

Question Number	QUESTION	ANSWER
1	Do EFRAG SR TEG members agree to use the available draft prepared by the Cluster 8 of EFRAG PTF as a basis for EFRAG VSRS SMEs?	<p>I support the general approach which has a strong inclusion message. Nevertheless I think that some adjustment on the overarching principles and vocabulary should be more aligned especially on key concepts. I would see more alignment on materiality definition (even if for me the comply or explain is adapted), on interconnectivity, data quality, time horizon, business model and strategy. And in order to show alignment a mapping of the structure would be appreciated.</p> <p>Yes, but it requires some amendments.</p> <p>While I appreciate the efforts of the cluster, focus should be placed on aligning the VSRS with the ESRS from the perspective of data requests, as the current version is misaligned. As a consequence, SMEs can be misled to focus on irrelevant data, whilst not being sufficiently prepared to answer the legitimate requests of bigger business partners.</p> <p>No, as there is a lack of alignment (see below).</p> <p>No. There is too much misalignment with full ESRS and also a certain lack of clarity regarding the fundamental principles, especially 'comply or explain'. Examples of misalignment include DP1 and 3 in the VSRS, which should be more consistent with SBM1, and the apparent omission of disclosures about non-employee workers. Please also see response to question 3 for further explanation.</p> <p>NO ANSWER</p> <p>NO ANSWER</p> <p>Appreciate the effort and work that has gone into it, but my view is no. It needs to have bigger alignment with the ESRS and enable a focus on the severe impacts. Small organisations can have big impacts, and the voluntary standard needs to enable that focus.</p> <p>While I appreciate the hard work of Cluster 8 on this issue, I would really encourage us to take a step back and think about 1) the function(s) that the VSRS SME are expected to fulfill and 2) how the concept of 'proportionality' is applied to the ESRS to identify 'proportionate' segments and DRs of the ESRS which could reasonably be applied to SMEs. For me, the VSRS SME should not be a 'competing' set of DRs, but rather assist SMEs 1) to fulfill the likely needs of users (including undertakings they supply) who will be used to and using the ESRS as a basis and 2) to take a step in the direction of possible future reporting on the ESRS (I am thinking here particularly of the undertakings with 200+ employees on a growth trajectory). If this is our shared understanding of the intended functions of the VSRS SME, then I would see Option 2 as the clear preference.</p> <p>In general the draft is much too light on social DRs. For example, I don't see why including the mandatory DRs from S1 (e.g. characteristics of employees and non-employee workers, collective bargaining coverage) could be considered non-proportionate.</p> <p>Another issue to think through is whether there will be any kinds of requirements/guidance for SMEs to state that they are in 'compliance' with the VSRS SME, if so, whether they need to report on all DRs to be compliant.</p> <p>NO ANSWER</p>
2	What changes would members recommend to the available draft in order to be used as EFRAG exposure draft and consultation document in the coming months? (see also Q.3)	<p>New concept should be avoided. For instance the "once only" concept is not clear for me and seems quite new.</p> <ul style="list-style-type: none"> •Align the content metrics with the anticipated legitimate requests from large companies. The purpose of the VSRS should be to help SMEs to understand what data is material, prioritize and anticipate legitimate requests. •Focus in impact indicators •Adjust value chain provision to provide guidance on materiality and facilitate useful information to enable large companies risk assessment and prioritization of areas in the value chain for due diligence. This will help SMEs, as well as to mitigate the risks of large companies offloading the due diligence assessment on their suppliers, instead of properly working with data •VSRS should in future include sector-specific guidance, in particular for the high risk sectors which will be developed in SET 2. It would be detrimental to SMEs if this is omitted. Therefore, the development of VSRS should be slowed down to wait for this first set of sector-specific standards & aligned with the next set. •VSRS are too complex in some instances and will confuse SMEs: <ul style="list-style-type: none"> -Including General Principles (e.g. rebuttable presumption and comply or explain, which are both compliance options), -DP 3, DP 4, DP 5, and DP 13 -Content (not focus though) of DP 12 and DP 14 •In terms of content of the VSRS, the following content of the ESRS is important and should be translated in the VSRS in an appropriate way: <ul style="list-style-type: none"> -Governance, Strategy, Impacts management: <ul style="list-style-type: none"> •SBM 1 (business model & value chain; building on VSRS' DP 15. VSRS should help SMEs to provide information on their business relationship, as it is an important input in big companies due diligence and serves as a protection against big companies pushing due diligence down to their suppliers. However, definitions and content needs to be much better aligned with ESRS) •IRO 1 (insofar as to provide guidance how to understand materiality assessment and what is relevant information concerning due diligence) •DC 1, 2, 4 (to provide guidance how to report on policies, actions and targets; in this regard DP 4 and DP 5 of the VSRS are not doing good services to SMEs) + SBM 3 (limited to instructions how to report on changes to business model and strategy) -Climate: DRs on Energy and GHG emission (in a simplified form; the current DP 12 doesn't mention renewables, uses carbon instead of GHG and does not provide instructions on Scope 3) -Environment: The current DP 14 should be aligned with metrics from E2, E3 and E5. Otherwise SMEs will be focus on data, which will be of little use to their business partners, and as result they will have to do the work twice -Workforce: Information on non-employee workers in own workforce is critical -S standards for value chain workers, communities and consumers: there should be some instructions on how to report on such issues. A lot of users which invest in social programs need some consistency in social impact reporting.

2	What changes would members recommend to the available draft in order to be used as EFRAG exposure draft ad consultation document in the coming months? (see also Q.3)	<p>I have based my answer on Carlota's points as I'm mostly aligned with them. See below:</p> <ul style="list-style-type: none"> -Alignment between content metrics and expected legitimate requests from large companies. The VSRS should support SMEs to understand what data is material, and should help with the prioritisation and anticipation of legitimate requests; -Focus on impact indicators; -Adjust value chain provision to provide guidance on materiality and facilitate useful information to enable large companies' risk assessment and prioritisation of areas in the value chain for due diligence. This will help SMEs, as well as support to mitigate the risks of large companies offloading due diligence assessments onto their suppliers, instead of properly working with data; -The VSRS should in the future include sector-specific guidance, especially for high risk sectors to be developed in set 2. It would be detrimental to SMEs if this were to be omitted. Therefore, the development of the VSRS should be slowed down to wait for this first set of sector-specific standards & aligned with the next set; -Some of the content is complex and will confuse SMEs: -The inclusion of General Principles (e.g. rebuttable presumption and comply or explain, which are both compliance options); -DP 3, DP 4, DP 5, and DP 13; -Content (not focus though) of DP 12 and DP 14; -In terms of content of the VSRS, the following content of the ESRS is important and should be translated in the VSRS appropriately: -Governance, Strategy, Impacts management: -SBM 1 (business model & value chain; building on VSRS' DP 15. The VSRS should help SMEs to provide information on their business relationship, as it is important input for big companies' due diligence and serves as a protection against companies postponing due diligence down to their suppliers. However, definitions and content need to be more aligned with ESRS); -IRO 1 (insofar as the provision of guidance on how to understand the materiality assessment and what is relevant information concerning due diligence); -DC 1, 2, 4 (to provide guidance on how to report on policies, actions and targets) + SBM 3 (limited to instructions on how to report on changes to the business model and strategy); -Climate: DRs on Energy and GHG emissions (in a simplified form; current DP 12 is not helpful; it doesn't mention renewables, uses carbon instead of GHG, fails to provide instructions on Scope 3); -Environment: Current DP 14 should be aligned with metrics from E2, E3 and E5. Otherwise SMEs will focus on data which is of little use to their business partners, leading to the duplication of work; -Workforce: Information on non-employee workers in own workforce is critical; -Standards for value chain workers, communities and consumers: some instructions are needed on how to report on such issues.
2	What changes would members recommend to the available draft in order to be used as EFRAG exposure draft ad consultation document in the coming months? (see also Q.3)	<p>See below.</p> <p>There should be a lot more alignment between DRs in ESRS S1 and workforce-related DPs in VESRS. The latter should not be as comprehensive or detailed as the former, but there should be consistency where they do touch on the same sustainability topic (e.g. DP 8 'Opportunities for development' should reflect S1-13 better). Same goes for VESRS DP 9 (Customers), which should be more aligned with the objectives of, but not be as detailed as, ESRS S4 (e.g. include quality of information provided to customers/consumers).</p> <p>NO ANSWER</p> <p>NO ANSWER</p> <p>Stronger alignment with ESRS. Focus foremost on actual and potential adverse impacts. Own work force, social dialogue is crucial, as is discrimination, child labour and forced labour. The process of due diligence should be in focus.</p>
2	What changes would members recommend to the available draft in order to be used as EFRAG exposure draft ad consultation document in the coming months? (see also Q.3)	<ul style="list-style-type: none"> • Align the content metrics with the anticipated legitimate requests from large companies. The purpose of the VSRS should be to help SMEs to understand what data is material, so we should prioritize and anticipate legitimate requests. • Focus in impact indicators • Adjust value chain provision to provide guidance on materiality and facilitate useful information to enable large companies risk assessment and prioritisation of areas in the value chain for due diligence. This will help SMEs, as well as to mitigate the risks of large companies offloading the due diligence assessment on their suppliers, instead of properly working with data • VSRS should in the future include sector-specific guidance, in particular for the high-risk sectors which will be developed in Set 2. It would be detrimental to SMEs if this is omitted. Therefore, the development of VSRS should be slowed down to wait for this first set of sector-specific standards & aligned with the next set. • In terms of content of the VSRS, the following content of the ESRS is important and should be translated in the VSRS in an appropriate way: <ul style="list-style-type: none"> ◦ Governance, Strategy, Impacts management: ◦ SBM 1 (business model & value chain; building on VSRS' DP 15. VSRS should help SMEs to provide information on their business relationships, as it is important input into large companies' due diligence and serves as a protection against large companies pushing due diligence down to their suppliers. However, the definitions and content need to be much better aligned with ESRS) ◦ IRO 1 (to provide guidance how to understand materiality assessment and what is relevant information concerning due diligence) ◦ DC 1, 2, 4 (to provide guidance how to report on policies, actions and targets; in this regard DP 4 and DP 5 of the VSRS fall short of helping SMEs) + SBM 3 (limited to instructions how to report on changes to business model and strategy) ◦ Climate: DRs on Energy and GHG emission (in a simplified form; the current DP 12 lacks many important references such as renewables, uses carbon instead of GHG, fails to provide instructions on Scope 3) ◦ Environment: The current DP 14 should be completely overhauled and aligned with metrics from E2, E3 and E5. Otherwise SMEs will be focus on data, which will be of little use to their business partners, and as result they will have to do the work twice ◦ Own Workforce: Information on non-employee workers in own workforce is critical ◦ Standards for value chain workers, communities and consumers: there should be at least some instructions on how to report on such issues • There's a lot of content in the VSRS which is not particularly helpful and could be considered disproportionate, including General Principles (e.g. rebuttable presumption and comply or explain, which are both compliance options), <ul style="list-style-type: none"> ◦ DP 3, DP 4, DP 5, and DP 13 ◦ Content (not focus though) of DP 12 and DP 14 <p>NO ANSWER</p>
3	Which of the options presented in par 14 to 25 should be pursued: Option 1 (format and content unchanged), Option 2 (stronger alignment with ESRS)? Both shall be looked as part of the ESRS building block system)	<p>Option 1 bis : I think there is something very valuable in the proposed approach of option 1, but the integration within an overall architecture as a building block should be more emphasized avoiding new concepts and showing more alignment with ESRS architecture.</p> <p>Option 2.</p> <p>Architecture and language do not need to be identical, however, alignment of the content, especially data points to truly help SMEs that either (a) are in the supply chain of an undertaking in scope of the CSRD or (b) wish to use it as a building block.</p> <p>Option 2. I agree with Sig's suggestions for alignment:</p> <ul style="list-style-type: none"> •Glossary: Yes •Align architecture: Not necessarily fully, but the flow should be similar. •Review DRs: Yes, there should be high alignment of the content, especially as specific metrics data is concerned. Misalignments would be difficult to justify, and would not be helpful to SMEs. •Application guidance: Yes. <p>Option 2. Alignment should be sought as much as possible for terminology, principles, overall approach/structure, etc. Otherwise, I am not sure how this can result in the basis of a "building blocks" approach. Of course, such alignment should take into account proportionality and additional explanations to make elements easier to understand should be included where relevant.</p>

		<p>Option 2. The issue paper frequently stresses coherence between VSRS and the conceptual approach and the architecture of the first set of ESRS. I agree with the need for consistency in this sense. (That starts with the name: it should not be VSRS, but VESRS, or Voluntary European Sustainability Reporting Standards.) The standard for listed SMEs should be a slimmed-down version of full ESRS, where 'slimming down' means applying the proportionality principle, and taking into account the provisions in CSRD for that standard. The VESRS should be an even slimmer version of ESRS, but still retain the fundamental ideas, architecture, language etc. of ESRS as much as possible. (That said, certain linguistic simplifications could work if they do not obscure the connection between terms used in VESRS and full ESRS.) This is important for comparability, but also necessary if VESRS are to be a stepping stone or point of departure towards fuller sustainability reporting by SMEs that feel ready to take the next step.</p> <p>We would see most merit in Option 2. Aligning the wording and structure with the full ESRS would seem most compatible with the building block approach. However, such alignment should be done in keeping with the principle of proportionality, for example by including additional explanations to make all elements accessible and understandable to even very small companies.</p>
3	<p>Which of the options presented in par 14 to 25 should be pursued: Option 1 (format and content unchanged), Option 2 (stronger alignment with ESRS)? Both shall be looked as part of the ESRS building block system)</p>	<p>Clear preference for Option 2. Unlikely Carlota, I would go as far as suggesting that the terminology used fully aligns between VSRS and ESRS. However, it should be better explained in the VSRS. On format, I don't have preferences. What would happen if terminology is not aligned: confusion. It would be like developing two different programming languages that are incompatible. Why would we want to do that? Some SMEs may turn from non-listed to listed and would suddenly have to report using completely different terms? Same for firms moving from non-listed SME to large company. SMEs that want to disclose (it is a voluntary standard) their performance against certain indicators to compare themselves with larger competitors would not be able to do so? Why? We are taking away a potential competitive advantage for SMEs. If we are serious about the "building blocks" we need compatibility in language.</p> <p>There is no point in overburdening SMEs and asking them to report against the entire set of ESRS. We absolutely need proportionality. But the solution is not to select some DR's (what was the reason for including those DRs mentioned), but rather to push up the materiality threshold for reporting. The end goal should be for SMEs to be compliant against the VSRS by reporting only on very few, perhaps as few as three, Disclosure Requirements, but that these correspond to the highest impacts they have. I would even leave out dependencies, risks and opportunities, as they are not listed, but privately owned (?). A fishing fleet with fifty employees should, for example, only report against (a) how they fish, (b) how much petrol they use per year, (c) whether they pay fair wages.</p> <p>Discarding SFDR-requirements may not be sensible. They are relatively easy to report against and FI's will increasingly seek transparency across their portfolios and close data gaps. If SMEs do not deliver certain data, then they might well end up facing competitive disadvantages (see discussion on green financing / Taxonomy). This non-alignment is not in the interest of SMEs.</p> <p>I am a bit surprised to see the rebuttable presumption resurface in paragraph 2b. I don't see a need for the rebuttable presumption in a voluntary standard.</p> <p>The principles on data quality should be aligned with ESRS 1. If they aren't, then only of a principle is too hard to understand or implement. Is that really the case?</p>
3	<p>Which of the options presented in par 14 to 25 should be pursued: Option 1 (format and content unchanged), Option 2 (stronger alignment with ESRS)? Both shall be looked as part of the ESRS building block system)</p>	<p>2, per above.</p> <p>Option 2 would be more consistent with the answers above and be closer to the block system concept.</p> <p>Glossary: should be aligned with ESRS</p> <p>Align architecture: the flow should be similar, even if not fully aligned</p> <p>Review DRs: Yes, there should be high alignment of the content, especially as specific metrics data is concerned. Misalignments would be very difficult to justify, and would not be helpful to SMEs.</p> <p>Application guidance: should be aligned with ESRS</p> <p>NO ANSWER</p>
4	<p>Do the SR TEG members agree with the timeline presented in par 26?</p>	<p>I don't see the global picture for SMEs. I think the consultation should be done when the content is precised enough on the aim of having 2 standards.</p> <p>I recommend slowing down the process on this important standard. First, there needs to be some further work on the VSRS. Second, some more stakeholders should be involved in this process, in particular, users.</p> <p>I would suggest slowing down. The VSRS requires changes; moreover, the VSRS should wait for the first set of sector-specific standards (the high risk sectors) to enable consideration whether sector-specific metrics or guidance should be included.</p> <p>I support the idea by Marie that it would be worthwhile consulting on the voluntary standard for unlisted SMEs and the mandatory standard for listed SMEs at the same time. Also, while I understand the arguments for slowing down the process and wait for the first sector-specific set of ESRS, I could equally imagine to first develop the cross-cutting set of VSRS and work on whether and, if so, how to extend it when there are sector-specific ESRS that can serve as a starting point (again, to ensure alignment as much as possible).</p> <p>No. Going for Option 2 evidently requires more rethinking and rewriting of the draft prepared by Cluster 8 and therefore more time. This would also give us more time for proper discussion and stakeholder, especially user, consultation. Moreover, if VESRS are to be a slimmed down version of ESRS for listed SMEs (itself a slimmed-down version of full ESRS) then it makes sense the have the latter at least roughly in place. It would also be good to wait until we know better what the sector-specific ESRS will look like to make an informed decision about whether, and, if yes, how, they should be taken into account for the VESRS.</p> <p>As food for thought, we suggest it may be useful to consult on the voluntary standard for unlisted SMEs and the mandatory standard for listed SMEs at the same time (this may already be the intention but I am not fully sure based on the wording of the two timelines). It may be easier for stakeholders to comment on the voluntary standard for unlisted SMEs when they have also seen the mandatory standard for listed SMEs.</p> <p>Yes. The Listed SME standard and the VSRS are absolute cornerstones of the ESRS. The longer EFRAG waits in making concrete proposals the longer there is uncertainty in the market on the side of SMEs. This can turn into a significant roadblock for the acceptance of the ESRS, as this void will generate understandable fear. Hence, it is critical for the public consultation to start as soon as feasible. However, it is equally critical to ensure that there is sufficient capacity in the group working on the VSRS. From my understanding the representatives from Ex-Cluster 8 did mention that it was a burden to deliver, as it is all voluntary contributions. I share their concern and would suggest that we add capacity to this group that ideally also leads to different stakeholder groups being represented. Besides the work on the VSRS, as is the case with all other sector-specific standards, should be led by the Secretariat. During the past months the TEG focused almost exclusively on Set 1 and I was completely unaware on the important work going on in regard to the SME-standards. I might have also missed it mention of it, so no one to blame but me. Going forward a maximum of transparency would be great, because of the importance of both SME-standards for the acceptance of the entire set of ESRS.</p> <p>Time is of secondary importance. Most important is to get the content right.</p> <p>It is advisable to slow down the process. First, there needs to be an overhaul of the VSRS. Second, VSRS should wait for the first set of sector-specific standards (among the highest-impact sectors) to enable consideration whether sector-specific metrics or guidance should be included.</p> <p>NO ANSWER</p>
	<p>Do the SR TEG members agree with the following principles to ensure a proportionate inclusion</p>	<p>I agree on this principle, otherwise in my opinion there is no added value of the voluntary standard. I strongly recommend to think about the complexity of developing taxonomy for instance for large corporate. A taxonomy-like reporting not having the same level of assurance is of no value, because the taxonomy KPI is of high complexity and requires a huge level of internal analysis of DNSH and MSS which actually is very valuable if it is conducted to the end including science based analysis. We can open the door to a "low cost" taxonomy with SME voluntary standards. I would like us to have a common view on this very important point. If we are to require same information as listed enterprises then we should require the same level of information including assurance criteria. From a user perspective we can not have EU taxo like or PAI like data from some counterparts and regulatory data from others. We already face this issue with voluntary reporting on EU taxonomy and the data is not usable. I think there is more value on having a selected number of KPIs that can be used by users in their estimation models, as it is proposed.</p> <p>It would be helpful if VSRS provides some guidance to the SMEs as to what to expect from banks.</p> <p>SFDR RTS are integrated in the ESRS and there should be alignment between the ESRS and VSRS on the core content of the metrics to include in both. As regards the taxonomy, it would be helpful for the VSRS to provide some guidance to SMEs as to what to expect from banks.</p>

5a)	<p>proportionate inclusion process for the SMEs that are not listed?</p> <p>a) The [draft] VSRS SME neither includes provisions of the SFDR and the Taxonomy Regulation nor other sustainable finance regulation.</p>	<p>I do not agree with these principles, fully seconding the arguments brought forward by previous respondents. Excluding those provisions would not be in the interest of unlisted SMEs. Also, even irrespective of possible data requests, the SFDR aims at reflecting on impacts, where at least some indicators would likely also pass the materiality threshold for smaller companies reporting on a voluntary basis.</p> <p>Answering question 5 requires more clarity about the concrete application of VESRS. Asking whether, for example, digitalisation should be required or not is a little confusing because VESRS have no legal force and because there will not be any certification of compliance. They are essentially a recommendation and cannot require anything or exempt something from being required. If an SME that uses VESRS doesn't want to apply a certain provision it will simply not apply it. This even applies to the 'comply or explain' principle that is currently in the draft VESRS. If a company neither complies nor explains it can simply do that. The standard setter can therefore in principle include any recommendation it wants because ultimately the SME decides whether to follow it or not.</p> <p>Perhaps the VESRS could introduce a distinction between (i) a core part of the standard with which a company would have to comply fully in order to be regarded as being in compliance (even though non-compliance would not have any consequences), and (ii) a non-core part, compliance with which is desirable but not required for being seen as complying with VESRS. Some of the issues and items addressed in subquestions (a) to (d) could be included in that non-core part, especially digitalisation. This distinction has no legal weight, but it could perhaps be backed by a Commission endorsement of VESRS by recommendation.</p> <p>I agree with Philippe that this would not be desirable, neither for users nor preparers. Moreover, the question itself is unclear because disclosures related to SFDR and other EU regulations are because these requirements are not immediately binding on reporting companies anyway, but only inasmuch as they are integrated into ESRS.</p> <p>We are not convinced this approach would be useful for unlisted SMEs. Two main arguments for developing the voluntary standard in the first place are 1) that unlisted SMEs are receiving many information requests from larger companies whose value chain they are in and 2) that it is important to promote the 'investability' of unlisted SMEs. It would contribute to both these points to include the SFDR indicators in the voluntary standard. The same could potentially be said for Pillar 3 data points.</p>
5a)	<p>Do the SR TEG members agree with the following principles to ensure a proportionate inclusion process for the SMEs that are not listed?</p> <p>a) The [draft] VSRS SME neither includes provisions of the SFDR and the Taxonomy Regulation nor other sustainable finance regulation.</p>	<p>Disagree on SFDR, as stated above. The indicators are mostly relatively simple if limited to operations. At least at first glance they don't appear more complicated than what is suggested in the VSRS. Again, no additional disclosures / datapoints should be added in the VSRS, but really only a guidance on how to apply the materiality assessment and report against impacts. On the Taxonomy, I am not sure.</p> <p>NO ANSWER</p> <p>Disagree with this – it should include SFDR/Taxonomy DRs insofar as they would pass the proportionality criterion.</p> <p>NO ANSWER</p>
5b)	<p>The [draft] VSRS SME does not include voluntary sector-specific requirements (sector-specific layer will be part of ESRS listed SMEs)</p>	<p>At this stage it is difficult to answer. I think at least that a reference to sector classification designed by ESRS based on NACE classification should be requested by the VSRS in the activity description. This is of great importance for users.</p> <p>As above. There may be sector-specific metrics, especially in the first set of the high-risk sector-specific standards, which could be considered.</p> <p>See previous answer. It could include sector-specific metrics, particularly for the first set of the high-risk sector-specific standards.</p> <p>I do not generally agree – in my view, this question can only be responded to once we have determined the "minimum requirements". If these would be able to capture the most material topics and impacts, no extensions would be needed, but I do not see why we should and how we could finally decide on this now.</p> <p>I haven't made up my mind about this. Perhaps the response will become clearer once we all have a better understanding of what the sector-specific ESRS will look like.</p> <p>NO ANSWER</p> <p>Rather than adding DR's the VSRS should really just be a document that explains how SMEs should do the materiality assessment and report against the ESRS. The result could be that SMEs only report against three DR's, because these are the most material. It could even be feasible to claim compliance against VSRS with reporting being capped at a maximum of 10 material DRs.</p> <p>However, if this question means that SMEs reporting against the VSRS are not required to report against the absolutely most material DRs related to their impact, then I strongly disagree.</p> <p>NO ANSWER</p> <p>See answer to 4 above – the process should be slowed down to give time for consideration to this issue.</p> <p>NO ANSWER</p>
5c)	<p>The voluntary reporting for non-listed SMEs is to be prepared every year or every two years.</p>	<p>I have no specific opinion on that, just a reporting expert takeaway that the more frequently you manage your reporting the more accurate it is and the more useful and adapted to your internal steering it is. In my view the option to have it on an annual basis is consistent with the argument to request KPIs useful for internal steering.</p> <p>VSRS should not address how often SMEs are to report, due to their voluntary status. VSRS should only focus on helping SMEs to get their head around key principles of reporting and what data is commonly understood to be material and can be legitimately expected of them.</p> <p>I agree with Carlota's point in this regard: VSRS should not address how often SMEs are to report, due to their voluntary status. VSRS should only focus on helping SMEs to get their head around key principles of reporting and what data is commonly understood to be material and can be legitimately expected of them.</p> <p>Given that the VSRS would be of voluntary nature, this does not need to be specified. However, if, for example, voluntary reporting is done only every second year, it should be mirrored that FIs (and other companies if relevant from a value chain perspective) can use data from such SMEs going back not only one reporting period, but two.</p> <p>Even for a voluntary standard I do not see any good reason for deviating from the customary annual reporting cycle. Many users might also not accept outdated sustainability information. (E.g a bank that must decide whether and under what conditions to extend a loan to an SME in a high-risk sector) That said, because VESRS are voluntary a company can decide on its own reporting cycle if it finds annual reporting too burdensome.</p> <p>NO ANSWER</p> <p>If it is a voluntary standard, then firms can opt to prepare it whenever they want or are asked to do it. There is no point in specifying the frequency of reporting.</p> <p>NO ANSWER</p> <p>This raises the question of the last par in answer 1 above – is there to be any requirement/guidance to what SMEs must do to be in 'compliance' with VSRS SME – if not, this question is superfluous.</p> <p>NO ANSWER</p>
		<p>Digitisation shall be facilitated to encourage SMEs to use this voluntary reporting. I think it is part of the VSRS added value for SMEs.</p>

5d)	The [draft] VSRS SME does not require the digitisation of the voluntary disclosures.	<p>OK</p> <p>More detailed, informal reflections:</p> <p>Context 7-12. Aims should include providing guidance to SMEs as to what (legitimate) data request they will be encountering, and how to calculate & provide such data.</p> <p>General principles 14: comply or explain - depends on the purpose of this, but in principle, since this is voluntary, it does not make sense 15: rebuttable solution - was rejected by the SRB in the ESRS on the basis of complexity, I would not want to burden SMEs with more difficulties</p> <p>DP 1 – Entry level information (this is really market position & business strategy and model as in SBM1) 27 : there should be description of business model & value chain as in SBM 1. SMEs don't need to provide detailed information – just what they know.</p> <p>DP 2 – Address: should be in DP1</p> <p>DP 6 – Workforce Missing many important indicators: employee turnover, pay gap, collective bargaining coverage, workers vs. non-workers</p> <p>Disclosure Principle 10 – Shareholder structure and governance Should be in DP 1 and seems to go beyond what is required in ESRS.</p> <p>Disclosure Principle 11 – Partners and value chain Too burdensome for SMEs. We do not need two provisions on value chain / business practices (DP 13). Let's have one which only requires crucial information.</p> <p>DP 12 – Energy and carbon emissions This needs to be overhauled to be in line with the two corresponding ESRS E1's DRs. It doesn't have to have the same complexity, but it needs to be compatible. Here, "carbon"</p>
5d)	The [draft] VSRS SME does not require the digitisation of the voluntary disclosures.	<p>Ok. A reference to ESRS for further guidance would suffice.</p> <p>Digitization should not be required, but clearly enabled (via an appropriate taxonomy and in ESAP). SMEs might want to digitize, if not too burdensome, to make their information accessible and comparable and, thereby, benefit from a competitive advantage.</p> <p>Digitalisation is desirable for users, but also for preparers because it increases the visibility of their sustainability reports through inclusion in ESAP. It could be part of the non-core part of VESRS (see response above).</p> <p>On the face of it, we are not certain that digitisation of the information that would be required by the voluntary standard would entail a heavy burden for companies, and it would be a useful tool for them to enhance the visibility of their disclosure.</p> <p>SME is keen to disclose against such a standard voluntarily would surely appreciate for its information to be accessible and comparable. It can be a competitive advantage, as the sustainability performance of smaller firms might be significantly better than that of larger firms. It should be easy and straightforward for SMEs to digitize the data they report against the VSRS.</p> <p><u>NO ANSWER</u></p> <p>Same answer as to c) above – will there be 'requirements to be in compliance with VSRS SME'? If VSRS SME is based on ESRS, then the digitization guidance can be used here.</p> <p><u>NO ANSWER</u></p>
Additional Comments		<p>I further support a number of points shared by Carlota in relation to "More detailed, informal reflections". See below, with some modifications/additions:</p> <ul style="list-style-type: none"> •Context •7-12. Aims should include providing guidance to SMEs as to what (legitimate) data request they will be encountering, and how to calculate & provide such data. •General Principles •14: comply or explain → this does not apply, as the standards are voluntary. Comply or explain is a 'compliance' option •15. rebuttable solution → this was rejected by the SRB in the ESRS on the basis of complexity for large companies. Therefore should not be used for SMEs •DP 1 "Entry level information" (this is really market position & business strategy and model as in SBM1) •27 : there should be description of business model & value chain as in SBM 1. SMEs don't need to provide detailed information – just what they know •DP 2 – Address: should be in DP •DP3 – Mission and vision. This should be deleted. •DP 4 – Overall strategy and commitment & DP 5 Sustainability approach. This is confusing. VSRS should provide guidance to companies on how to report on their policies (and actions and targets), because that is what SMEs business partners will ask them about. So a simplified version of DC from ESRS 1 is more appropriate. E.g. VSRS should help SMEs to understand that material information in this area is linked to material topics & which topics are generally understood as material. Also, explain the difference between 'objectives' and 'measurable outcome oriented targets'. Etc. •DP 6 – Workforce. Transparency on non-employee workers is very important, especially for companies <250 employees. •DP 10 – Shareholder structure and governance: Should be in DP 1. •DP 11 – Partners and value chain. This DP makes sense, even though it differs from ESRS. It is useful to help SMEs to be ready to provide this data, as it is important input in big companies due diligence. It also serves as a protection against companies due diligence down to their suppliers. In fact, the buyers should primarily focus on data on their suppliers value chain, but carry out due diligence assessment by themselves. However: <ul style="list-style-type: none"> •the definition of business relationships needs to be aligned with ESRS •this DP should be put somewhere in the beginning, either as part of DP 1 or as a standalone provision. •DP 12 – Energy and carbon emissions. Compatibility with E1 should be increased. Here, "carbon" is used instead of GHG. There's no mention of renewable sources, etc. Furthermore, VSRS should encourage companies to consider their Scope 3 emissions, while differentiating between it and Scope 1 and 2, the latter being sine qua non. •DP 13 – Responsible Business practices. This provision is not so clear (content, location, cost/benefit justification, proportionality and how it addresses the trickle down boogeyman) •DP 14 – Pollution, consumption and waste management •This is confusing; it should be reworked in line with metrics in E2 – E5. •Completely missing: <ul style="list-style-type: none"> •How to report on S issues in the value chain (simplified S2-S3-S4) •How to do materiality assessment & what is relevant information concerning due diligence
Additional Comments		<p>below my comments on the VSRS. Before you read them, I encourage you to take a look at the attachment. Some members of TEG / SRB keep suggesting that SMEs do not want the CSRD / ESRS. That may certainly be the case for some SMEs and SME associations, but not all. All is a myth, as more sustainably-minded SMEs (there are a lot of those) have something to gain from transparency.</p> <p>Finally, I also wonder if GRI material was consulted: GRI - Corporate Sustainability and Reporting for Competitive Business (globalreporting.org). GRI appears to have already gone through the process of supporting disclosures by SMEs that cannot be subject to the entire set of DRs across all standards. Here a number of recommendations from GRI for policy-makers, but I suppose you are already aware of this document. Have these recommendations been taken into account?</p>

Additional Comments

I see merits in the main part of the objective of these guidelines as laid out in the presentation (slide 24): “to specify the minimum for all undertakings” which “can be a “building block” to ensure an inclusive approach for SMEs that are not currently listed, start-ups and other undertakings beyond the scope of CSRD”.

To develop guidelines (“voluntary standards”) for these undertakings is an important opportunity to address the urgent needs of those SMEs that are only indirectly affected by the CSRD, but not within the scope of the CSRD. These SMEs will see / and sometimes already see the “trickle-down-effect”. As mentioned in par 2(e) of the proposal (i.e. par 12 of paper 03-01) the voluntary standard aims at mitigating this effect.

However, I feel that these SMEs which are subject to indirect effects of the CSRD (trickle-down-effect) face very specific challenges and reporting requests from their stakeholders. E.g., banks ask to provide information according to SFDR-PAIs or customers / suppliers ask for sustainability related information to fulfil their own sustainability reporting needs. I wonder if these specific, existing needs of SMEs are sufficiently addressed in this proposal. In contrast, I feel this proposal currently seems to address a different group of SMEs: Those that are not only not within the scope of the CSRD but are also not affected by specific requirements stemming from trickle-down-effects and by requirements by stakeholders. Rather – and this seems to be confirmed by the discussion on our meeting on 17 November - this voluntary standard aims at SMEs that search for an easy access to the issue of sustainability reporting without facing specific information needs/requirements from their stakeholders. This standard would allow SMEs to inform themselves about possible sustainability reporting information or to get a general idea what sustainability reporting is about. This of course can be a legitimate objective – if this is how EFRAG want to move forward.

I note that the presentation given in our last SRT meeting indicated that SMEs represent more than half of Europe’s GDP. Therefore, they play a crucial role in the transition towards a sustainable economy. In addition, from the statistics on slide 24 it becomes apparent that 7% of 21 million micro, small and medium sized entities in the EU were non-micro SMEs, i.e. 1.5 million, and just 1,100 of those were listed. Taking aside the micro-entities, the 1.5m SMEs are either listed or not, and this is the only point relevant for being in scope of the CSRD. Regardless of whether listed or not, they will face the same information demands by investors, and by other stakeholders, including those that are in full scope of ESRS (large entities). Therefore, I conclude that the guidelines for unlisted SMEs (not micros) should not differ significantly from those for listed ones.

I wonder if we are missing an opportunity to provide guidance to all SMEs (except for micros) in (current/future) need of any direction on which specific information is needed, which KPIs to look at and how they can collect, determine, calculate, or provide this information.

I think this would include providing guidance on a core set of minimum requirements that are asked of SMEs, on the basis of Art. 29c and Art. 19a(6) of the CSRD. I agree with the analysis in the voluntary standard and especially in the presentation that SMEs already carry a large burden when it comes to reporting requirements. Therefore, these minimum requirements would have to reflect this current state and would have to be reduced, should be easily understandable and applicable for SMEs. These should, however, not leave out the actual needs of SMEs for meeting their stakeholders’ needs. That means, as an example, that the SFDR indicators or Taxonomy elements should not be excluded per se;