

VSME Feedback Statement

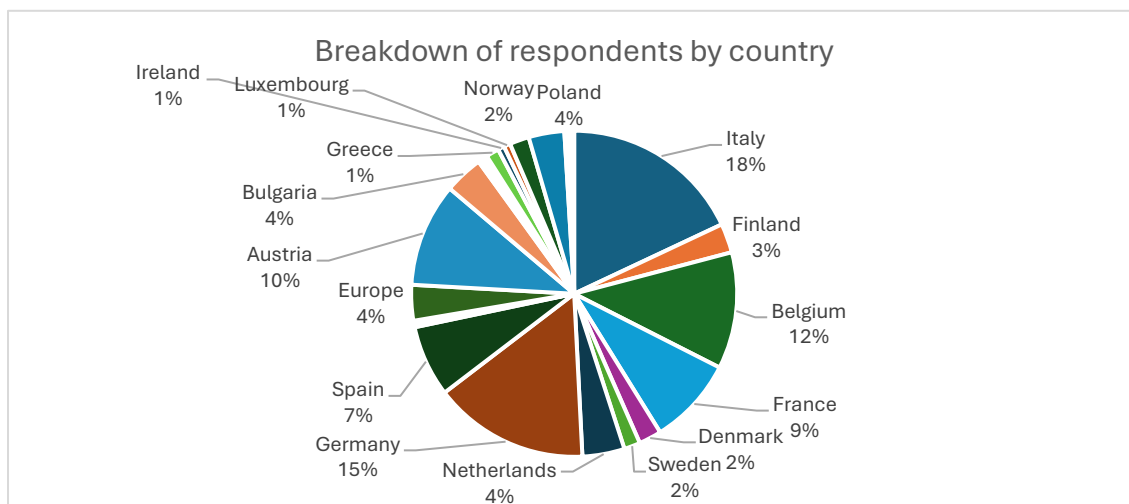
Introduction

1. EFRAG has conducted an online questionnaire-based survey to gather views from stakeholders that have participated in the public consultation of the Exposure Draft for a voluntary sustainability reporting standard for non-listed SMEs (including micro undertakings) ([VSME ED](#)). EFRAG's work on such a voluntary standard for non-listed micro, small and medium undertakings is outside of the Corporate Sustainability Reporting Directive ('CSRD') scope. It stems from the market need to have a common point of reference to be used by SMEs to face growing sustainability data requests from business counterparties and lowering entry barriers for non-listed SMEs to sustainability reporting.
2. The public consultation was launched on 22 January 2024 and was open until 21 May 2024. It was conducted in parallel with the field test (with different deadlines for submission). Field test participants have also replied to the online survey and their feedback is included in this report limited to their contribution to the consultation questionnaire. Refer to the [report from field test](#) for their contribution to the field test.
3. The public consultation questionnaire was designed to receive feedback from constituents on key aspects of the EDs, including (i) the proposed architecture; (ii) the relevance of the proposed disclosures; (iii) the simplifications achieved; and (iv) the market acceptance. The questionnaire aimed to capture users' and preparers' perspectives while offering the opportunity to all other interested constituents to also provide feedback.
4. This Feedback Statement focuses on the central matters that have been the subject of feedback from the public consultation. Not all requirements or decisions are set out in full detail. For a detailed overview please refer to the:
 - (a) [executive summary of online survey responses](#);
 - (b) [detailed report of online survey responses](#);
 - (c) [executive summary of comment letters outside online survey](#); and
 - (d) [detailed report of comment letters outside the online survey](#).

Feedback overview

5. EFRAG registered 311 respondents to the online public consultation questionnaire and received 22 comment letters outside the online survey. Please note that the comment letters refer to associations, standard setters or authorities and not to individual stakeholders. As such, their weights have been considered when analysing the trends. In addition, it is worth mentioning that stakeholder responses came from many European countries, providing a full European perspective. Please note that the category 'Other' includes also business associations representing preparers or users, but that did a self-classification under "other, if other please specify". Hence, they incorrectly have identified themselves not as preparers or users. EFRAG secretariat considered that despite their self-classification being incorrect a reclassification could not be implemented without disrupting the analysis, as the category preparers and users had specific questions in the survey's questionnaire, different from the category "others".

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6. Important themes emerged from the feedback, including:

- (a) Request for an online tool and VSME ecosystem: a clear request stemmed from both preparers and users on the need to have an online platform and additional online tools to simplify and guide the reporting process for SMEs. Hence the EFRAG SRB defined a list of implementation guidance documents to be delivered following EFRAG's technical advice to the European Commission This list is detailed in below.
- Templates of the VSME report and mock up disclosure;
 - Guidelines to simplify actions/policies in relation to the possible sustainability issues to be used as a scrolling menu from the VSME online template under the Basic and Comprehensive Modules;
 - Examples of climate change transition plans for SMEs;
 - Examples of impacts on workers in the value chain and affected communities for SMEs;
 - Guidance linking the VSME and CEN CENELEC standards; To be activated depending on resource availability and priority, given EFRAG's VSME guidance pipeline. Map ISO 14001 to the VSME.
 - VSME Pollution Guidance.
- (b) Deletion of the Narrative-PAT module: both preparers and users who responded to the public consultation online survey underlined the complexity of the module and requested substantial simplifications. More specifically, concerns were provided for disclosures N2 (Material sustainability matters), N3 (Management of material sustainability matters) and N4 (Key stakeholders), which banking associations considered not reliable and therefore not needed.
- (c) Removal of the materiality principle from the VSME: the most recurring comments from the online survey of the public consultation indicated key concerns with the materiality principle. The most recurring were: i) materiality analysis and sustainability matters are too complex; ii) need for guidance, examples, charts, templates, tools to help SMEs., iii) materiality analysis is useful but too burdensome, time-consuming and costly for SMEs; iv) suggestion to use sector-guidance pre-defined materiality instead.

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- (d) Change of name of Business Partners Module: the former Business Partners module has now been renamed to Comprehensive module. The change of name was requested in the public consultation to flag that business partners may request more comprehensive information beyond what is covered by the Basic module.
- (e) Additional datapoints required by Financial Institutions in VSME: during the public consultation, banks requested to add a list of additional datapoints previously not included in the VSME ED. In July 2024, the EFRAG SRB agreed to tentatively add those disclosures in a new advanced module called Additional Financial Institutions (AFI) module, subject to the EFRAG Secretariat testing the relevance of the new module with banks. In September 2024, the EFRAG Secretariat organised a workshop with banking associations including EU and national banking associations that participated in the public consultation. Banks confirmed the necessity of four of the datapoints included in the Additional Financial Institutions module.. Consequently, these four datapoints were relocated to the Basic and Comprehensive modules where they supplemented existing disclosures. In addition, during the workshop, banking associations deemed four other datapoints suggested by banks during the public consultation as not necessary. As a result, the EFRAG SR TEG decided not to include these additional datapoints. Finally, during the public consultation, the Platform on Sustainable Finance asked to include a placeholder for the upcoming streamlined EU taxonomy for non-listed SMEs. This placeholder was initially positioned as an additional datapoint of the AFI module. However, both the EFRAG SR TEG and SRB decided to remove this placeholder during the approval of VSME as they did not want to approve a standard with a reference to an undefined upcoming taxonomy. It was suggested that the taxonomy module may eventually be inserted into the standard, once the content of the simplified taxonomy itself is finalised by the Platform on Sustainable Finance. Hence, the AFI module was no longer considered necessary and deleted entirely.

Detailed feedback by disclosure

7. The following pages outline the disclosures on which stakeholders provided feedback and how it was addressed in the final version of the standard (i.e. VSME) by the EFRAG SRB and SR TEG.
8. The first column “VSME ED” corresponds to the content of the Exposure Draft which was published for public consultation in January 2024. The second column “Feedback” summarises the main feedback received during the public consultation phase and from the workshops held in September 2024 with banks and SME representatives, which are an integral part of the public consultation. The third column “EFRAG’s response” corresponds to the decisions adopted by the EFRAG SR TEG and SRB in response to the feedback from the public consultation.

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VSME ED	Feedback	EFRAG's response
<p>1. The objective of this voluntary [draft] Standard is to support micro-, small- and medium-sized undertakings in:</p> <ul style="list-style-type: none"> (a) contributing to a more sustainable and inclusive economy; (b) improving the management of the sustainability issues they face, i.e., environmental and social challenges such as pollution, workforce health and safety. This will support their competitive growth and enhance their resilience in the short-, medium- and long-term; (c) providing information that will help satisfy data demand from lenders/credit providers and investors, therefore helping undertakings in their access to finance; (d) providing information that will help satisfy the data demand needs of large undertakings requesting sustainability information from their suppliers. 	<p>From public consultation and workshops held in September 2024:</p> <p>Full support from the public consultation and workshops held in September 2024 on the VSME objectives. Suggestion to change the order of the objectives and place the main objective to be the replacement of the questionnaires from users.</p>	<p>EFRAG changed the order of objectives as suggested from the public consultation.</p>
<p>2. This [draft] Standard is voluntary and applies to undertakings whose securities are not admitted to trading on a regulated market in the European Union (not listed). [Article 3 of Directive 2013/34/EU] defines and distinguishes three categories of small and medium-sized undertakings based on their balance sheet total, their net turnover and their average number of employees during the financial year.</p> <ul style="list-style-type: none"> (a) An undertaking is micro if it does not exceed two of the following thresholds: <ul style="list-style-type: none"> i. €350,000 in balance sheet total, ii. €700,000 in net turnover, and iii. 10 employees. (b) An undertaking is small if it does not exceed two of the following thresholds: <ul style="list-style-type: none"> i. €4 million in balance sheet total, ii. €8 million in net turnover, or iii. an average of 50 employees. (c) An undertaking is medium if it does not exceed two of the following thresholds: <ul style="list-style-type: none"> i. €20 million in balance sheet total, ii. €40 million in net turnover, and iii. 250 employees. 	<p>From public consultation and workshops held in September 2024:</p> <p>Full support from the public consultation and users + preparers workshops held in September 2024 on the scope of VSME following the criteria of the Accounting Directive.</p>	<p>EFRAG updated the SME thresholds following the change in the legal EU threshold for SME definition.</p>
<p>8. This section includes principles that shall be applied when the undertaking prepares its sustainability report using any of the three modules described above.</p> <p>Complying with this Standard</p> <p>9. This [draft] Standard sets requirements that allow the undertaking to provide relevant information on:</p> <ul style="list-style-type: none"> (a) how its business has had and is likely to have a negative impact on people or on the environment; and (b) which and how environmental and social issues have affected or are likely to affect its financial position, performance and cash flows. <p>10. The sustainability report shall provide information that is relevant, faithful, comparable, understandable and verifiable.</p> <p>11. Depending on the type of activities carried out by the undertaking, the inclusion of additional information (metrics and/or narrative disclosures) not covered in this [draft] Standard is appropriate in order to disclose issues that are common in the undertaking's sector, as this supports the preparation of relevant, faithful, comparable, understandable and verifiable information.</p> <p>Preparation on a consolidated basis</p> <p>12. If the undertaking is a parent company of a group, it is recommended that it prepares its sustainability report on a consolidated basis, including the information of its subsidiaries.</p> <p>Timing and location of the sustainability report</p> <p>13. The sustainability report shall be prepared on an annual basis. It shall be available for issuance at the same time as the financial statements if they are prepared.</p> <p>14. The undertaking may present its sustainability report in a separate section of the management report if the latter is required by applicable law and regulations or if the management report is prepared voluntarily. Otherwise, the undertaking may present its sustainability report in a different document.</p> <p>15. To avoid publishing the same information twice, the undertaking may refer in its sustainability report to disclosures published in other documents that can be accessed at the same time as the sustainability report.</p> <p>Classified and sensitive information and information on intellectual property, know-how or results of innovation</p> <p>16. When the provision of the disclosures in this [draft] Standard would require disclosing classified or sensitive information, the undertaking may omit such information, even if it is considered material. The undertaking may omit such classified or sensitive information if:</p> <ul style="list-style-type: none"> (a) the information has commercial value because it is secret; and (b) its publication will likely negatively affect the financial performance or position of the undertaking. <p>If the undertaking decides to omit such information, it shall simply state that is the case under Disclosure B 1 (see paragraph 21).</p>	<p>From public consultation:</p> <p>Consolidation (inclusion of subsidiaries in the reported data): Most respondents in the public consultation agreed with this principle, however, some stakeholders demanded for more flexibility. Respondents also supported the addition of the exemption for subsidiaries if they are already included in the consolidated reporting of the SME that prepares the report.</p> <p>Sensitive information: Most respondents agreed with the sensitive principle (paragraph 16)</p> <p>Frequency of reporting/ timing and location of report: SMEs demanded for flexibility (not yearly): i) update information when change occurred; ii) be able to report with longer terms, at their own discretion. Banks and large undertakings agreed with current proposed frequency of reporting.</p> <p>From Workshops held in September 2024:</p> <p>Workshop with Banks representatives:</p> <p>Inclusion of subsidiaries in the reported data: All banking associations supported the inclusion of paragraph 13 on exemption. Two national banking associations suggest adding the following specification as a footnote: "If a subsidiary in the perimeter of the consolidated report is a direct borrower of a bank, the bank may require on a bilateral basis specific information from the subsidiary (i.e. under VSME)."</p> <p>Timing and location of sustainability report: All banking associations agree with the fact that SMEs have to report on an annual basis mentioning that for those disclosure that did not change from the previous year, SMEs can refer to the information provided for the previous year. In addition, one national banking association (one national banking association) suggests that it must be clear that in the case the report is not updated, that information has not changed.</p> <p>Classified and sensitive information and information on intellectual property, know-how or results of innovation: Agreement to delete points a + b of paragraph 17 and introduce in paragraph 23 a specification of whether the company adheres to all requirements of the Modules or whether it omits certain information because it is deemed confidential (explicitly).</p> <p>Workshop with SME representatives: SME representatives agreed with the proposal made during the banks workshop.</p>	<p>EFRAG changed the name of the principle to "inclusion of subsidiaries in the reported data". This was done to avoid using the word 'consolidation'.</p> <p>Additionally, EFRAG inserted in the "timing and location of the sustainability report" paragraph, that if the report is to be prepared based on the demand of users, it shall then be prepared on an annual basis. Additionally, it has been clarified that if no datapoint changes have occurred from one year to another, the preparer shall report this and refer to the previous year's information.</p> <p>Additionally, EFRAG inserted an additional sentence that states that the primary function of the report is to inform business counterparties.</p> <p>On the inclusion of subsidiaries in the reported data, a paragraph has been added in order to clarify that subsidiaries are exempted from reporting in case the parent undertaking has prepared a sustainability report including information on its subsidiaries.</p> <p>With regards to omissions due to classified information, the two clauses that determine whether a datapoint is actually classified/ sensitive were deleted in order to ensure more flexibility.</p>
<p>17. The undertaking shall report on its environmental, social and business conduct issues using the B 1-B 12 disclosures below. Comparative information in respect of the previous year shall be included in the report except for metrics being disclosed for the first time. The inclusion of comparative information shall begin the second year of reporting and continue henceforth.</p> <p>18. Disclosures B 1-B 12 are to be reported, and no materiality analysis is needed. Certain disclosures only apply to specific circumstances. In particular, the following instructions specify that, in these circumstances, the information is to be reported only if considered 'applicable' by the undertaking. When one of these disclosures is omitted, it is assumed to be not applicable.</p> <p>19. The undertaking may complement the metrics from B 3 to B 12 with additional qualitative and/or quantitative information, where appropriate, in accordance with paragraph 11 above. The undertaking that wants to provide more comprehensive information may also integrate the metrics required from B 3 to B 12 with disclosures, selecting them from the Narrative-PAT Module and/or from the Business Partners Module.</p> <p>20. Instructions supporting the preparation of metrics B 3-B 12 are available in the Basic Module guidance, which is found on pages 19 through 34 of this [draft] Standard.</p>	<p>From public consultation and workshops held in September 2024:</p> <p>Full support from the public consultation and workshops held in September 2024 on the Basic Module. Necessity of online tools and additional guidance was remarked from respondents. Clarifications for the "if applicable" disclosure required.</p>	<p>EFRAG further simplified the language and added additional guidance. As part of EFRAG's work in 2025, a list of implementation guidance (IGs) has been agreed upon in order to help undertakings when reporting under the VSME Standard.</p> <p>In addition, EFRAG clarified the conditions of applicability for each disclosure (see below).</p> <p>In addition, it was agreed to move out a series of paragraphs on "comparative information" and the "if applicable principle" out of the basic module and into the general principles of the standard. This was done to ensure that both the "if applicable concept" and the paragraph on "comparative information" apply on both modules, and not solely for the basic module.</p>

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<p>Disclosure B 1 – Basis for preparation</p> <p>21. The undertaking shall disclose:</p> <p>(a) which of the following options it has selected in the preparation of its sustainability report using this [draft] Standard:</p> <p>i.OPTION A: Basic Module (only);</p> <p>ii.OPTION B: Basic Module and Narrative-PAT Module;</p> <p>iii.OPTION C: Basic Module and Business Partners Module; or</p> <p>iv.OPTION D: Basic Module, Narrative-PAT Module and Business Partner Module;</p> <p>(b) whether the sustainability report has been prepared on a consolidated basis (i.e., the report includes information of the undertaking and its subsidiaries) or on an individual basis (i.e., the report is limited only to the information of the undertaking); and</p> <p>(c) the list of the subsidiaries, including their registered address¹ covered in the consolidated sustainability report.</p>	<p>From public consultation:</p> <p>From the preparers side it was feasible and straight forward for most. Users indicated that it is an essential disclosure and suggested to add the following 9 datapoint for essential information of the undertaking: undertaking's legal form, NACE sector classification code (s), size of balance sheet, turnover, FTE employees, country of primary operations, location(s) of significant assets, ESG labels or certificates if any and geolocation (connected to environmental risk).</p> <p>From Workshops held in September 2024:</p> <p>Workshop with Banks representatives: Discussion concerning the term "site" or "local unit". Ultimately, agreement with the use of the wording "site". In addition, for geolocation, suggestion to include "all sites" (not only strategic ones as this concept may be too difficult to define) In addition, on geolocation, two national banking suggested including also the altitude as a third coordinate.</p> <p>Workshop with SME representatives: Agreement with what proposed from the Banks representatives.</p>	<p>EFRAG inserted the additional datapoints requested from the public consultation and banks workshops (undertaking's legal form, NACE code(s), size of balance sheet, turnover, number of employees, country of primary operations + location(s) of significant assets + ESG labels or certificates if any). For the geolocation of sites owned, leased or managed: following thorough discussions it was decided to move it under B1 as it was required during the public consultation for both B5 – Biodiversity and C4 - Climate Risks.</p>
<p>Disclosure B 2 – Practices for transitioning towards a more sustainable economy</p> <p>22. The undertaking may briefly describe specific practices for transitioning towards a more sustainable economy in case it has them in place. Such practices include what the undertaking does to reduce its negative impacts and to enhance its positive impacts on people and on the environment in order to contribute to a more sustainable economy. Practices in this context shall not include philanthropic activities (e.g., donations) but rather, for instance, initiatives to improve working conditions and equal treatment in the workplace, sustainability training for the undertaking's workforce, collaboration with universities related to sustainability projects, efforts to reduce the undertaking's water and electricity consumption or to prevent pollution, and initiatives to improve product safety. This disclosure does not apply when the undertaking prepares its sustainability report using the Narrative-PAT Module.</p>	<p>From public consultation:</p> <p>Feasible for most preparers. Users deemed the disclosure essential and suggested the following reformulation in a drop-down menu format as well as short description:</p> <ul style="list-style-type: none"> • if there is a formal sustainability policy on ESG issues (and if it is publicly available) as well as any separate environmental, social or governance policy for addressing material risks and opportunities • any future initiatives or forward-looking plans the company has identified that are relevant to implement • Any initiatives to either reduce emissions or measures to improve energy efficiency. <p>Users also considered essential to know if there is a governance body to supervise such practices, policies, and future initiatives.</p> <p>From Workshops held in September 2024: Both banks and SME representatives appreciated the simplifications proposed by EFRAG and agreed with the template in the guidance.</p>	<p>EFRAG implemented the changes stemming from the public consultation in a drop-down menu format with a tailored template in the guidance to guide the undertaking in the reporting.</p> <p>This disclosure also integrates the disclosures N3 and N5 of the Exposure Draft as the Narrative Module was deleted in conjunction with the materiality analysis. Both N3 and N5 were considered essential for users but they proposed reformulation and simplification (see column feedback).</p> <p>In addition, extensive discussions were held in EFRAG SRB which ultimately decided to move the description of practices, policies and future initiatives in a new disclosure (disclosure C2) in the Comprehensive Module (previously named Business Partners Module in the ED).</p>
<p>B 3 – Energy and greenhouse gas emissions</p> <p>23. The undertaking shall report on its impacts on climate by disclosing its energy usage and greenhouse gas emissions as requested in the following paragraphs.</p> <p>24. The undertaking shall disclose its total energy consumption in MWh, with a breakdown between:</p> <p>(a) fossil fuels; and</p> <p>(b) electricity as reflected in utility billings, along with a breakdown between renewable and non-renewable sources if available.</p> <p>25. The undertaking shall disclose its estimated gross greenhouse gas (GHG) emissions in tons of CO₂ equivalents (tCO₂eq) considering the content of the GHG Protocol Corporate Standard, including:</p> <p>(a) the Scope 1 GHG emissions in tCO₂eq (from owned or controlled sources); and</p> <p>(b) the location-based Scope 2 emissions in tCO₂eq (i.e., emissions from the generation of purchased energy).</p>	<p>From public consultation:</p> <p>Overall support and agreement to facilitate the disclosing of GHG emission-related data. Users deemed this disclosure essential and requested to add the energy performance certificates and GHG intensity.</p> <p>From Workshops held in September 2024:</p> <p>Workshop with Banks representatives: All agreed that GHG intensity must be kept. All agreed that building energy certificates paragraph could be deleted on the basis that it is only needed for those buildings used as collateral for a loan that are requested bilaterally in the mortgage files.</p> <p>Workshop with SME representatives: SME representatives reiterated the difficulty for SMEs to know their electricity mix as providers not always give this information, they asked to reinsert information related to electricity "as reflected in utility bills" or add the word estimated (of renewable/ non -renewable mix).</p>	<p>EFRAG reformulated the disclosure on energy consumption into a table format to clarify and guide undertakings when reporting on this disclosure. This table was appreciated by both banks and SME representatives in the workshops held in September 2024. In addition, GHG intensity was added as requested by the banks with the inclusion of a footnote saying that "In a future online version of VSME, this will be automatically calculated." This is because both numerator (GHG emissions) and denominator (turnover) are already required in VSME. The building energy efficiency datapoint was removed from the standard, as confirmed during the workshop that it is not required by banks.</p>
<p>B 4 – Pollution of air, water and soil</p> <p>26. The undertaking shall disclose, if applicable, the pollutants (with respective amounts) it emits to air, water and soil in its own operations, that it is required by law to report to competent authorities (e.g. under the Industrial Emissions Directive and the European Pollutant Release and Transfer Register) or that it already reports according to an Environmental Management System such as Eco-Management and Audit Scheme (EMAS). If this information is already publicly available, the undertaking may alternatively refer to the document where it is reported, for example, by providing the relevant URL link or embedding a hyperlink.</p>	<p>From public consultation:</p> <p>Many SME preparers found this disclosure feasible. Nonetheless, both preparers and users requests to add a list of all pollutants. In addition, SME preparers noted that a very low number of SMEs use EMAS.</p>	<p>Compared to the VSME ED, this disclosure did not change significantly. There was an in-depth discussion at SR TEG on whether to include reference to EMAS within this disclosure and/or guidance. As a final agreement the EMAS reference as well as the references to directives were removed from the main text and only kept in the guidance.</p> <p>In addition, as requested from the public consultation, guidance on the main pollutants to air, water and soil was added, along with more detailed calculation guidance.</p>
<p>B 5 – Biodiversity</p> <p>27. The undertaking shall disclose, if applicable, metrics related to its impacts on biodiversity, ecosystems and land-use as requested in the following paragraphs.</p> <p>28. The undertaking shall disclose the number and area (in hectares) of sites that it owns, has leased, or manages in or near biodiversity sensitive areas.</p> <p>29. The undertaking may disclose metrics related to land-use such as:</p> <p>(a) total use of land;</p> <p>(b) total <i>sealed area</i>;</p> <p>(c) total <i>nature-oriented area</i> on-site; and</p> <p>(d) total <i>nature-oriented area</i> off-site.</p>	<p>From public consultation:</p> <p>Perceived as feasible by overall preparers. Request from preparers and users to clarify the term "near". In addition, moreover, banks/investors indicated a preference for the SME disclosing the geolocation coordinates of their operations. This information would allow banks/investors to perform their own analysis on biodiversity risk and ensure solid data via their IT systems.</p> <p>From Workshops held in September 2024:</p> <p>Workshop with Banks representatives: As mentioned under B1 above, Bank representatives supported this disclosure and deemed the introduction of geolocation essential.</p> <p>Workshop with SME representatives: Request to delete paragraph 27 of the VSME ED (introductory to the disclosure) as no datapoints are required from this paragraph.</p>	<p>In line with the public consultation feedback, EFRAG deleted paragraph 27 (introductory paragraph) of VSME ED. EFRAG also fine-tuned the guidance by summarising directly EMAS' text, as requested by the EFRAG SR TEG. In addition, the term "near" was better defined in the guidance and the units of area in paragraph 29(a) were specified in hectares, as per SR TEG's suggestion. The request from the public consultation to add geolocation, has now been addressed in B1.</p>
<p>B 6 – Water</p> <p>30. The undertaking shall disclose its total water withdrawal, i.e., the amount of water drawn into the boundaries of the organisation (or facility); in addition, the undertaking shall separately present the amount of water withdrawn at sites located in areas of high water - stress.</p> <p>31. If applicable, the undertaking shall disclose its water consumption, calculated as the difference between its water withdrawal and water discharge from its production processes.</p>	<p>From public consultation:</p> <p>Overall request by preparers to increase clarity on terms and definitions (withdrawal, consumption, collected rainwater) and to provide guidance on water usage for shared working spaces. Users noted difficulty of locating sites in water stress areas. Banks suggested to add water intensity.</p> <p>From Workshops held in September 2024:</p> <p>Workshop with Banks representatives: All bank association representatives who participated in this discussion stated that the metric on water intensity proposed in the public consultation is not needed (in a strive for prioritisation) and thus could be deleted.</p> <p>Workshop with SME representatives: Confirmation to SME representatives that water intensity will be removed as indicated during workshop with banks.</p>	<p>The disclosure remains unchanged compared to VSME ED.</p> <p>With regards to the additional water intensity initially proposed by banks during the public consultation. This datapoint was later deemed as not a priority by banks (during the banks workshop). Based on this, EFRAG removed this datapoint (water intensity).</p> <p>EFRAG also added guidance to facilitate reporting from SMEs (simple calculation methods when using shared offices/co-working facilities; WRI tool; water consumption).</p>
<p>B 7 – Resource use, circular economy and waste management</p> <p>32. The undertaking shall disclose how it manages resource use, its waste management practices and whether it applies circular economy principles.</p> <p>33. The disclosure shall include:</p> <p>(a) if the undertaking operates manufacturing, construction and/or packaging processes: the recycled content in the products (goods and materials) and their packaging produced by the undertaking.</p> <p>(b) if the undertaking operates manufacturing, construction and/or packaging processes: rates of recyclable content in the products and their packaging produced by the undertaking;</p> <p>(c) the total annual generation of waste in units of weight (preferably) or volume broken down by type (non-hazardous and hazardous); and</p> <p>(d) the total annual waste diverted to <i>recycling</i> or reuse expressed in units of weight (e.g., kg or tonnes).</p>	<p>From public consultation:</p> <p>Majority of preparers found the disclosure feasible. Respondents to the public consultation also noted that the original datapoints on recycled and recyclable content in products and packaging were only applicable to certain undertakings. Simplifications were requested. Users deemed the disclosure essential but requested further clarity</p> <p>From Workshops held in September 2024:</p> <p>Workshop with SME representatives:</p> <p>For paragraph 42(b) – (waste diverted to recycling or reuse), the issue for the construction sector was reiterated. SME representatives stated that the draft lacked clarity on what "reuse" (paragraph 42(b)) meant. Another SME representative member expressed that other circular economy practices, such as "repair", "refurbish" etc. should be included to address specific sector needs, such as for the textile and dry-cleaning sectors that focus on circularity-based services.</p>	<p>Following the public consultation, EFRAG redrafted the disclosure in accordance with the simplifications requested from the public consultation. In particular, former paragraph 32 was redrafted from a narrative to a yes or no format to allows SMEs to provide simple (but targeted to the SME needs) information on circularity principles.</p> <p>In addition, EFRAG redrafted paragraph 33 (VSME ED) into 3 sub-paragraphs. To simplify these requirements, paragraph 33(a and b) of VSME ED were replaced with one datapoint from EMAS on the annual mass-flow of relevant materials used. This datapoint was further reformulated as a result of discussions at SR TEG to reflect the sectors using mass flows within the scope of this sub-paragraph and to place an emphasis on significant material flows.</p>

¹ The registered address is the official address of the undertaking. Providing the registered address is a legal requirement, and it is available on public record.

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<p>B 8 – Workforce – General characteristics</p> <p>34. The undertaking shall disclose the total number of employees in full-time equivalents or provide a headcount of such employees broken down by:</p> <ul style="list-style-type: none"> (a) type of employment contract (temporary or permanent); (b) gender; and (c) country if applicable. 	<p>From public consultation:</p> <p>Overall perceived as feasible by preparer respondents. Suggestion to clarify requirements for self-employed and agency workers, as well as for cross-border placements of employees, and interns. Some requested to clarify the country breakdown. Some requests to add the employee turnover rate. Users deemed this disclosure as essential.</p>	<p>Following the public consultation requests, a specific reference to the country of the employment contract was added. Additionally, the applicability of point (c) was clarified. Additional guidance was introduced to clarify the different type of contracts. A datapoint on the employee turnover rate was also added with a 50-employee threshold requested by the EFRAG SR TEG.</p>
<p>B 9 – Workforce – Health and safety</p> <p>35. The undertaking shall disclose the following information regarding its employees:</p> <ul style="list-style-type: none"> (a) the number and rate of recordable work-related accident; and (b) the number of fatalities as a result of work-related injuries and work-related ill health. 	<p>From public consultation:</p> <p>Overall, most public consultation respondents found the disclosure feasible. Several requests to have a clear definition of work-related accidents. Users deemed this disclosure as essential. Feedback from the public consultation included suggestions to add an additional paragraph addressing health and safety for non-employees.</p>	<p>The EFRAG SR TEG decided not to include the additional datapoint on health and safety for non-employees. Therefore, no change compared to VSME ED. Additional guidance was introduced to clarify work-related accidents.</p>
<p>B 10 – Workforce – Remuneration, collective bargaining and training</p> <p>36. The undertaking shall disclose:</p> <ul style="list-style-type: none"> (a) when a significant proportion of employees are compensated based on wages subject to minimum wage rules, the relevant ratio of the entry level wage to the minimum wage; (b) the percentage gap in pay between its female and male employees. The undertaking may omit this disclosure when its head count is below 150 employees; (c) the percentage of employees covered by collective bargaining agreements; and (d) the average number of annual training hours per employee, broken down by gender, that are related to the development of skills and competences, whether acquired through formal or informal forms of capacity-building. 	<p>From public consultation:</p> <p>Overall feasible for majority of preparers. Request for further clarification on i) how to apply minimum wage baseline for entry level as this can be different for different categories of employees; ii) whether the disclosure requests adjusted or unadjusted pay gap; iii) the concept of informal training. Feedback from the public consultation also included requests to lower the threshold of the gender pay gap datapoint given that several EU member states already have a legal 50-employee threshold. In addition, this disclosure was deemed essential by users.</p> <p>From Workshops held in September 2024:</p> <p>Workshop with SME representatives: SME representatives stated that the threshold for paragraph 48 (b), should be 150 employees and not 100 employees; based on the Pay Transparency Directive (threshold of 150 employees until 2031, and then 100 from 2031 onwards).</p>	<p>In response to the public consultation requests for clarification on the minimum wage datapoint, the EFRAG SR TEG was presented with a proposal to modify the datapoint to “whether the employees receive a pay that is equal or above the minimum wage set by law or through a collective bargaining agreement”. This was approved by the EFRAG SR TEG and confirmed during the workshops with both banks and SME representatives.</p> <p>Discussion occurred on the gender pay gap threshold. It was ultimately decided to rephrase B10's threshold following the Pay Transparency Directive (i.e. 150 employee threshold until 2031, 100 employee thresholds afterwards).</p> <p>To address the public consultation feedback on informal training, the EFRAG SR TEG agreed to simplify the disclosure by limiting it to the average number of annual training hours per employee and disaggregated by gender.</p>
<p>B 11 – Workers in the value chain, affected communities, consumers and end-users</p> <p>37. The undertaking may disclose whether it has a process in place for identifying if there are value chain workers, affected communities, or consumers and end-users who are affected or are likely to be affected by severe negative impacts in relation to the undertaking's operations (i.e., its products, services and activities). In that case, the undertaking may describe this process. If identified, the undertaking may also describe the types of impacts, including where they arise and the groups that are affected by them.</p>	<p>From public consultation:</p> <p>Consensus on the complexity to prepare this disclosure and difficulty to understand which affected stakeholders to consider. In addition, users deemed this disclosure not necessary.</p> <p>From Workshops held in September 2024: The workshop with banking associations and SME representatives in September (2024) further confirmed that this deletion was appropriate.</p>	<p>As a result of the public consultation, B11 was deleted and the sustainability matters in AR 16 including the ones previously covered in B11 are now covered in the redrafted B2.</p>
<p>B 12 – Convictions and fines for corruption and bribery</p> <p>38. In case of convictions and fines in the reporting period, the undertaking shall disclose the number of convictions, and the total amount of fines incurred for the violation of anti-corruption and anti-bribery laws.</p>	<p>From public consultation:</p> <p>Overall feasible for majority of preparers, however some indicated potential confidentiality issues. In addition, this disclosure was deemed essential by users.</p> <p>From Workshops held in September 2024:</p> <p>Workshop with SME representatives: An SME representatives stated that the SME is not legally forced to disclose its legal fines.</p>	<p>Based on the outcome of the public consultation, it was decided to leave the content of this disclosure the same as in the ED.</p>
<p>Disclosure N 1 – Strategy: business model and sustainability – related initiatives</p> <p>58. The undertaking shall disclose the key elements of its strategy and its business model, including:</p> <ul style="list-style-type: none"> (a) a description of significant groups of products and/or services offered; (b) a description of significant market(s) the undertaking operates in (B2B, wholesale, retail, countries); (c) a description of main business relationships (such as key suppliers, customers distribution channels and consumers); and (d) if applicable, a description of the key elements of its strategy that relate to or affect sustainability matters. 	<p>From public consultation:</p> <p>This disclosure was mostly supported as perceived feasible by preparers and needed by users.</p>	<p>While the disclosure was relocated to the Comprehensive module, due to the fact that the Narrative Module no longer exists, the content of former N1 remains the same as in the VSME ED, ensuring a meaningful description of the undertaking's business model and key elements of its strategy.</p>
<p>Disclosure N 2 – Material sustainability matters</p> <p>59. The undertaking shall disclose the material sustainability matters resulting from its materiality analysis (see paragraphs 42 through 57), including a brief description of each sustainability matter (listed in accordance with paragraph 43) and of:</p> <ul style="list-style-type: none"> (a) how each matter has an impact on people or the environment; (b) its actual and potential effects on the undertaking's present or future financial position and performance; and (c) its actual and potential effects on the undertaking's activities and strategy 	<p>From public consultation:</p> <p>SMEs requested to delete this disclosure as they find it too complex. In addition, users deemed the disclosure not essential as it is perceived as impractical and overburdens SMEs per majority.</p>	<p>This disclosure has been deleted from the VSME as a result of the public consultation feedback.</p>
<p>Disclosure N 3 – Management of material sustainability matters</p> <p>21. The undertaking shall disclose how it manages its material sustainability matters, including:</p> <ul style="list-style-type: none"> (a) whether it has adopted policies or actions to (i) prevent, (ii) mitigate and/or (iii) remediate actual or potential negative impacts and/or to (iv) address financial risks. If applicable, the undertaking may refer to the [due diligence] or risk management processes implemented; (b) if it has policies in place, it shall describe: <ul style="list-style-type: none"> i. the objective(s) of the policy and which material sustainability matters it addresses; ii. the scope of the policy in terms of activities, value chain and countries where the undertaking is active; iii. if applicable, affected stakeholder groups addressed by the policy; iv. if applicable, a reference to third-party standards or initiatives that the undertaking commits to respect through the implementation of the policy; and v. the targets the undertaking uses to monitor the implementation of the policy and the progress achieved; (c) if it has put actions in place, it shall describe: <ul style="list-style-type: none"> i. the list of key actions taken in the reporting year and of the actions planned for the future; ii. the scope of those actions (i.e., whether they also address actors in the value chain, whether they are implemented in different location and geographies or which affected stakeholder groups they address); iii. the time horizon under which the undertaking intends to complete each key action; and iv. the targets the undertaking uses to monitor the actions implemented and the progress achieved. <p>22. Where material, the undertaking shall disclose the actions taken in the reporting period to improve its energy efficiency and to reduce its greenhouse gas emissions as well as the related possible implications in terms of financial risks and, if applicable, opportunities.</p>	<p>From public consultation:</p> <p>All SMEs request to delete this disclosure due to the complexities associated with the materiality analysis. In addition, users mentioned that N3 while needed, was too complex. Users banks proposed a reformulation including the it could partially be merged in B2.</p>	<p>This disclosure has been deleted from the VSME because of the public consultation feedback. Certain elements with a simplified semi-narrative reformulation have been retained and merged in B2 as suggested from public consultation feedback.</p>

VSME Feedback Statement

VSME ED	Feedback	EFRAG's response
<p>23. When the undertaking considers that negative impacts are material in relation to (i) workers in the <i>value chain</i>, (ii) <i>consumers</i> and <i>end-users</i> and/or (iii) <i>affected communities</i>, it may disclose:</p> <p>(a) the policies that it has adopted to manage those material impacts as well as the associated material risks;</p> <p>(b) the <i>actions</i> it has taken on material impacts, its approach to managing material risks, and the effectiveness of those actions; and</p> <p>(c) the <i>targets</i> related to managing material negative impacts and managing material risks.</p> <p>24. These disclosures are limited to the description of the policies, <i>actions</i> and <i>targets</i> that the undertaking has put in place.</p> <p>25. Where material, the undertaking shall disclose whether it has the following in place to support the prevention of <i>incidents of corruption</i> or bribery:</p> <p>(a) separation of duties; and/or</p> <p>(b) <i>training</i> for its <i>employees</i>; and</p> <p>(c) any <i>actions</i> taken to address breaches in procedures and standards of anti-corruption and anti-bribery.</p>		
<p>Disclosure N 4 – Key stakeholders</p> <p>26. If the undertaking engages with stakeholders, it may disclose:</p> <p>(a) the categories of key stakeholders being considered (the undertaking can use categories such as investors, lending banks/creditors, business partners, trade unions, NGOs, etc.); and</p> <p>(b) a brief description of the engagement activities.</p>	<p>From public consultation:</p> <p>All SMEs request to delete this disclosure due to the complexities associated with it. In addition, a large majority of users stated that it is not necessary.</p>	<p>This disclosure has been deleted from the VSME because of the public consultation feedback.</p>
<p>Disclosure N 5 – Governance: responsibilities in relation to sustainability matters</p> <p>27. The undertaking shall describe its <i>governance</i> and responsibilities in relation to sustainability matters. If applicable, this disclosure shall cover roles and responsibilities of the highest governance body or of the individual(s) in charge of managing sustainability matters within the undertaking.</p>	<p>From public consultation:</p> <p>Majority of individual SMEs perceived the N5 as feasible. Users deemed this disclosure essential, however, few respondents mentioned that it could be simplified.</p>	<p>This disclosure has been simplified and integrated into a new disclosure in the Comprehensive Module (C2 - Description of practices, policies and future initiatives for transitioning towards a more sustainable economy) since it was considered important for users and feasible for preparers.</p>
<p>Entity-specific consideration when reporting on GHG emissions under B 3 (Basic Module)</p> <p>28. Depending on the type of activities carried out by the undertaking, a quantification of its Scope 3 GHG emissions can yield relevant information (see paragraph 11 of this [draft] Standard) on the undertaking's <i>value chain</i> impacts on climate change.</p> <p>29. Scope 3 emissions are <i>indirect GHG emissions</i> (other than Scope 2) that derive from an undertaking's <i>value chain</i>. They include the activities that are upstream of the undertaking's operations (e.g., purchased goods and services, purchased capital goods, transportation of purchased goods, etc.) and activities that are downstream of the undertaking's operations (e.g., transport and distribution of the undertaking's products, use of sold products, investments, etc). If the undertaking decides to provide this metric, it should refer to the 15 types of Scope 3 GHG emissions identified by the GHG Protocol Corporate Standard and detailed by the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. When it reports on Scope 3 GHG emissions, the undertaking includes significant Scope 3 categories (as per the Corporate Value Chain (Scope 3) Accounting and Reporting Standard) based on its own assessment of relevant Scope 3 categories. Undertakings can find further guidance on specific calculation methods for each category in the GHG Protocol "Technical guidance for Calculating Scope 3 Emissions".</p> <p>30. When reporting its Scope 1 and Scope 2 emissions, if the undertaking discloses entity-specific information on its Scope 3 emissions, it shall present it together with the information required under "B 3 – Energy and greenhouse gas emissions."</p>	<p>From public consultation:</p> <p>SME associations stated that this disclosure is highly difficult, and they do not support its inclusion in the standard. However, users deemed the disclosure essential despite recognising the heavy burden on preparers undertakings. The need of online calculators was emphasised by respondents.</p>	<p>This disclosure has not been changed from the Exposure Draft as the public consultation confirmed the essential nature of Scope 3 emissions, while acknowledging the complexity for SMEs. EFRAG inserted additional guidance highlighting those sectors which are likely to have high scope 3 emissions.</p>
<p>Disclosure BP 1 – Revenues from certain sectors</p> <p>74. The undertaking shall include a statement indicating if it is active in one or more of the following sectors while disclosing its related revenues:</p> <p>(a) controversial weapons such as anti-personnel mines, cluster munitions, chemical weapons and biological weapons; and/or</p> <p>(b) the cultivation and production of tobacco; and/or</p> <p>(c) fossil fuel (coal, oil and gas) sector (i.e., the undertaking derives revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and the Council 17), including a disaggregation of revenues derived from coal, from oil and from gas); and/or</p> <p>(d) chemicals production, as its activities fall under Division 20.2 of Annex I to Regulation (EC) No 1893/2006².</p>	<p>From public consultation:</p> <p>Feasible for most preparers. Some suggest moving BP1 to the BM. From the users side, this disclosure was deemed essential. There was also the suggestion to add a datapoint on 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).</p> <p>From Workshops held in September 2024:</p> <p>Workshop with Banks representatives: All bank representatives agreed to add the datapoint on the exclusion from EU Reference Benchmarks.</p>	<p>Based on the outcome of the public consultation, it was decided to add the datapoint on the exclusion from EU Reference Benchmarks. In addition, the language has been further simplified and in point (d) the sectors have been specified in the text.</p>
<p>Disclosure BP 2 – Gender diversity ratio in governance body</p> <p>75. If the undertaking has a governance body in place, the undertaking shall disclose the related gender diversity ratio.</p>	<p>From public consultation:</p> <p>Individual SME preparers see the disclosure feasible. However, national and European SME associations ask to delete the disclosure as family-owned undertakings cannot apply it. On the other hand, users found this disclosure to be essential.</p> <p>From Workshops held in September 2024:</p> <p>Workshop with Banks representatives: All banking association representatives agreed to keep C2 as needed. Only one national association stated that it did not need it. To clarify that if the SME does not have a governance body in place, it does not have to report this disclosure.</p> <p>Workshop with SME representatives: SME representatives stated that this disclosure is a concern.</p>	<p>Based on the outcome of the public consultation and being an SFDR datapoint, it was decided to leave the content of this disclosure the same as in the ED.</p>
<p>Disclosure BP 3 – GHG emissions reduction target</p> <p>76. If the undertaking has set GHG emission reduction targets, it shall provide its GHG emission reduction targets for:</p> <p>(a) scope 1 emissions; and</p> <p>(b) scope 2 emissions.</p> <p>77. This disclosure includes Scope 3 emissions, only when they are disclosed under paragraph 71 above and the undertaking has set GHG emission reduction targets for Scope 3 emissions.</p>	<p>From public consultation:</p> <p>Overall split views on the preparers side. Some regarded this disclosure as feasible to prepare, other respondents as difficult, no majority. Users deemed this disclosure essential and suggested to merge it with BP 4 – Transition plan for climate change mitigation.</p> <p>From Workshops held in September 2024:</p> <p>Workshop with Banks representatives: All banking associations confirmed the need to merge this disclosure with BP 4 and agreed with EFRAG's new formulation. One national banking association suggested specifying the scope of the target.</p>	<p>Based on the outcome of the public consultation, EFRAG merged BP3 and BP4. Following the public consultation, information on GHG reduction targets was enhanced and refined to: align with the sector-agnostic ESRs on absolute value; make the requirements applicable to SMEs that already set targets and dependant on their activities; require more precise information on targets (target year, base year, units, etc.), in addition to the split by scope, to guide SMEs in the reporting; and require information on the actions connected to emission reduction, given their importance in establishing an emission reduction trajectory.</p>
<p>Disclosure BP 4 – Transition plan for climate change mitigation</p> <p>78. The undertaking shall provide information about its transition plan for climate change mitigation with an explanation of how GHG emission reduction targets are compatible with the limiting of global warming to 1.5°C in line with the Paris Agreement. This disclosure is applicable only if the undertaking has adopted such a transition plan.</p>	<p>From public consultation:</p> <p>Disclosure perceived as difficult by preparers. Additional suggestion to make this disclosure more proportionate by not referencing the Paris Agreement. There were several suggestions to add guidance through examples, scenarios and on sectoral transition plans. Users deemed this disclosure essential and suggested to merge it with BP 3 – GHG emission reduction targets. Additional argument on the importance of BP4 for loan/ risk management purposes. A European banking association suggests adding the follow: In case the company does not yet have a transition plan in place, does it plan to do so and if yes, by when? This should, however, be accompanied by guidelines on the structure of transition plans, including elements like ambition, implementation strategy, metrics & targets and governance.</p> <p>From Workshops held in September 2024:</p> <p>Workshop with Banks representatives: All banking associations confirmed the need to merge this disclosure with BP4 and agreed with EFRAG's new formulation.</p>	<p>Based on the outcome of the public consultation, EFRAG merged BP3 and BP4. Compared to the VSME ED, it was decided after public consultation, and requested by users, that the disclosure requirements on transition plan should only be applicable to high climate impact sectors. In response to a request to address the complexity of transition plan requirements, these were made voluntary. EFRAG Secretariat implemented suggestions by users and other respondents to the public consultation, who deemed it important to extend the requirement to cases in which undertakings do not have a transition plan in place yet, to allow them to indicate if, and when, the adoption would happen. Additionally, a connection was created between transition plans and their contribution to GHG emission reduction. In addition, a simplified explanation of the role of the transition plan for climate change mitigation, along with the characteristics to create a credible transition pathway, has been provided in the guidance. EFRAG to deliver IG for SMEs on simplified transition plans after delivery of VSME to EC.</p>

² "Manufacture of pesticides and other agrochemical products" listed in Division 20.2 of Annex I Regulation EC 1893/2006.

VSME Feedback Statement

VSME ED	Feedback	EFRAG's response
<p>Disclosure BP 5 – Physical risks from climate change</p> <p>79. The undertaking shall disclose the anticipated financial effects that physical risks from climate change may have on the company. This disclosure is applicable only if the undertaking is exposed to material physical risks. In particular, it shall disclose:</p> <p>(a) the monetary amount and the percentage of the undertaking's total assets that can be subjected to material physical risks over the short-, medium- and long-term before considering <i>climate change adaptation actions</i> disaggregated by acute and chronic physical risk;</p> <p>(b) the proportion of assets at material physical risk addressed by the <i>climate change adaptation actions</i>;</p> <p>(c) the location of the significant assets affected by material physical risks;</p> <p>(d) the monetary amount and proportion (percentage) of net revenue from its business activities at material physical risk over the short-, medium- and long-term; and</p> <p>(e) the breakdown of the undertaking's carrying value of its real estate assets by energy efficiency classes.</p>	<p>From public consultation:</p> <p>Split views in public consultation from the preparers side and one preparer proposed to replace with a narrative disclosure, as it would be up to users to assess the risks. All European and national SME associations considered it to be very difficult to report. Users deemed this disclosure as essential as in line with EBA Pillar 3. Suggestion from users to replace it with geolocation of individual local units. In addition, users suggested two datapoints: one on insurance coverage for physical risk events and a second on energy performance certificates (EPC).</p> <p>From Workshops held in September 2024:</p> <p>Workshop with Banks representatives: On insurance coverage, banking representatives compromise to ask as a YES/NO question whether insurance coverage exists; if needed banks can ask for the insurance contracts and further details on maturity bilaterally.</p> <p>All banking representatives agreed that building energy certificates paragraph should be deleted on the basis that it is only needed for those buildings used as collateral for a loan that are requested bilaterally in the mortgage files.</p> <p>Workshop with SME representatives: On insurance for physical risks, the SME representatives highlighted that it is not acceptable to ask for this datapoint even in a Y/N manner, as it leads to moral hazard.</p>	<p>After public consultation, the disclosure was redrafted to respond to concerns of preparers and users, which both deemed monetary information to be challenging to report. While users recommended to replace the related requirements with geolocation information, preparers advocated for a predominantly narrative type of disclosure, leaving to the users the role of assessing their own clients' risks. EFRAG eventually opted for the latter option. As such a datapoint was added to allow SMEs the possibility to describe their climate-related hazards and transition events. In addition, the title of the disclosure was changed to "Climate risks". Finally, the two additional datapoints stemming from the public consultation namely on insurance coverage and building energy performance, were eventually not included as the first one was exceeding Set 1 requirements and the second was deemed to be not fundamental by users.</p>
<p>Disclosure BP 6 – Hazardous waste and/or radioactive waste ratio</p> <p>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).</p>	<p>From public consultation:</p> <p>Majority of preparers consider this disclosure as not relevant/ not applicable, with some suggesting deleting the disclosure entirely. However, the majority of individual SME respondents deem this disclosure as feasible. The general suggestion is to increase guidance/ provide examples. From the users side, majority confirmed the importance of BP6, especially on hazardous waste. Request to clarify the term hazardous.</p> <p>From Workshops held in September 2024:</p> <p>Workshop with Banks representatives: Banks workshop confirmed the need of this datapoint and suggested to be moved to the Basic Module.</p>	<p>To streamline the standard and reduce redundancies, it was decided to only request information on hazardous waste (including radioactive waste) within disclosure B7. EFRAG added additional guidance on hazardous waste. In addition, EFRAG made radioactive waste explicit in the guidance to ensure alignment with SFDR PAI datapoints. Former disclosure BP6 was seen as redundant and it was decided to delete it.</p>
<p>Disclosure BP 7 – Alignment with internationally recognised instruments</p> <p>81. The undertaking shall disclose whether its policies pertaining to its own workforce are aligned with relevant internationally recognised instruments, including the UN Guiding Principles on Business and Human Rights.</p>	<p>From public consultation:</p> <p>Split views. Some prepares view this disclosure as feasible rather than difficult. National and European SME associations view the disclosure as too complex as it contains reference to international instruments that are not actionable for SMEs. Some respondents asked for increased guidance and that the disclosure be rephrased to include concrete questions on policies in place. Users deemed this disclosure as essential. In addition, banks suggested rewording the disclosure to yes/no questions, and adding a reference to a Code of Conduct. They also asked to change the title to refer to human rights (for clarity). Lastly, users also suggested to merge BP7 and BP8.</p> <p>From Workshops held in September 2024:</p> <p>Workshop with Banks representatives: Agreement from banking representatives with the drop-down menus proposed under these two disclosures. One national banking association stated that the SMEs should have the possibility to complement the drop-down menu responses with a narrative option.</p> <p>Workshop with SME representatives: SME representatives also supported the drop down menu and simplifications.</p>	<p>Based on the public consultation outcome, disclosures BP7 and BP8 were merged and streamlined into a simplified format. The new formulation includes a question on whether a code of conduct or human rights policy exists for the undertaking's own workforce, followed by a list of human rights topics that such a code of conduct or human rights policy can address. It also contains a question about the existence of a complaints handling mechanism for the undertaking's own workforce.</p>
<p>Disclosure BP 8 – Processes to monitor compliance and mechanisms to address violations</p> <p>82. The undertaking shall disclose whether it has processes in place to monitor compliance with the OECD Guidelines for Multinational Enterprises and with the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the International Bill of Human Rights and the eight fundamental conventions identified in the ILO Declaration or grievance/complaints handling mechanisms, to address violations of the above standards with regard to its <i>own workforce</i>.</p>	<p>From public consultation:</p> <p>The majority found the disclosure feasible. However, national and European SME associations found the disclosure too difficult and suggested either rephrasing it with actionable questions or removing it. Suggestion to delete cross references to international instruments and to provide disclosure-specific requirements extracted from those international instruments. Users deemed this disclosure as essential. In addition, banks suggested rewording the disclosure to yes/no questions. Lastly, users also suggested to merge BP7 and BP8.</p>	
<p>Disclosure BP 9 – Violations of OECD Guidelines for Multinational Enterprises or the UN Guiding Principles (including the principles and rights set out in the eight fundamental conventions of the ILO Declaration and the International Bill of Human Rights)</p> <p>83. The undertaking shall disclose whether there have been any violations of the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work or the OECD Guidelines for Multinational Enterprises with regard to its <i>own workforce</i> during the reporting year.</p>	<p>From public consultation:</p> <p>The majority of respondents considered the disclosure feasible. However, national and European SME associations viewed this disclosure as too difficult. Some suggested rephrasing it (with possibly a list of the requirements to be met/ specific processes the company must report on) while others suggested deleting it completely. Additionally, SME associations and users suggested omitting references to external guidelines (such as the OECD guidelines). Lastly, this disclosure was perceived as essential by most users.</p>	<p>Based on the public consultation outcome, the disclosure was streamlined into a simplified format comprising a question on the existence of confirmed human rights incidents, along with a list of relevant human rights topics. Additionally, the disclosure includes a question on human rights incidents involving other stakeholder groups, namely workers in the value chain, affected communities, and consumers and end-users that was inserted as part of the approval process by the EFRAG SR TEG and SRB.</p>
<p>Disclosure BP 10 – Work-life balance</p> <p>84. The undertaking shall disclose the percentage of its employees:</p> <p>(a) who are entitled to take family-related leave with a breakdown by gender; and</p> <p>(b) who took family-related leave with a breakdown by gender.</p> <p>Family-related leave includes maternity, paternity, parental and carers' leave.</p>	<p>From public consultation:</p> <p>Most preparers considered this disclosure feasible. However, SME associations questioned its relevance. All users deemed this disclosure not relevant as it is not related to SFDR datapoints.</p>	<p>Based on the public consultation outcome, EFRAG deleted this disclosure from the VSME.</p>
<p>Disclosure BP 11 – Number of apprentices</p> <p>85. If applicable, the undertaking shall disclose the number of apprentices in the reporting period.</p>	<p>From public consultation:</p> <p>Most preparers considered this disclosure feasible. However, SME associations questioned its relevance. All users deemed this disclosure not relevant as it is not related to SFDR datapoints.</p>	<p>Based on the public consultation outcome, EFRAG deleted this disclosure from the VSME.</p>