you be worse off?
Disclosure BP 11 – Number of apprentices	

**26. With reference to disclosures BP 7, BP 8 and BP 9, the objective of these three disclosures is to assess the SME's commitment to respecting human rights. The ED has used the terms in the Sustainable Finance Disclosures Regulation (SFDR), applicable to the financial market participants (for example banks), for consistency purposes.**

**Are there alternative disclosures covering the same objective regarding the human rights of own workforce and that are more suitable than these disclosures?**

No

Please explain your answer including updated/proposed text:

**27. Do you think that it would be beneficial to split the Business Partners (BP) Module into sub-modules depending on the nature of the user (for example “banks”, “investors”, “large corporates”)?**

**Please select:**

Yes

**Please explain your answer:**

A distinction should be made between the users of the information as they have to meet different needs and obligations. The information needed by banks and investors derives also from financial regulation (already in force) and differs from the one needed by large companies leading the supply chain. They will also require additional information with reference to the sector in which SMEs operate.

Confindustria argues that three forms could be useful: one for large enterprises; one for banks; one for investors.

**28. Some of the questionnaires of banks and other business partners analysed by EFRAG Secretariat included also datapoints related to the EU-taxonomy regulation, despite non-listed SMEs being out of scope. EFRAG considered that preparing this information would be too complex for non-listed SMEs. We note that the EU Platform for Sustainable Finance may in the future make a proportionate tool for EU-taxonomy available. In particular, to meet the technical criteria for inclusion in the climate mitigation taxonomy, large undertakings have to consider the greenhouse gas (GHG) emissions of their various economic activities. These undertakings will need data from their suppliers. Small and medium-sized enterprises (SMEs) playing a crucial role in these undertakings' supply chains may be asked to provide the following information voluntarily to streamline the process for themselves and their clients:**

**SMEs whose activities fall under enabling activities of the Climate Delegated Act, e.g., categories 3.6 (Manufacture of renewable energy technologies) or 9.1 (Market research, development and innovation), should disclose the emission savings of their technology compared to the best-performing alternative.**

**Do you think that VSME ED should include this additional datapoint to cover EU-Taxonomy disclosures?**

No

**Please explain your answer:**

In addition to the information that large companies must provide on their value chain based on Taxonomy regulation and on the regulation on sustainability reporting, financial regulation (in particular, the disclosure regulation on banks) also requires banks to calculate the share of their exposures towards SMEs that are aligned with the taxonomy. This calculation can be very complicated for smaller companies and a simplified taxonomy for SMEs should be implemented quickly. After that, it would be appropriate to introduce into the voluntary standard the three indicators required by the Taxonomy regulation, i.e. the share of turnover, the share of capital expenditure and the share of operating expenditure which are aligned to taxonomy. In this way, SMEs' awareness of the information requested by banks (and by large companies in value chains) would be increased and tensions in relations with these entities would be avoided.

**29. In order to help SMEs prepare their sustainability report, specific guidance has been developed for the Business Partners Module in paragraphs 169 to 193 of the ED.**

**Do you think that it is useful in the preparation of the sustainability report? Do you think it is sufficient?**

Yes

**Please explain your answer:**

**30. Please provide any further comments not addressed in part 1 or 2 of the questionnaire here:**

**31. If you want to provide additional comments on aspects not covered in the questionnaire, please upload your file here.**

**12. C: Part 3: Value chain cap (Separate section on the value chain cap as determined by the ESRS LSME)**

---

Non-listed SMEs receive data requests from large undertakings, including due to reporting obligations in the CSRD.

Jointly with the consultation on VSME ED to the consultation on this voluntary standard for non-listed SMEs, EFRAG is also consulting on the content of ESRS for listed SMEs (ESRS LSME ED). While ESRS cannot result in large undertakings having to request disclosures that are not included in ESRS LSME ED (which sets the value chain cap from a legal perspective), the VSME ED is intended to play a key role in supporting SMEs, when they prepare the information needed by large undertakings for ESRS reporting, as well as for other obligations including for business purposes. Therefore, VSME ED includes simplified disclosures that generally correspond to the reasonable expectations of ESRS Set 1 preparers (i.e. large undertakings that prepare their sustainability statement under ESRS). As a consequence, non-listed SMEs that apply VSME ED will in general be able to meet the data requests defined for value chain in ESRS LSME ED, except for very specific cases. These cases correspond to disclosures which are included in ESRS LSME ED (therefore SMEs may receive data requests from large undertakings relating to these disclosures, either due to their ESRS reporting obligations or for other obligations and business purposes), but are not included in the VSME ED, due to their excessive complexity for non-listed SMEs in general. They are principally of a sectorial nature (GHG Removals, substances of concern/high concern, resource inflows), mainly needed for management or specific arrangement purposes. More information is provided on these disclosures in [Annex 3](#).

Please note that the questions on the value chain cap here are the same as in the LSME questionnaire in part A2 and if you respond to both questionnaires, you do not need to repeat your answers.

32. Do you agree with the approach EFRAG has taken on the Value Chain Cap?

No

33. Are you willing to provide detailed feedback based on Annex 3?

34. Please provide other comments on the value chain cap, if any.

See Q1

## 13. Thank You!

---

Thank you for taking our survey. Your response is very important to us.