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## VSME ED field test - Key findings

### Objective of the paper

#### About this report

1. EFRAG has conducted a questionnaire-based survey to gather views from stakeholders that have participated in the field test of the Exposure Draft for a voluntary sustainability reporting standard for non-listed SMEs (including micro undertakings) ([VSME ED](#)). The results of the field test, **that included 164 participants** as preparers, users and other (consultants, accountants, etc.) are summarised in this report.
2. This report also includes results from the field test workshops (in total 10 plus 4 individual interviews) that were organised by EFRAG secretariat to discuss respondent’s written surveys. In addition, EFRAG secretariat has conducted a specific workshop with ESG data platforms (who match online demand and supply of ESG data) participating in the field test of VSME ED. These platforms have provided aggregated written feedback from their constituencies that are preparers (SMEs) and users (large corporates or banks as SMEs business counterparts) that can be found in specific tables of this report.
3. For each question the analysis includes insights at the aggregated level and insights by stakeholders’ group (micro, small, medium preparer, consultants, rating agency, accountants, users including banks and large corporates heads of supply chains<sup>1</sup>, etcetera).
4. This report uses the following terms to describe the extent to which particular feedback was shared by respondents (both when referring to total respondents or a subset of respondents).

Most: 80% to 99% of respondents
A majority: 50% to 79% of respondents
Some: 20% to 49% of respondents
A few: 1% to 19% of respondents

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<sup>1</sup> In this document the term “heads of supply chain” is used to identify the large corporates that collect ESG data from suppliers in their supply chain

### About the VSME ED field test

5. The VSME ED field test was launched on 22 January 2024 and was conducted in parallel with the [public consultation](#) as it intends to complement the outcome of the consultation, with additional fact-based evidence. The purpose of the field test is to gather facts and evidence on the challenges and benefits from stakeholders that will prepare actual disclosures applying VSME ED.
6. From the preparers' perspective, the participation to the field test has taken two forms: (a) the actual preparation of (or part of) the disclosures in VSME ED, answer to the field test questionnaire and participation to workshops and/or interviews with EFRAG Secretariat; or (b) (simplified approach) pre- preparation (such as assessment of the challenges and benefits deriving from the disclosures in VSME), answer to the field test questionnaire and participation to workshops and/or interviews with EFRAG Secretariat.
7. From the users' perspective, the participation to the field test required to answer the field test questionnaire and to participate to workshops and/or bilateral interviews with EFRAG Secretariat.
8. The field test focuses on the following key elements:
  - (a) The costs and challenges associated with each of the disclosures
  - (b) The understandability of the guidance provided in the ED and its ability to support the implementation of the disclosure requirements; and
  - (c) The expected benefits of the disclosures.
9. Preparers could choose to test one or more of the following modules: i) Basic Module; ii) Narrative-PAT Module; iii) Business Partners Module. The application of the general principles for the preparation of the sustainability report is considered as part of each module.
10. A prerequisite to participation in the field test was the completion of the consultation questionnaire as well as the field test questionnaire. The deadline for submitting answers to the field test was 21 April 2024. The field test workshops and interviews took place in May 2024.
11. The analysis and structure of this report has been carried out by analysing the 5 questions from the field test. The same five questions have been asked for each module as follows:

*Q1 – The operational challenges posed by the disclosures of each of the three modules.*

*Q2 – The difficulty of disclosing the metrics of each single disclosure (analysed by module). This question was directed to PREPARERS.*

*Q3 – The costs brought by disclosing for each module.*

*Q4 – The relevance of the disclosures (per module). This question was directed to USERS.*

Q5 – The benefits brought by the VSME. This encompasses a variety of factors analysed in the sections in the detailed report.

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## List of disclosures

12. The following list is the complete list of the disclosures of the 3 modules of the VSME ED.

### Basic Module:

<b>B1 – Basis for preparation</b>	<b>B7 – Resource use, circular economy and waste management 10 Basic metrics – Social matters</b>
<b>B2 – Practices for transitioning towards a more sustainable economy</b>	<b>B8 – Workforce – General characteristics</b>
<b>B3 – Energy and greenhouse gas emissions</b>	<b>B9 – Workforce – Health and safety</b>
<b>B4 – Pollution of air, water and soil</b>	<b>B10 – Workforce – Remuneration, collective bargaining and training</b>
<b>B5 – Biodiversity</b>	<b>B11 – Workers in the value chain, affected communities, consumers and end-users</b>
<b>B6 – Water</b>	<b>B12 – Convictions and fines for corruption and bribery 11 Principles for the preparation of the sustainability report (Narrative-PAT, Business Partners)</b>

### Narrative-PAT module:

<b>N1 – Strategy: business model and sustainability – related initiatives</b>	<b>N4 – Key stakeholders</b>
<b>N2 – Material sustainability matters</b>	<b>N5 – Governance: responsibilities in relation to sustainability matters</b>
<b>N3 – Management of material sustainability matters</b>	

### Business Partners Module:

<b>BP1 – Revenues from certain sectors</b>	<b>BP7 – Alignment with internationally recognised instruments</b>
<b>BP2 – Gender diversity ratio in governance body</b>	<b>BP8 – Processes to monitor compliance and mechanisms to address violations</b>
<b>BP3 – GHG emissions reduction target</b>	<b>BP9 – 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)</b>

<b>BP4 – Transition plan for climate change mitigation</b>	<b>BP10 – Work-life balance</b>
<b>BP5 – Physical risks from climate change</b>	<b>BP11 – Number of apprentices</b>
<b>BP6 – Hazardous waste and/or radioactive waste ratio</b>	

## Summary of the key findings in this report

13. The participation in the field test **involved a total of 111 preparers** (micro, small and medium undertakings), **24 proxy for prepares and 29 users or proxy for users**.
14. Four ESG data platforms were also involved in the field test through a dedicated workshop and a dedicated questionnaire template document, i.e. each platform has implemented VSME ED to collect real disclosures from members using a tailored data model. This corresponds as well to their intention to adopt VSME in the future as structured data model to collect ESG information from members. They gave both a preparer and a user-based perspective, reflecting the existence of two different types of users.
15. These platforms represent all together over 23,000 SMEs across Europe and over 100,000 large undertakings worldwide. They therefore provide a rather significant perspective on the difficulty and relevance of various disclosures. Concretely the platforms tested VSME ED by replacing it with their current online questionnaires. **Through this process over 600 SMEs participated in the field test.** For these reasons, platform field tests results have been provided separately in this report.

## Key messages from the report

- There is **wide support for the Basic Module** (30% of field test participants have chosen to use the Basic Module only, and all others either used it in combination with the Narrative PAT Module or with the Business Partner Module or both). The Basic Module is assessed to be both feasible from the preparer's point of view and useful from the users' point of view.
- There are, however, requests for **additional guidance on methodologies and online calculation tools for certain metrics** (i.e. B3- Energy and Greenhouse Gas Emissions, B6- Water or B7 - Resource use, circular economy and waste management) or to add definitions for others (B10 Workforce – Remuneration, collective bargaining and training).
- For some disclosures such as B5-Biodiversity or B11-Workers in the value chain, affected communities, consumers and end-users, the requests are either **to remove those disclosures or replace part of them** with other metrics.
- In general, it was suggested to use more explicit formulation on “if applicable” (i.e. for B4). Many preparers underlined that certain disclosures are not applicable to them, and thus, they are not reported (i.e., omitted). On the other hand, the users asked that in case of omittance

of a data point because it is not applicable, it shall be clear in VSME ED that this information shall be considered not material by users.

- For the **Narrative PAT Module** there is a general indication that this module presents some operational challenges from the preparers' perspective. The biggest challenge connected to this module is the materiality analysis, and consequently, **the disclosures N2 – Material sustainability matters and N3 – Management of material sustainability matters are perceived as to be of great difficulty**. The main reason is that SMEs tend to be less equipped and would need the help of consultants or, alternatively, a very basic fundamental step-by-step guidance for materiality analysis, with very visual explanations and an online scroll-down menu to choose from. A **pre-defined grid of material matters by sector** was considered an important addition to help SMEs. The involvement of the top level in the process is also considered an issue as this module is connected to strategy and governance and requires stakeholders' engagement. Concerns about materiality are expressed both on the preparers and users' sides. Despite materiality remaining a relevant disclosure for certain user categories (e.g. large undertakings), users understand the difficulty it poses to SMEs. Banks/ investors have highlighted concerns associated with materiality analysis, acknowledging the complexity of this analysis for SMEs. As such, they indicated generally preferring a replacement of the undertaking materiality analysis with a pre-defined list of sustainability matters by sector. This practice is adopted by some banks/investors as emerged in the workshops.
- Conversely, N5 – Governance: responsibilities in relation to sustainability matters, appears to be perceived as a disclosure of low difficulty, with high relevance for users, highlighting its importance within the module.
- N1 – Strategy: business model and sustainability – related initiatives and N4 – Key stakeholders, appear to be disclosure of low difficulty, similarly to N5. However, **N1 and N4 appear to have a lower relevance** compared to N5 for users.
- Overall, the Narrative-PAT Module and the Business Partners Module are perceived to have **greater language complexity** compared to the basic module.
- Concerning the **Business Partner Module**, respondent preparers indicated some operational challenges, with a diversified view according to the various disclosures. Some disclosures such as BP1 - Revenues from certain sectors BP2 - Gender diversity ratio in governance body, BP6 - Hazardous waste and/or radioactive waste ratio, BP10 – work-life balance and BP11 – number of apprentices were considered of **low difficulty** by the majority of respondents.
- However, from the user perspective BP10 – Work-life balance and BP11 – Number of apprentices **have relatively low benefits**.
- Other disclosures like BP3 – GHG emissions reduction target, BP4 – Transition plan for climate change mitigation, BP5 – Physical risks from climate change, were considered of **high or medium difficulty** by the majority of the respondents. Arguments concern the difficulty linked to target settings (science-based) for SMEs and request for adapted or simplified guides and frameworks (i.e., climate transition plans, scenarios, physical risks).
- From the users' perspective, BP3 is considered of high relevance by most respondents and BP4 by a majority, and BP5 is considered of medium to low importance by some especially in terms of reliability/quality of disclosure.
- For BP7 – Alignment with internationally recognised instruments and BP8 – Processes to monitor compliance and mechanisms to address violations, preparers' views are split between

low, medium, and high difficulty. The main challenges are related to legal complexities and overlaps in reconciling undertaking policy with international instruments as well as EU/national laws. Hence examples or guidance on those may increase the uptake.

- Most of the preparers consider BP9 – Violations of OECD Guidelines for Multinational Enterprises or the UN guiding Principles as straightforward with information being relatively easy to obtain and thus seen as low in difficulty. From the users' perspectives, BP7 was perceived as of high relevance, while on BP8 there were split views on its relevance (between medium and high relevance) and for BP9 there was less support for its relevance (split between low, medium and high).
- In general, there were requests to clarify the application of materiality analysis for this module.
- On the **costs side**, respondents indicated that costs are generally higher for the first year, driven by HR costs, consultancy and IT tools. As companies gain experience and establish processes, the need for consultancy decreases, leading to lower costs in subsequent years (generally halved costs). Especially consultancy and IT costs seem to drop significantly. Many undertakings expect high costs in the first year to obtain in-house expertise and training for existing personnel. While these costs are expected to decrease in subsequent years, they will remain important.
- On the **benefit side**, different types of benefits were perceived depending on the module. Most of the BM respondents stated that the main benefits (preparers and users combined) of the basic module are the synergies and increased awareness module. Most (preparers and users combined) of the Narrative-PAT module respondents stated that the main benefit this module brings is the increased awareness and monitoring of sustainability issues, in addition these respondents stated that it brings them greater access to finance. Regarding the BP module, preparers and users (combined) stated that this module brings them benefits related to having access to more clients and better market positioning / competitiveness. The perceived types of benefits brought by the BP module were estimated to bring similar benefit estimations. Users specifically mentioned that the BP module is most beneficial with regard to the synergies it brings with other questionnaires.
- Finally, regarding the feedback from the **online ESG data platforms (4)**, which represent multipliers of the users' and preparers' perspectives, the key messages are as follows. Platform preparers showcased a generally higher level of disclosure difficulty on disclosures B3, B4, B5, B11 in the Basic Module and disclosures BP3, BP4, BP5 in Business Partners Module. Essentially, these disclosures (apart from B11, which is a social metric) are heavily linked to environmental metrics. These are appearing as more challenging to disclose compared to other social metrics. Additionally, materiality, especially N3, has shown to be challenging. These difficulties were higher for smaller undertakings.
- The most relevant disclosures for platforms were B3, B6, B9 in Basic Module and disclosures BP3 and BP4 in Business Partners Module. These disclosures were highlighted as very relevant metrics. Other disclosures from the Basic Module and Business Partners Module were generally perceived as of high to medium relevance. The only disclosure deemed of low relevance by half of the platforms was B11.
- The relevance perceived for the disclosures in Narrative-PAT Module by platforms was split. Half considered N1 to N5 relevant, the other half considered it of either medium or low

relevance. With N5 being the most relevant. 1 platform respondent stated that N1-N4 have low relevance currently as they are not collecting those metrics.

## General overview of field test respondents

### Breakdown by category

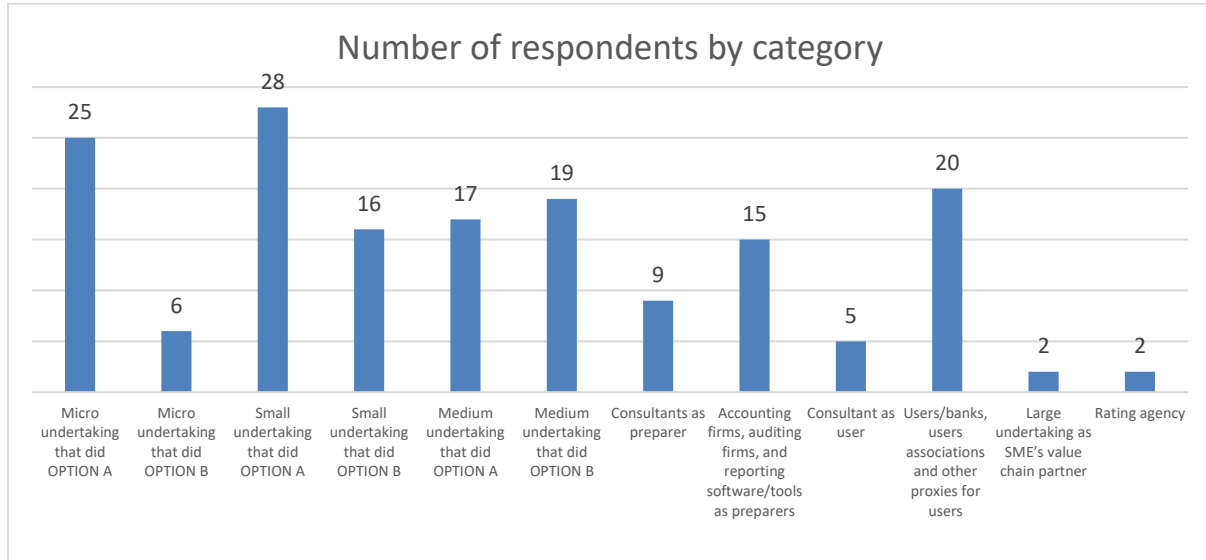


Figure 1: Number of field test respondents by category.

Total Number of Field Test Respondents: 164

16. The majority (62%) of preparers participated according to option A, i.e., by actually preparing the sustainability report using VSME ED. Participants covered almost all European countries. The remaining respondents opted for option B.

To note, for large undertakings EFRAG secretariat has interviewed 4 additional companies that provided answers in the questionnaire (outside the online survey) with a total of 6 large undertakings as SME value chain partners.



Breakdown by country

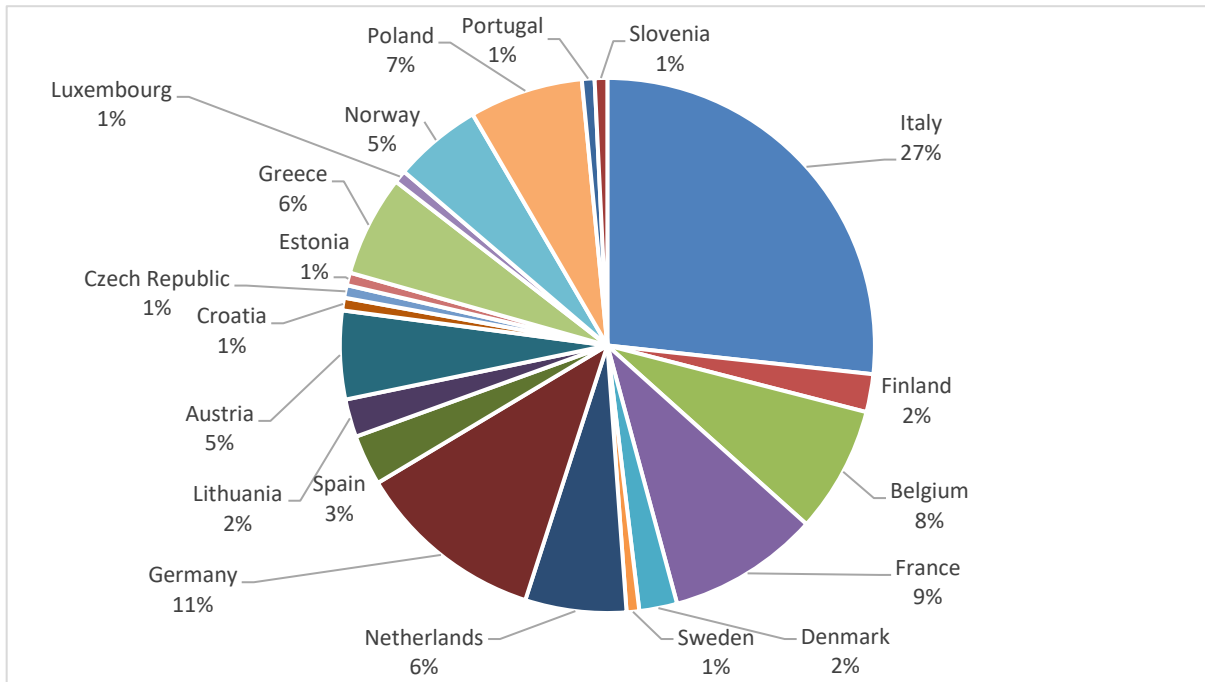


Figure 2: Breakdown of field test respondents by country.

Breakdown of respondents with modules chosen:

Module chosen	Number of respondents that selected this option
Basic Module only	50
Basic and PAT Modules	20
Basic and Business Partners Modules	14
All three modules	80

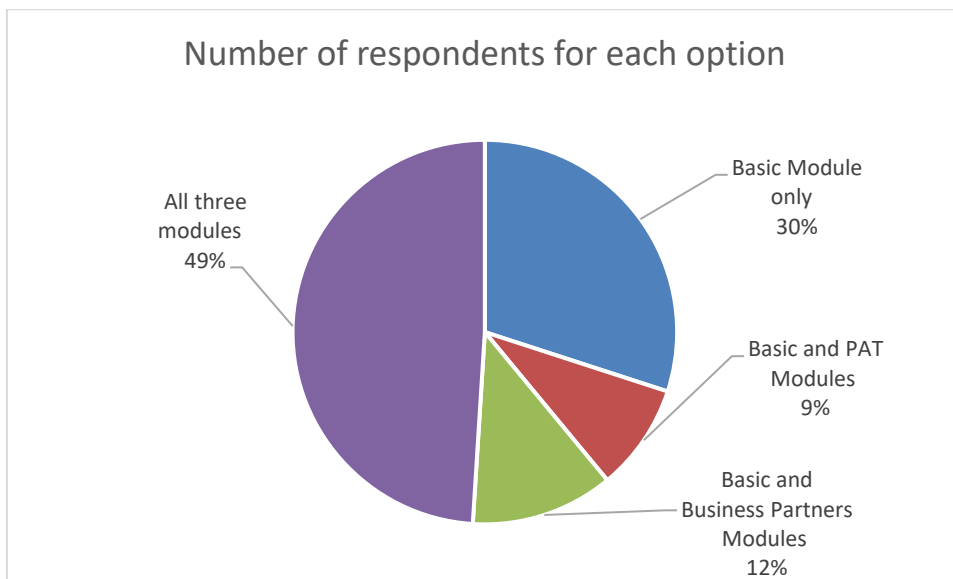


Figure 3: Number of field test respondents for each option.

## Part 1 – Preparation of the Basic Module

### Q1. Selection of operational challenges with the preparation of the Basic Module.

18. In Question 1 of PART 1 (Preparation of the Basic Module), 132 out of 135 (98%) respondents answered. This is taken into account for the following statistics and breakdowns.

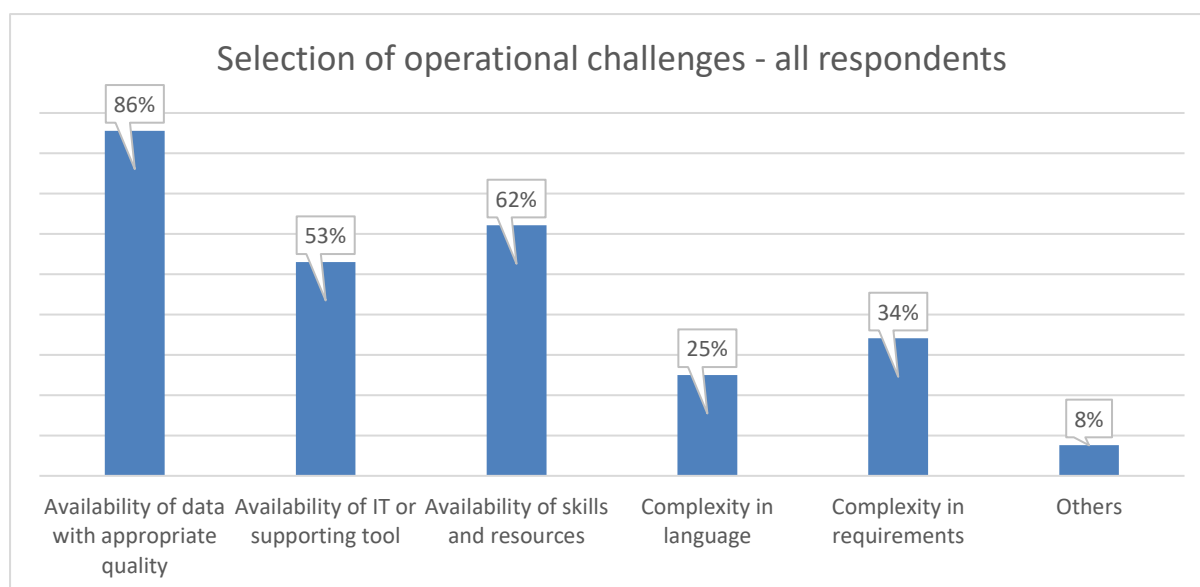


Figure 4: Selection of operational challenges with the preparation of the Basic Module (all respondents)

#### 19. Key insights (aggregate operational challenges)

- Most respondents report availability and quality of data as a challenge (most frequent operational challenge: 86% of respondents). Disclosures B3-B7 and B11 were highlighted as particularly challenging. Obtaining data from their value chain is difficult for all types of SMEs, particularly for small and micro undertakings due to a lack of resources and leverage with larger value chain partners.
- Many respondents emphasised that calculation tools (for B3), templates, SME-adapted examples, and simplified language would ease the challenges posed by the Basic Module.

#### 20. Key insights (by type of preparer)

- Micro and small undertakings cited the complexity of the language and requirements as a challenge, as well as identifying and obtaining data. Another common challenge was identified as supplying the resources required for the process, either through in-house personnel or hiring external consultant. Many of the sustainability topics covered in the disclosures are new to them, and it is costly for a small/micro undertaking to develop such expertise in-house (*availability of skills and resources*).
- Consultant and accounting firms, auditing firms, and reporting software/tools preparers were able to navigate the complexity of the disclosures. However, they reported that this complexity poses a significant challenge for SMEs.
- The “VSME ED Field Test analysis detailed findings report” provides more details on insights by stakeholders' group.

## Q2. PREPARERS. Classification of difficulty (low, medium, high) for metrics B3-12.

21. In Question 2 of PART 1 (Preparation of Basic Module), 127 out of 135 (94%) respondents answered this question. This is taken into account for the following statistics and breakdowns.

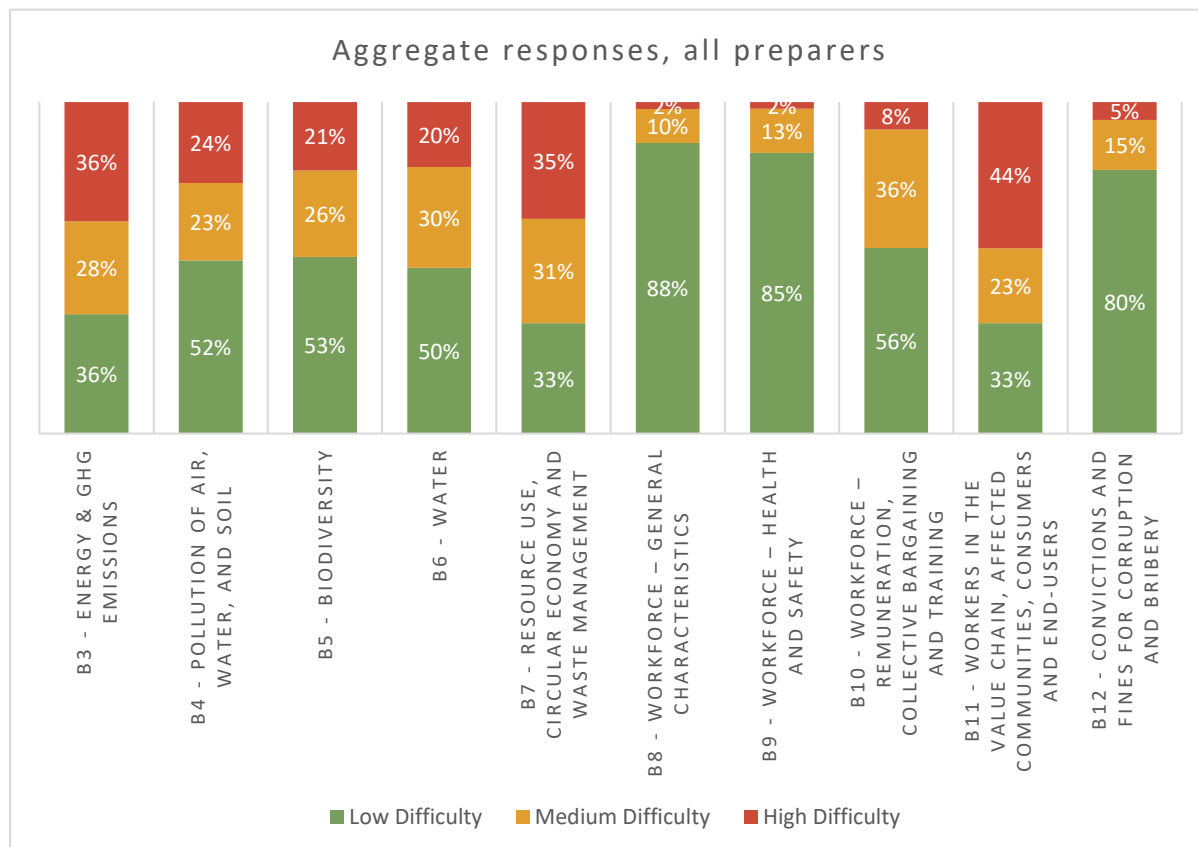


Figure 5: Classification of difficulty (low, medium, high) for metrics B3 - B12. Aggregate responses (all preparers).

22. The bar chart above shows that the majority of respondents consider B3, B7 and B11 as medium to highly difficult, B4, B5, and B10 as medium to low difficulty, while B8, B9, and B12 are considered of low difficulty. Views on B6 were split. More details are provided in the analysis below.

### 23. Key insights (by disclosure):

- B3 - Energy and Greenhouse Gas Emissions:** This is the most challenging metric due to the complexity of Scope 1 and 2 calculations, requiring specialised knowledge of conversion factors that many SMEs lack. Affordable tools are scarce, and shared facilities make energy data hard to obtain (with shared facilities one cannot use electricity bills). Micro and small undertakings often lack the expertise for these tasks. Respondents suggest providing free online calculation tools and conversion methodologies (including references to national tools and databases), and guidance for shared office spaces and remote work (e.g., estimates from national data). An important challenge in the collection of GHG emissions data arose when businesses operate in multiple countries. There is also a need for alignment with SFDR unit requirements (MWh vs. GWh). Another issue is the lack of clear guidance on whether to include business travel in fossil fuel energy consumption calculations (paragraph 24).

- **B4 – Pollution of Air, Water, and Soil:** Many respondents found this of low to medium difficulty and low impact, often not applicable to them as they are not legally required to report it. Those reporting this disclosure, suggested cross-referencing the VSME ED to ISO 14001 and EMAS to streamline information and avoid double reporting.
- **B5 – Biodiversity:** For many micro and small undertakings, this disclosure was not applicable, hence considered of low difficulty. For those for whom it was applicable, challenges included measuring proximity to biodiversity-sensitive areas (needing a clear definition of “near”) and a need for more guidance, such as interactive maps and examples. Respondents generally pointed out a lack of knowledge on this topic.
- **B6 – Water:** The difficulty ascribed to this disclosure varied significantly. In some jurisdictions, reporting on water is mandatory, which facilitated data collection for the disclosure at national level. Other jurisdictions lack regulation which makes it challenging to collect accurate data, particularly for small and micro undertakings. Additional guidance was requested for the following cases: co-working/office sharing in terms of allocation keys (water bill to attribute to co-working space); water consumption applicability (examples); and high-stress areas.
- **B7 – Resource use, circular economy, and waste management:** Some smaller service-based companies, particularly those in shared workspaces, feel B7 has minimal relevance to them due to their low waste impact. Smaller companies often do not have detailed systems in place to track waste types, amounts, and disposal methods. There were requests from some workshop participants for templates to help frame responses, as well as for additional guidance on managing cross-national discrepancies in waste management and recycling: for example, the recycled contents (definition of recycling) may differ according by country. Participants flagged this disclosure as highly time-consuming. Micro undertakings found this disclosure particularly difficult. Additionally, participants enquired on the potential added value of additionally reporting on annual municipal waste.
- **B8—Workforce—General characteristics:** Most respondents considered this disclosure low difficulty, as it required information that was already being collected.
- **B9 – Workforce – Health and safety:** A low difficulty disclosure for most respondents, although some situations provided challenges (e.g., contract workers).
- **B10 – Workforce – Remuneration, collective bargaining and training:** This disclosure is split into four different themes or datapoints. Although the concept was generally clear, some undertakings reported a challenge obtaining like-for-like comparisons to assess the gender pay gap, given the small size of their workforce. In addition, some respondents encountered challenges in the definition of formal and informal training and asked to include explanations in guidance. A challenge was also the minimum wage as in certain countries this is not legally defined. It was also requested to add in the guidance the possibility to use the collective bargaining instead of the minimum wage as alternative baseline. Workshop participants asked additional clarifications on parental leave. Regarding headcount thresholds, workshops participants stated that it was not clear whether they should consider headcount or FTEs, more guidance is needed. Some micro and small undertakings reported concerns around privacy since disclosed salary information is more easily traced to individuals in a small organisation.
- **B11 – Workers in the value chain, affected communities, consumers, and end-users:** This disclosure was considered consistently a challenging disclosure, as the concepts are very

difficult to grasp for SMEs. Respondents that attempted to disclose B11 indicated that obtaining data from external stakeholders is a time-consuming process that also poses questions of data quality and reliability, especially for very long supply chains. Respondents noted that the guidance on these metric lacks clarity and uses complex language, making it difficult to understand how to gather and present the relevant data. Certain workshop participants, further commented on this saying that additional guidance would likely be futile as the disclosure is likely too complex for micro and small undertakings. Additionally, some were concerned that B11, would expose supplier names, creating a privacy issue. Another participant suggested to split B11 into two, possibly differentiating between upstream and downstream in the value chain. Another workshop participant suggested to delete the disclosure completely or reduce its scope significantly.

- **B12 – Convictions and fines for corruption and bribery:** Considered low difficulty by a large majority of respondents.

24. **Key insights (by preparer):**

- As highlighted by the table 5 in the appendix A, micro and small undertakings reported relatively low difficulty for disclosures B4, B5, B6, and B7. This categorization was driven by the fact that many micro and small respondents considered those disclosures not applicable to them. However, medium undertakings and specialists (consultants & Accounting firms, auditing firms, and reporting software/tools) rated disclosures B4 through B7 as higher difficulty. Medium undertakings stated having difficulty with B7 to account for the end-of-life stage of their value chain. Regarding B11 disclosure, micro and small undertakings stated that obtaining visibility of workers in the value chain is a particularly challenging process as they lack the leverage to compel business partners to share data. Consultants, accounting, and auditing firms found B11 less challenging than micro, small and medium undertakings.

Analysis of Platform responses (PREPARERS)

25. This section (BM Q2) analyses the difficulty of the disclosures from the perspectives of preparers in the ESG data platform.

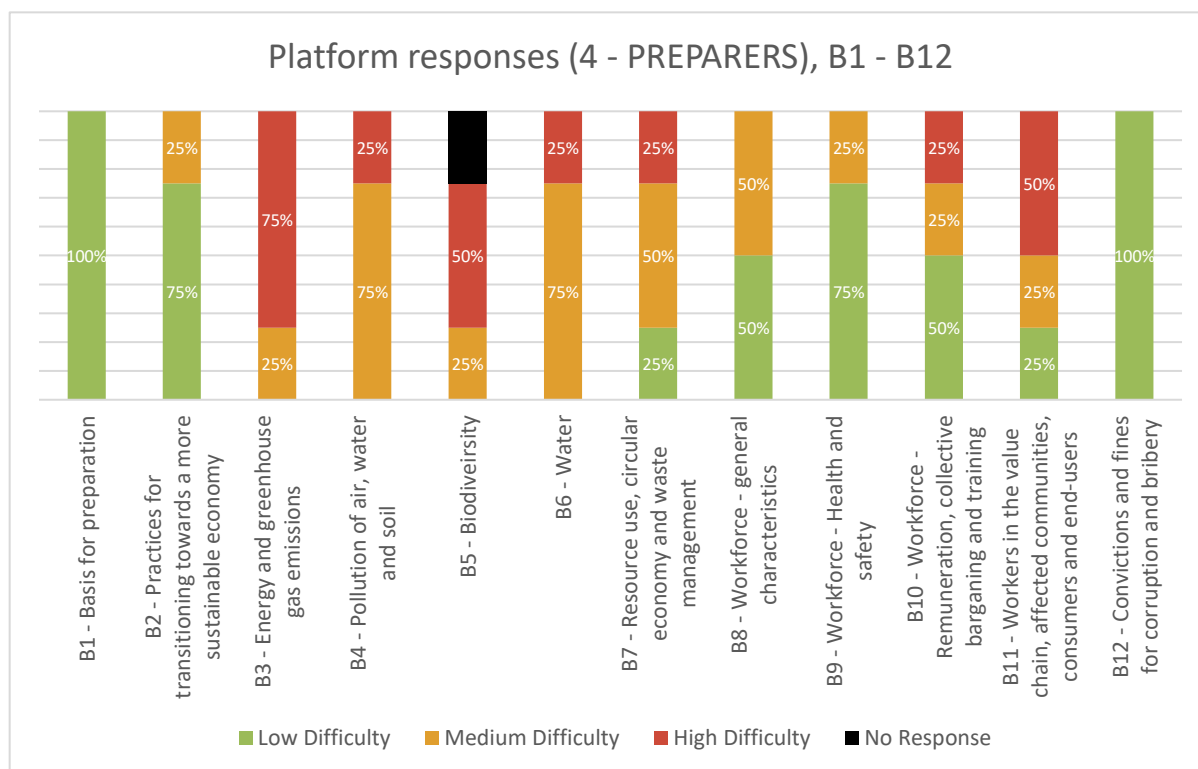


Figure 6: Analysis of discussion with platforms (PREPARERS, B1 - B12)

26. **Key insights (by disclosure):**

- B3, B4, B5, B6 and B11 appear to be the most challenging disclosures. The platforms suggest that their respondents face difficulties reporting the requested metrics and highlighted that it is especially complex for the small undertakings.
- B9, B12 (plus B1 and B2), are expressed as the easiest disclosures. Here most respondents, to the platform’s requests were able to report these metrics.
- On B5, a platform stated that they have some information for the disclosure but stated that they would address the disclosure on a bilateral basis (with the client).
- Another platform recommended including Scope 3 only for medium sized companies.

**Q3. Breakdown of total costs with preparation of Basic Module.**

27. In question 3 of Part 1 (Preparation of Basic Module), 127 out of 135 (94%) respondents answered the question. This is taken into account for the following statistics and breakdowns.

Aggregate Overview		HR/Personnel costs	Consultancy costs	IT costs (e.g. software, online platforms)	Other (specify)
		All preparers		88 respondents	72 respondents
First year (one-off costs) EUR	Below 500	10%	13%	<b>31%</b>	<b>29%</b>
	500-1000	7%	4%	7%	12%
	1000-5000	<b>41%</b>	<b>36%</b>	<b>39%</b>	24%
	5000-10000	17%	<b>24%</b>	10%	12%
	Above 10000	24%	<b>24%</b>	13%	24%
		78 respondents	70 respondents	64 respondents	12 resp.
Subsequent years (recurring costs) EUR	Below 500	17%	<b>41%</b>	<b>47%</b>	<b>42%</b>
	500-1000	14%	4%	11%	8%
	1000-5000	<b>41%</b>	<b>34%</b>	<b>27%</b>	25%
	5000-10000	13%	9%	13%	0%
	Above 10000	15%	11%	3%	25%

Table 1: Aggregate overview of expected costs - BM module

28. **Key insights (by disclosure):**

- Costs are generally higher for the first year, driven by HR cost/consultancy and IT tools. For HR costs, the range between 1000-5000 Euros is the more common, while on consulting costs responses vary between 1000 up to 10000 Euros or above, for IT investments the range is below 500 or between 1000 and 5000 Euros. As companies gain experience and establish processes, the need for consultancy decreases, leading to lower costs in subsequent years. Especially consultancy and IT cost seem to drop significantly.
- Many undertakings expect high costs to obtain in-house expertise and training for existing personnel. While these costs are expected to decrease in subsequent years, they will remain substantial.
- The metrics for many of the environmental disclosures (particularly B3 and B7) require a high cost in the first year in terms of time commitment and expenditures on external consultants/experts + IT/ tool related costs.

29. **Key insights (by preparer):**

- Investment in IT varied among respondents, but most of the medium and many small undertakings expect IT to be a high cost in the first year of disclosure and then remain an ongoing moderate cost. Micro undertakings were split, with many choosing to manage the IT process on existing IT systems.

- While most respondents used some combinations of HR/personnel and external consultants, they seemed to approach the challenge of first year reporting in one of two general ways: with emphasis either on internal capacity (HR/personnel) or external consultants. Those that relied more heavily on internal capacity-building expected larger decreases in consultancy costs in subsequent years. Undertakings that relied significantly on consultants for the first year, expect to have higher on-going consultancy costs. Micro undertakings are particularly reliant on consultant expertise, as building sufficient in-house expertise is limited by their size.

### Q4 USERS. Classification of relevance and related benefit (low, medium, high) for metrics B3-12.

30. In question 4 of Part 1 (Preparation of Basic Module), 27 out of 29 (93%) respondents answered the question. This is taken into account for the following statistics and breakdowns.

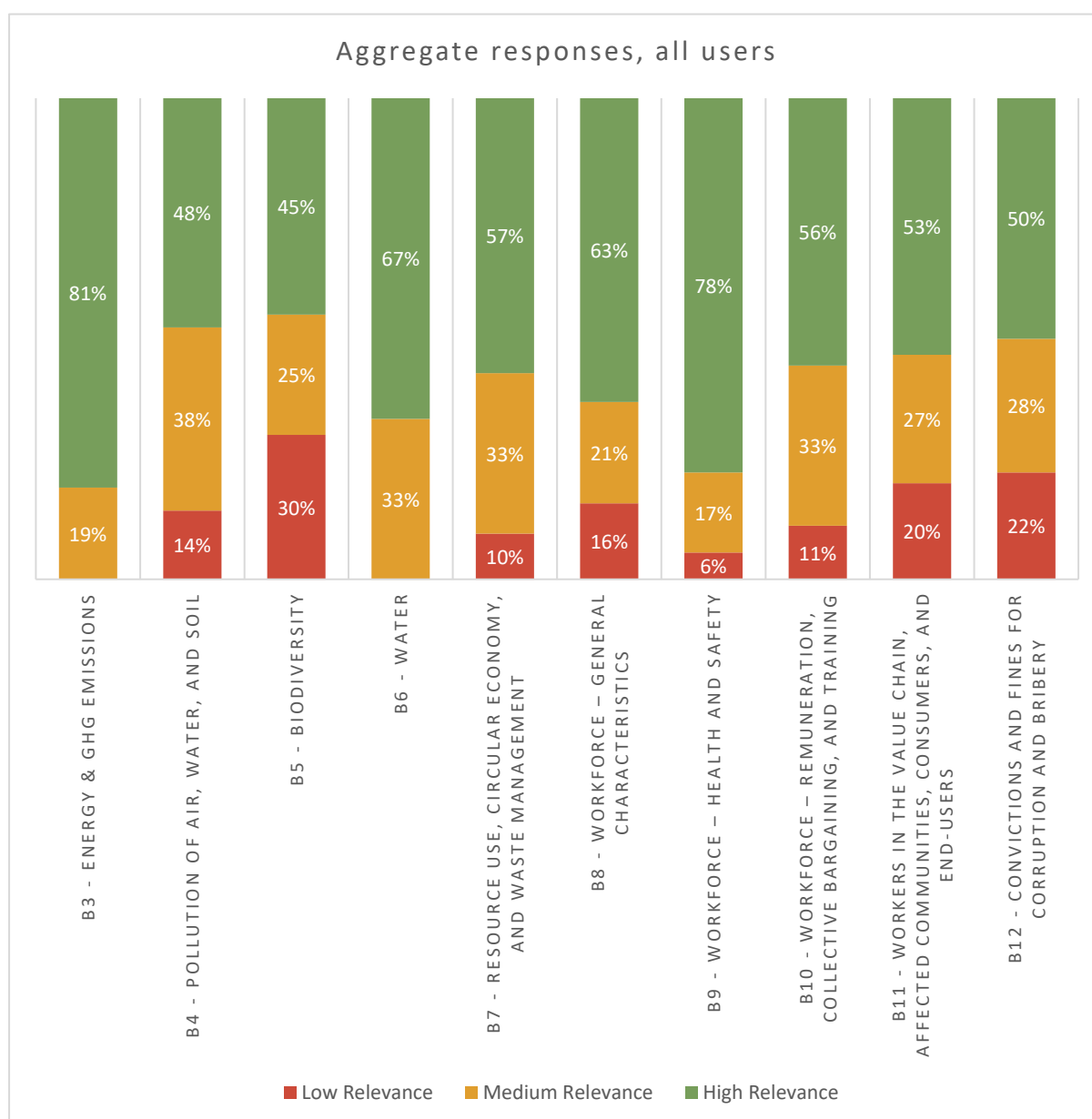


Figure 7: Classification of difficulty (low, medium, high) for metrics B3- B12. Aggregate responses (all users).



31. For majority of users B3, B7, B8 and B9 were of the highest relevance, with B3 and B9 being the most often cited. While B4, B5, B11 and B12 presented split views, more than half of users still rated them as of medium or high relevance.

32. **Key insights (aggregate by disclosure):**

- **B3 - Energy and Greenhouse Gas Emissions:** a vast majority of respondents (81%) deemed this metric highly relevant, due to the growing emphasis on climate change mitigation and the significant impact of emissions on environmental sustainability. The remaining users saw B3 as of medium relevance, arguably making this disclosure, along with B6, the most relevant in the basic module. In meeting national/ EU targets, B3 and B6 were cited as of high relevance across all different types of users. Users also recommended to support SMEs by including references to on-line calculators or methodologies in the guidance.
- **B4 – Pollution of air, water and soil:** While pollution is a significant environmental issue, its relevance can vary depending on the industry and specific business operations. Workshop participants mentioned that this disclosure is already being asked in certain jurisdictions.
- **B5 – Biodiversity:** While important for certain industries, biodiversity might not be a primary concern for all businesses. Several respondents, in particular banks/investors and rating agencies, indicated that despite this disclosure not being currently required in their questionnaire, they expect it to be included in the future. It is to be noted, however, that the relatively lower relevance attributed to B5 as opposed to other environmental metrics was seemingly dependent on the data reliability and quality. Banks/investors indicated a preference for obtaining disclosures of the geolocation coordinates of SMEs operations, which would allow banks/investors to perform their own analysis and ensure data reliability via their own IT systems. If SMEs are to disclose, many would have to estimate the concept of “applicability” or whether they are located “near” biodiversity sensitive areas, which may turn out to be not be reliable information, and hence not usable by banks/investors.
- **B6 – Water:** Similar to B3, water usage is a critical environmental disclosure, and it is considered of high relevance across various user categories. Efficient water management is becoming increasingly important for businesses, particularly in some sectors such as manufacturing.
- **B7 – Resource use, circular economy and waste management:** The medium relevance suggests that while resource efficiency and waste reduction are important, they may not be as universally critical to businesses as emissions or water usage.
- **B8 – Workforce – General characteristics:** Although providing insights into workforce composition, this metric may be less directly linked to immediate sustainability goals for some businesses.
- **B9 – Workforce – Health and safety:** The high relevance of this metric underscores the importance of employee well-being and safety as a core component of sustainability. Certain workshop participants mentioned that they are already collecting these metrics from SMEs.
- **B10 – Workforce – Remuneration, collective bargaining and training:** Split views. Some workshop participants highlighted that only training information should be reported, the other datapoints of this disclosure are not relevant (already covered by national laws) and can be discarded. Certain workshop participants commented the annual training as being irrelevant, others stated that users are already collecting this data from SMEs.

- **B11 – Workers in the value chain, affected communities, consumers and end-users:** This broader metric might be challenging to assess for some organisations, particularly those with complex supply chains and companies may not report on it willingly. Some workshop participants suggested that it is also not relevant, while certain participants suggested to delete the disclosure completely, others (banks/investors) suggested that this disclosure could be replaced by BP7 in Business Partner Module.
- **B12 – Convictions and fines for corruption and bribery:** While important for ethical business conduct, only rating agencies and users/ banks saw this disclosure relevant. Large undertakings and most consultants did not see it as relevant.

33. **Key insights (by user):**

- As shown in table 6 in the appendix A, the environmental metrics (B3 through B7) are of particular interest to bank users of sustainability information, especially B3. Likewise for social, the metrics B8 to B10 are of high relevance for users.
- Sustainability information user respondents mentioned the importance of reliable data. Therefore, disclosures based heavily on estimated data would be of limited benefit. The high cost and limited capacity of SMEs show in table 6 (in the appendix A) suggest that data on their value chain (B11) would often be estimated, reducing the value of such information for users. This concern was also raised for B5, where micro undertakings may rely heavily on estimates.
- Large undertakings as SMEs' business partner users reported low or medium benefit for all disclosures except B3, B6, and B7 (table 6, appendix A). However, the small sample size of respondents should be taken into account when interpreting these results. The same applies for B5 and B11, which were considered of low relevance, but the potential sample bias should be taken into account.
- Rating agencies found all the modules to be highly or medium relevant. Consultants found B3 and B9 as the most relevant disclosures (table 6, appendix).

Analysis of platform responses (USERS)

35. This section (BM Q4) analyses the relevance of the disclosures from the users' platform perspectives.

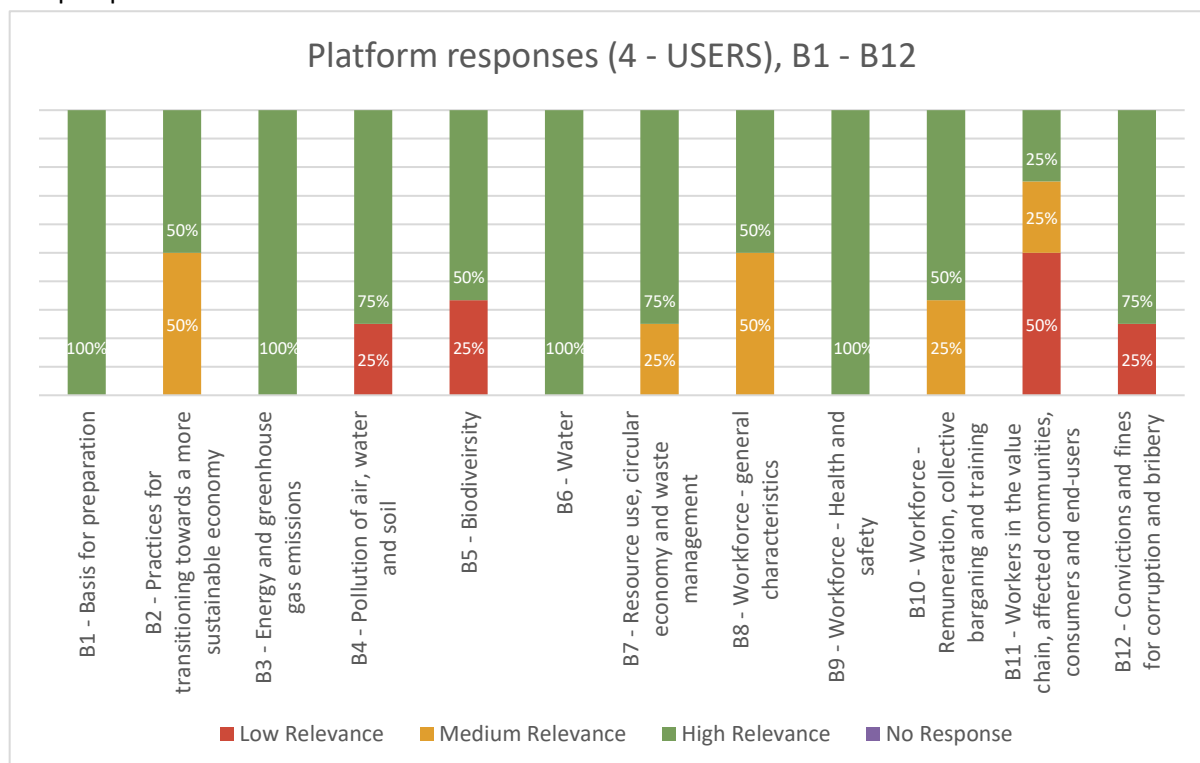


Figure 8: Analysis of discussion with platforms (USERS, B1 - B12)

36. Key insights (by disclosure)

- Nearly all disclosures are perceived as highly or moderately relevant. The only exception is B11, where stated that the disclosure is not relevant. Most platforms stated that the disclosure is irrelevant.
- A platform stated that B4, B5 and B12 are not relevant.
- A platform suggested specifying the expected format for the B7 disclosure.
- Additionally, one platform suggested using the living wage (instead of minimum wage) for B10, with metrics such as:
  - Percentage of direct employees covered by a living wage benchmarking analysis
  - Percentage of direct employees paid below living wage
  - Percentage of all employees paid below living wage
  - Percentage of average wage gap for direct employees paid below living wage against a living wage benchmark.

Q5. Benefit estimation of metrics B3-12 (value and percentage).

37. In Question 5 of Part 1 (Preparation of Basic Module), 140 out of 164 (85%) respondents answered the question. This is taken into account for the following statistics and breakdowns.

Aggregate Overview:	Number and % of preparers who selected the option (116 in total)	Number and % of users who selected

		<b>the option (24 in total)</b>
<b>Synergies with other questionnaires (simplification &amp; cost savings)</b>	97 (84%)	18 (75%)
<b>Increased access to finance</b>	91 (78%)	18 (75%)
<b>Access to more clients and better market positioning / competitiveness</b>	95 (72%)	17 (71%)
<b>Awareness and monitoring of sustainability issues</b>	102 (88%)	17 (71%)

Table 2: Benefit estimation of metrics B3-12 (value and percentage).

### 38. **Key insights (aggregate recurring comments)**

- High level of synergies with other reporting standards, questionnaires, and frameworks as well as data requests from customers (80% preparers, 100% users).
- Consolidates and structures sustainability information that is otherwise dispersed. Allows for a more complete response to bank requests for sustainability information.
- Useful to have an established framework (such as the VSME) to drive other sustainability activities: policy, data sharing, disclosures, etc. It fosters proactive compliance, efficiency, and reporting consistency.
- While most respondents believe it improves access to finance, some had reported already seeing a variety of benefits while others stating that benefits are not yet measurable. The benefits will increase as credit institutions adopt more standardized requests for sustainability information.
- Reputational benefits with clients, but also for talent recruitment and retention
- Good starting / reference point when starting to work with sustainability topics.

### 39. **Key insights (by stakeholder group)**

- Particularly helpful with clients that are large undertakings, as their need for sustainability information is increasing. This was more often a motivation for medium sized undertakings.
- Consolidates market position for undertakings that already differentiate on their sustainability activities.
- Important information for banks when calculating green asset ratio (particularly B3).

## Part 2 – Principles of Materiality applicable in Narrative-PAT and Business Partners (BP) Module

### Q1. Materiality analysis challenges.

40. In question 1 of Part 2 (Principles of Materiality applicable in Narrative-PAT and Business Partners (BP) Module), 95 out of 114 (76%) respondents answered the question. This is taken into account for the following statistics and breakdowns.

41. **Key insights (aggregate)**

- The double materiality concept is new and challenging for many undertakings. Financial materiality is generally considered more complex. It would be beneficial to have greater guidance, materials, and templates for approaching the process.
- The time-consuming process requires significant resources (often including external consultants) and is a high burden on SMEs.
- Engaging stakeholders is a challenge.

42. **Key insights (by preparers)**

- Stakeholder engagement posed challenges for some respondents, especially small undertakings. These small preparers expressed facing significant difficulties in identifying their stakeholders and retrieving data from these stakeholders, leading to increasing data retrieval costs.
- While the materiality analysis has high initial costs, many undertakings see a significant longer-term benefit. However, the high initial investment is an obstacle for many undertakings.
- Materiality is often dependent upon the sector. For example, manufacturing vs non-manufacturing undertakings find some sustainability topics materially different.
- During workshops, banks clarified that they conduct their own materiality assessments (pre-defined sectors grid) and will not use materiality assessments provided by SMEs through the VSME.

## Part 3 – Preparation of Narrative-PAT Module

### Q1. Selection of operational challenges with the preparation of Narrative-PAT Module.

44. In question 1 of PART 3 (Preparation of Narrative-PAT Module), 79 out of 85 (93%) respondents answered the question. This is taken into account for the following statistics and breakdowns.

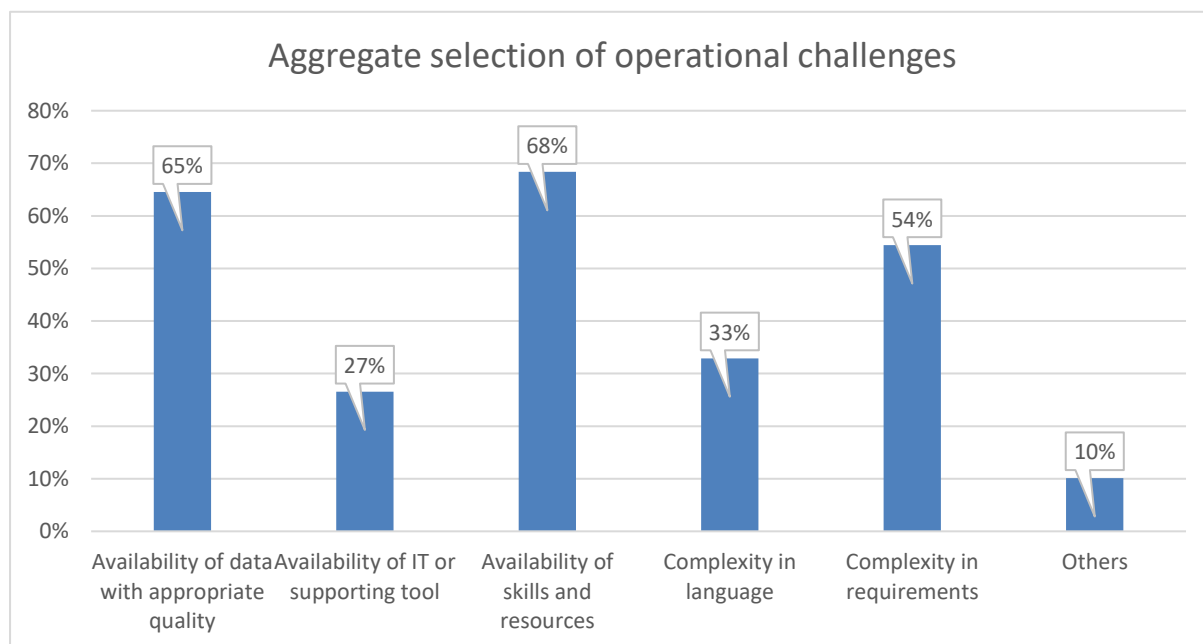


Figure 9: Aggregate of operational challenges for the preparation of the Narrative-PAT Module

#### 45. **Key insights (aggregate recurring comments):**

- A majority of respondents, undertakings of all sizes (68%), cited the availability of skills/resources and data as the challenges. The availability of quality data was perceived as the second largest issue (65%).
- N2 and N3 were consistently reported as the most challenging disclosures, with many respondents citing the particular difficulty of predicting future impacts (as required in N2).
- Step-by-step, visual guidance, examples, and online tools would help SMEs undertake the disclosure more quickly and achieve more robust responses.

#### 46. **Key insights (by stakeholder group)**

- Disclosures N2 and N3 require a high degree of expertise that is not available in-house for most micro and small undertakings which therefore have to rely on external consultants.
- The lack of a centralized repository for the data required in this module presents a challenge. Compiling the required information for analysis was a particular burden for micro undertakings.

## Q2. PREPARERS. Classification of difficulty (low, medium, high) for disclosures N1-N5.

47. In question 2 of PART 3 (Preparation of Narrative-PAT Module), 77 out of 85 (91%) respondents answered the question. This is taken into account for the following statistics and

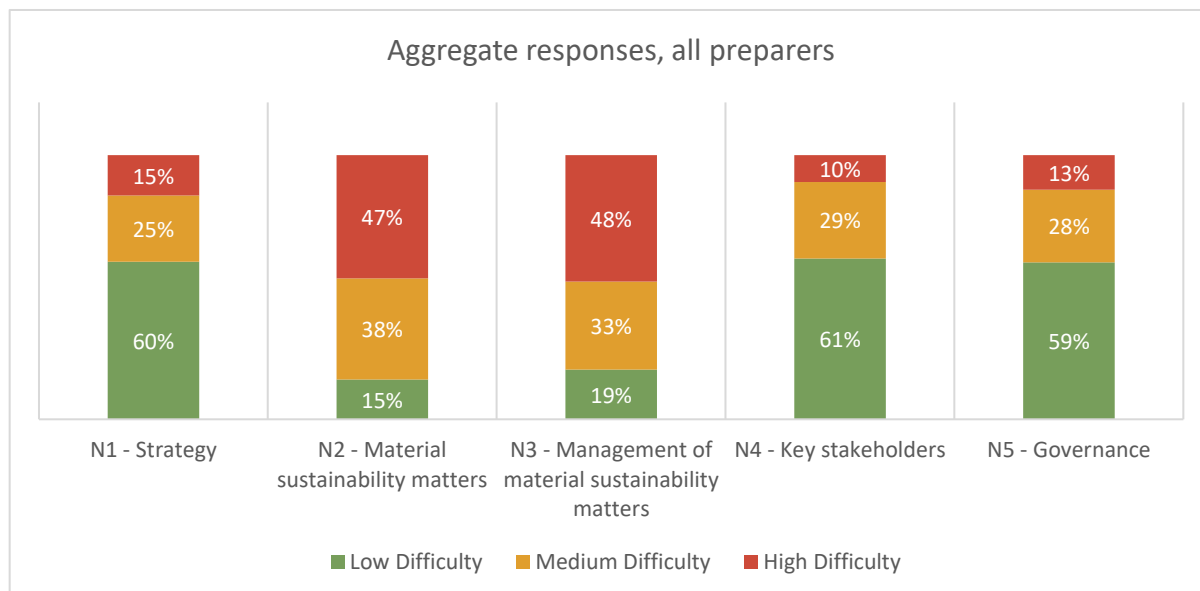


Figure 10: Classification of difficulty (low, medium, high) for metrics N1 - N5. Aggregate responses (all preparers).

breakdowns.

48. The bar chart above shows a stark contrast in difficulty. Most respondents reported N2 and N3 as medium or high difficulty (85% and 81%, respectively). On the other hand, the majority of respondents found N1, N4, and N5 to be low difficulty.

49. **Key insights (aggregate by disclosure):**

- **Disclosure N 1 – Strategy: business model and sustainability – related initiatives:** This disclosure was generally of low difficulty for respondents, since most already collect this data. N1d<sup>2</sup> was the only component of the N1 disclosure that some respondents found challenging, if they had not yet developed a sustainability policy.
- **Disclosure N 2 – Material sustainability matters:** Along with N3, this disclosure was rated the most difficult. Micro and small undertakings reported N2 as being challenging at a greater proportion than even N3. Double materiality is a challenging concept for many undertakings. Completing this disclosure required significant time and consultant expertise. Some

1. \_\_\_\_\_

Disclosure N 1 – Strategy: business model and sustainability – related initiatives

The undertaking shall disclose the key elements of its strategy and its business model, including:

- d) if applicable, a description of the key elements of its strategy that relate to or affect sustainability matters.

respondents suggested to add a very basic step-by step guidance for materiality analysis that would allow SMEs to perform the exercise without consultants. Others suggested replacing the disclosure with a scroll-down menu (list of sustainability matters, topics and subtopics with examples to guide relevance), and others indicated that predefined sector materiality grids would be needed. The concept of financial materiality appeared the most challenging as not familiar for SMEs.

- **Disclosure N 3 – Management of material sustainability matters:** This disclosure was amongst the most challenging for respondents, particularly for medium undertakings, accounting firms, auditing firms, and reporting software/tools as preparers, and consultants as preparers. Respondents noted that effective disclosure of N3 is contingent upon a robust response to N2. As with N2, respondents requested standardised templates, and step-by-step guidance to help in completing the disclosure. Some respondents suggested merging N2 and N3, due to the overlapping content.
- **Disclosure N 4 – Key stakeholders:** While N4 was rated as relatively low difficulty, several respondents noted the challenges of obtaining responses from stakeholders when they engage with them via questionnaires.
- **Disclosure N 5 – Governance: responsibilities in relation to sustainability matters:** This disclosure was low difficulty for most respondents, as the data was from processes that are already in place or are easy to implement. It was reported as a slightly greater challenge for medium undertakings than for small and micro undertakings. There was a general recommendation to provide definitions as governance concepts are not familiar to SMEs.

50. **Key insights (by preparer):**

- Table 7 (appendix) highlights that micro and small undertakings reported disclosure N2 as being more challenging than N3, while medium undertakings (as well as accounting firms and consultant preparers) reported that N3 was more challenging than N2. Given that N3 builds from the responses explored in N2, this disclosure may emerge as a greater challenge for smaller undertakings in the future.
- N2 and N3 were perceived as being of particular difficulty, especially for consultants. 87% of micro respondents found N2 & N3 disclosures to be of high or medium difficulty Table 7 (appendix).

*Analysis of platform responses (PREPARERS)*

51. This section (Narrative-PAT Q2) analyses the difficulty of the disclosures from the preparers' platform perspectives.



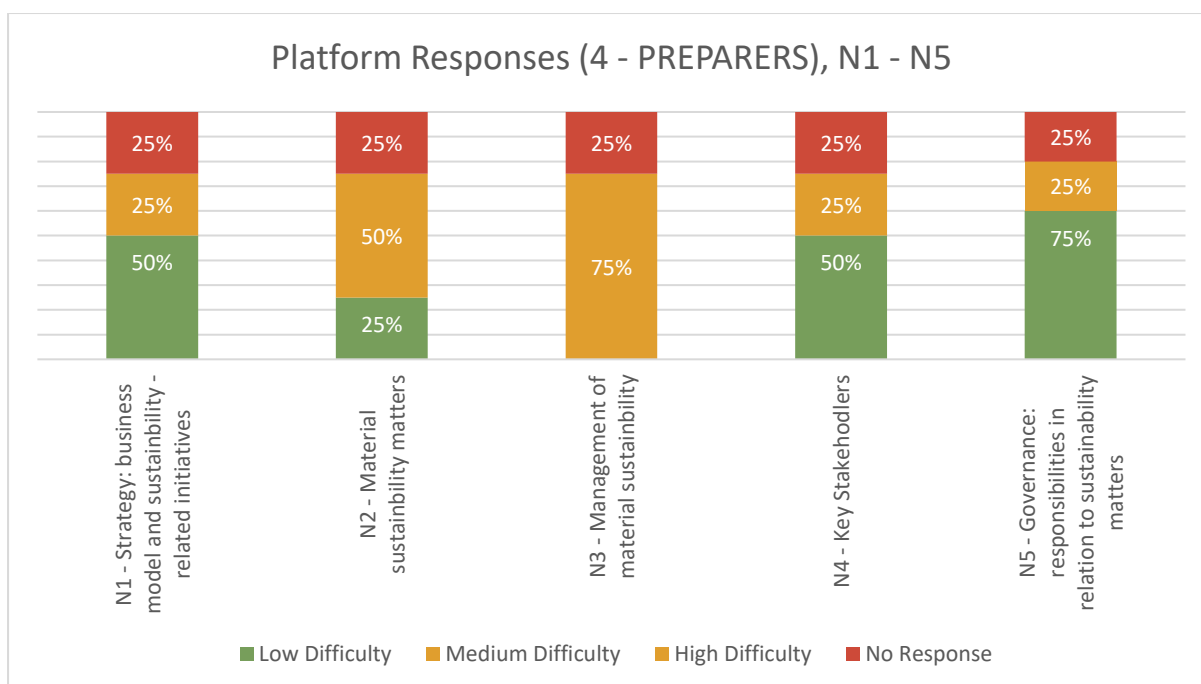


Figure 11: Analysis of discussion with platforms (PREPARERS, N1 – N5)

**52. Key insights (by disclosure):**

- One platform did not respond.
- N2 and N3 resulted in medium difficulty for the platform respondents.
- A platform recommended providing more specific guidance on the expected format and level of information.
- A platform respondent for N3 and N5, stated that to increase the readability and usability of the information disclosed, the platform recommended:
  - Provide examples of the expected format and content of information (similar to paragraph 64).
  - Provide practical guidance to set targets.
  - Clarify the relationship between policies, actions, and targets in line with the spirit of the cross-cutting ESRS.

**Q3. Breakdown of total costs with preparation of Narrative-PAT Module.**

53. In question 3 of Part 3 (Preparation of Narrative-PAT Module), 76 out of 85 (89%) respondents answered the question. This is taken into account for the following statistics and breakdowns.

54. **Key insights (by disclosure):**

- Most respondents expect lower costs in subsequent years. Many respondents put the costs for subsequent years at approximately 50% of first year costs.
- Consultancy costs for the first year are expected to be quite high, with 41% of respondents expecting to spend between EUR 1000 and 5000 and 35% expecting to spend more than EUR 10000. However, those costs are expected to decrease more significantly than other costs.
- While many respondents estimate first year costs for HR/personnel to be in the EUR 100 to 5000 range, a significant minority expect these costs to exceed EUR 10000.

55. **Key insights (by preparer):**

- Micro and small undertakings predict far lower IT expenses than medium undertakings and consultants. A number of respondents (particularly micro and small undertakings) are adopting a wait-and-see to IT investment. For now, they are using in-house tools, and will consider obtaining dedicated IT tools in the future. Expectations of higher IT investment was more common among medium undertakings.
- Consultant preparers and accounting firms, auditing firms, and reporting software/tools as preparers predicted higher first year and ongoing consultancy costs.

Aggregate Overview All preparers		HR/Personnel costs	Consultancy costs	IT costs (e.g. software, online platforms)	Other (specify)
		47 respondents	37 respondents	31 respondents	1 resp
First year (one-off costs) EUR	Below 500	8%	8%	<b>32%</b>	0%
	500-1000	2%	3%	13%	50%
	1000-5000	<b>45%</b>	<b>41%</b>	<b>36%</b>	0%
	5000-10000	15%	13%	13%	50%
	Above 10000	<b>30%</b>	<b>35%</b>	6%	0%
		43 respondents	37 respondents	34 respondents	1 resp
Subsequent years (recurring costs) EUR	Below 500	<b>12%</b>	<b>22%</b>	<b>41%</b>	0%
	500-1000	12%	11%	18%	0%
	1000-5000	<b>47%</b>	<b>43%</b>	26%	100%
	5000-10000	23%	11%	15%	0%
	Above 10000	4%	14%	0%	0%

## Q4 USERS. Classification of relevance and related benefit (low, medium, high) for disclosures N1-N5.

56. In question 4 of Part 3 (Preparation of Narrative-PAT Module), 13 out of 14 (92%) respondents answered the question. This is taken into account for the following statistics and breakdowns.

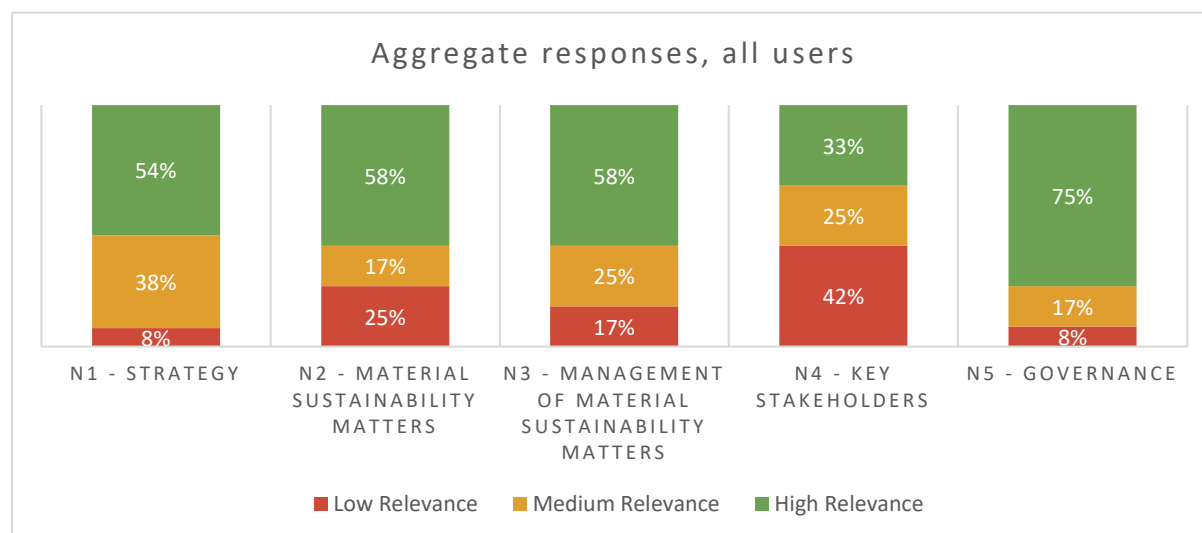


Figure 12: Classification of difficulty (low, medium, high) for metrics N1 - N5. Aggregate responses (all users).

57. N5 was considered the metric with the highest relevance by users. The majority of users found N1, N2, and N3 to be highly relevant. N4 had the lowest relevance to users, with 33% of respondents saying it was of low relevance.

### 58. Key insights (by disclosure):

- Disclosure N 1 – Strategy: business model and sustainability – related initiatives:** Can provide a holistic view of the undertaking that helps users assess the risks and opportunities the SME is facing. One respondent suggested the use of NACE codes to describe business model and to facilitate comparability of data. A workshop participant suggested to include N1 in B2, through a multiple choice or Y/N questions.
- Disclosure N 2 – Material sustainability matters:** Understanding the undertaking’s material sustainability topics is helpful for users. Some respondents cited a high benefit in knowing the actual and potential effects on the financial position and performance of an undertaking. However, several users indicated issues of reliability and quality of data in materiality analysis performed by SMEs. They estimate that this exercise may be too challenging and judgemental for SME. Users, specifically banks and investors would prefer to withdraw such disclosure and replace it with predefined sector materiality matrix that is what banks/investors indicated to be currently using. This also ensures comparability within sectors.
- Disclosure N 3 – Management of material sustainability matters:** Some users were interested in examples of measures for improving energy efficiency and reducing GHG emissions. However, they indicated that for aggregation and comparability purposes it could be relevant adding guidance on methodology (i.e. STBi).

- **Disclosure N 4 – Key stakeholders:** Considered of low to medium importance by users.
- **Disclosure N 5 – Governance: responsibilities in relation to sustainability matters:** Users indicated that this disclosure is useful as it shows what sustainability commitments the undertaking has taken.

59. **Key insights (by user)**

- Banks/users consistently looked for more comparability and standardisation in the information disclosed for it to be beneficial, while consultant users were more prone to finding benefit in the narrative aspect of the disclosure. Additionally, during workshops, banks stated that they do not need N2 and N3 disclosures as they conduct their own internal materiality assessments and they do not need additional ones conducted by SMEs (**Error! Reference source not found.**, appendix).

*Analysis of Platform responses (USERS)*

60. This section (Narrative-PAT Q4) analyses the difficulty of the disclosures from the users’ platform perspectives.

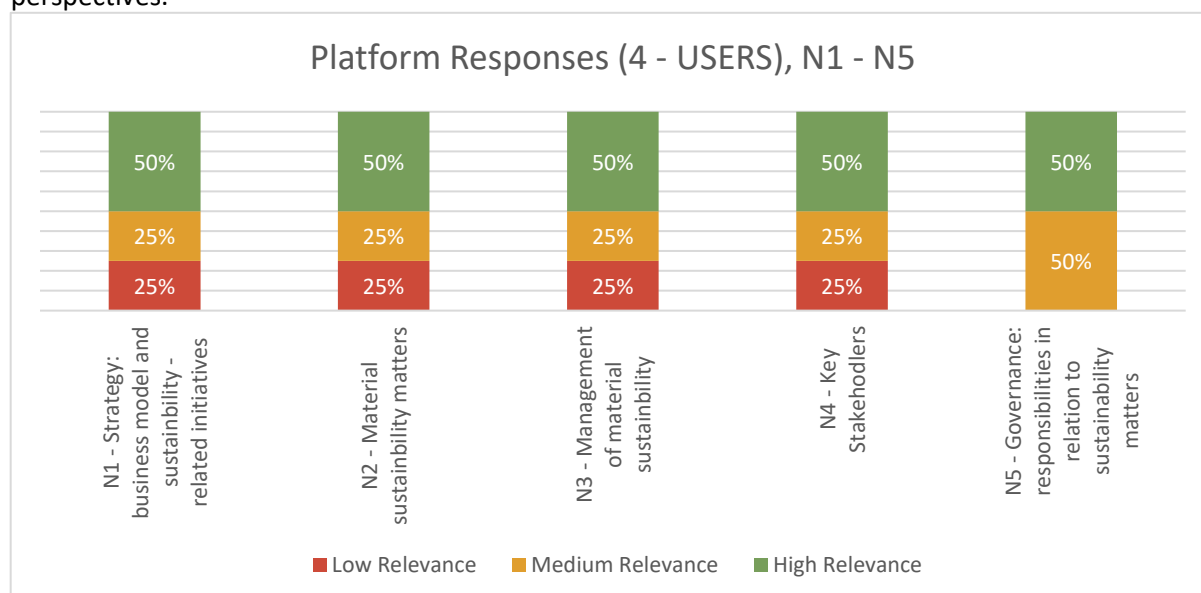


Figure 13: Analysis of discussion with platforms (USERS, N1 - N5)

61. **Key insights:**

- Across the platforms, the disclosures were regarded as relevant by half, the other half considered them of medium or low relevance, with N5 being regarded as the most relevant.

## Q5. Benefit estimation of disclosures N1-N5 (value and/or percentage)

62. In question 5 of Part 3 (Preparation of Narrative-PAT Module), 82 out of 100 (82%) respondents answered the question. This is taken into account for the following statistics and breakdowns.

Aggregate Overview:	Number and % of preparers who selected the option (70 in total)	Number and % of users who selected the option (12 in total)
Synergies with other questionnaires (simplification & cost savings)	59 (84%)	11 (92%)
Increased access to finance	60 (86%)	11 (92%)
Access to more clients and better market positioning / competitiveness	57 (81%)	11 (92%)
Awareness and monitoring of sustainability issues	70 (100%)	11 (92%)

Table 3: Benefit estimation of metrics N1 - N5 (value and percentage)

63. Joint description of the trend analysis conducted for the comments in this question:

64. **Key insights (recurring aggregate comments)**

- Many of the respondents commented on the synergies gained by the reuse/re-mapping of the data gathered for the PAT Module to then be used in other standards and sustainability certifications, as well as in responding to data requests from customers, clients, credit institutions and authorities.
- While many respondents expect the disclosures to lead to better access to finance, they have trouble quantifying the effect and expect these disclosure requests to increase in the future.
- Respondents commented that it was a good way to engage with large clients.
- Most respondents felt the disclosure increases awareness around sustainability issues by the undertaking, uncovering additional benefits and opportunities along the way.
- Many respondents said that engagement on sustainability topics made it easier to attract and retain talent.

65. **Key insights (by stakeholder group)**

- 92% of the users views derived benefits from the Narrative-PAT module.

## Part 4 – Preparation of Business Partners Module

### Q1. Selection of operational challenges with the preparation of Business Partners Module.

66. In Question 1 of PART 4 (Preparation of Business Partners Module), 59 out of 76 (78%) respondents answered the question. This is taken into account for the following statistics and breakdowns.

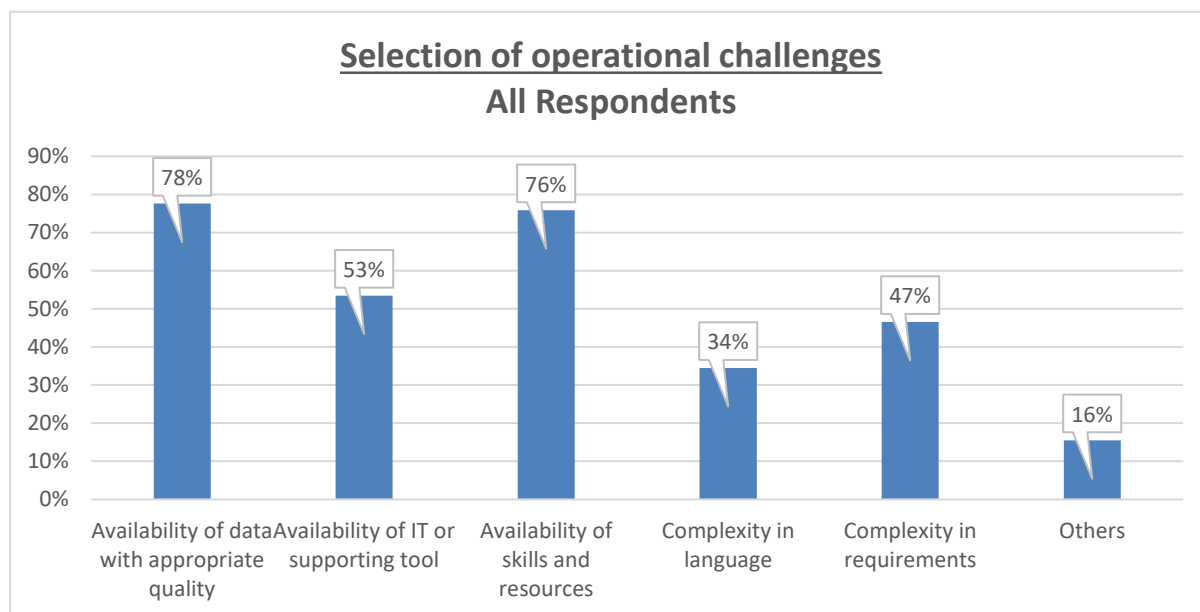


Figure 14: Selection of operational challenges with the preparation of the Business Partners Module

#### 67. Key insights (aggregate recurring comments)

- The largest perceived operational challenges (by the respondents) were the availability of data (78%) and the availability of skills and resources (76%). Language and requirement complexity appeared to be a smaller issue.
- Appropriate tools are needed for calculating many of the disclosure components (BP 3 particularly), as well as for the overall process.
- Resource constraints are a major concern for SMEs.
- Interoperability with other requests for data will increase the attractiveness from a cost-benefit perspective.

#### 68. Key insights (by preparer)

- Micro and small undertakings commented on the complexity of language and requirements relatively frequently, while medium undertakings and consultant preparers frequently asked for more precise definitions and explanations.

## Q2. PREPARERS. Classification of difficulty (low, medium, high) for metrics BP1 – BP11.

69. In Question 2 of PART 4 (Preparation of Business Partners Module), 68 out of 76 (89%) respondents answered the question. This is taken into account for the following statistics and breakdowns.

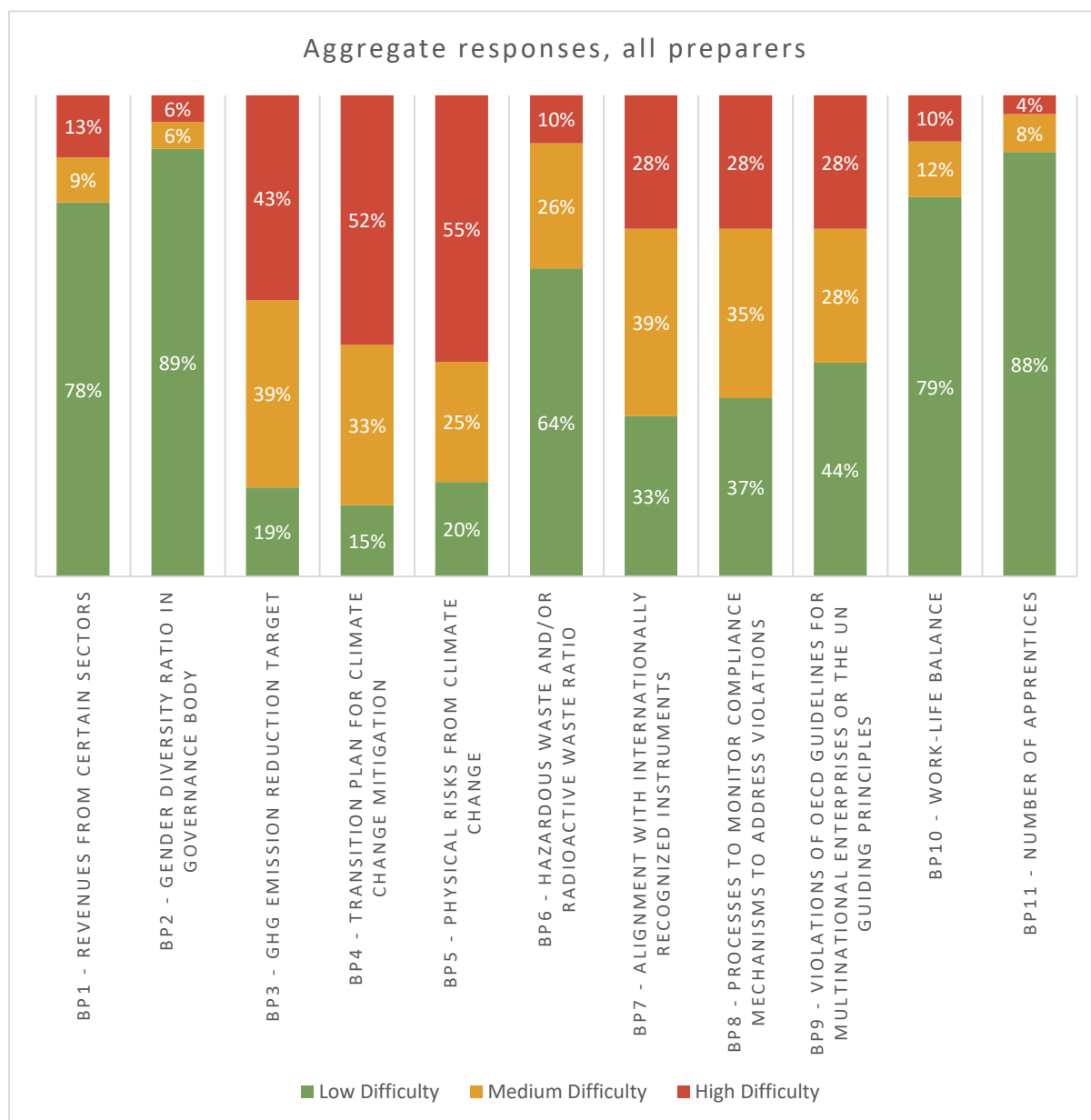


Figure 15: Classification of difficulty (low, medium, high) for metrics BP1 - BP11. Aggregate responses (all preparers).

70. BP 3, BP 4, and BP 5 were rated as the highest difficulty disclosures by respondents, with most rating it as medium or high difficulty. BP1, BP2, BP6, and BP11 appeared were the least difficult disclosures of the business partners module. Views of the difficulty of BP7, BP8, and BP9 were split, attributing a mixed perception of the difficulty (aggregate of all respondents).

### 71. Key insights (by disclosure)

- **Disclosure BP 1—Revenues from certain sectors:** The majority of respondents consider this low difficulty as most undertakings already have this information readily available.
- **Disclosure BP 2 – Gender diversity ratio in governance body:** Comments were focused on the low difficulty, as the information is readily available and the calculation straightforward. Some SMEs indicated that this may be not meaningful as family businesses or one-person company.
- **Disclosure BP 3 – GHG emissions reduction target:** Rated as among the most challenging, especially in terms of Scope 3 emissions calculation (optional), for which additional guidance was requested. Numerous respondents commented that external expertise and tools are required to complete this disclosure. In particular, training and capacity building were suggested, as well as more precise guidance on target setting and target characteristics to ensure credibility (e.g., referring to SBTi for SMEs or others).
- **Disclosure BP 4 – Transition plan for climate change mitigation:** Respondents noted that this disclosure is extremely time and effort consuming, costly, and requires external expertise for its application. This is a particularly daunting challenge for SMEs, as resources are limited. High costs and complexity are primarily associated with both the initial setting up of the monitoring system, as well as the ongoing monitoring. There were several suggestions to add guidance, including examples, on scenarios and sectoral transition plans.
- **Disclosure BP 5 – Physical risks from climate change:** Reported as the most difficult disclosure, alongside BP 3 and BP 4. Some respondents rated it as not relevant to their operations, while the respondents that tried to implement the disclosure noted a medium to high level of difficulty due to the complexity of the language and concepts. Climate scenarios and forecasting require external expertise. Several respondents requested to include guidance on this disclosure in the VSME ED. Additionally, workshop participants stated that they found it extremely complicated to assess medium- and long-term risks, stating that they only usually focus on short-term aspects.
- **Disclosure BP 6 – Hazardous waste and/or radioactive waste ratio:** Not material for most commenters, and the majority rated BP 6 as low difficulty.
- **Disclosure BP 7 – Alignment with internationally recognised instruments:** A number of respondents, on the undertaking's policies alignment datapoint, considered it low to medium difficulty. Some comments mentioned the amount of time required to conduct the research on agreements and ensure alignment with policy. Depending on the level of alignment and the scope of the undertaking's operations, the process can require external legal counsel. Challenges arose in reconciling the undertaking's policy with international instruments and EU / national laws. Requests were raised to add correspondence tables between international instruments and EU law implemented at national level.
- **Disclosure BP 8 – Processes to monitor compliance and mechanisms to address violations:** Clarification and examples regarding the disclosure would be helpful. The reported difficulty level for this disclosure was split amongst the three levels (low, difficult, medium), and respondents commented on the challenges related to legal complexities and overlaps in reconciling undertaking policy with international instruments as well as EU/national laws. Hence examples or guidance on those may increase the uptake. EU and national legislation.



- **Disclosure BP 9 – Violations of OECD Guidelines for Multinational Enterprises or the UN Guiding Principles:** This information was considered generally easy to gather, if relevant. Some countries (e.g., Germany) already require high transparency on the topic. Some respondents suggested modifying this to a Yes/No question.
- **Disclosure BP 10 – Work-life balance:** Most comments cited low difficulty of this disclosure, as it is already being collected. However, additional metrics and guidance were suggested.
- **Disclosure BP 11—Number of apprentices:** Comments cited that this was an easy metric to disclose, although a few respondents asked about the rationale for the disclosure. However, a workshop participant stressed that this disclosure may result in unclear information about how the report should disclose information about how the company handles interns and apprentices.

72. **Key insights (by preparers):**

- As shown by table 9 (Appendix), some micro and small undertakings did not rate BP4 and BP5 as difficult because they do not see them as material to their activities. Medium-sized undertakings more often reported on this disclosure, and many found it to be of considerable difficulty.
- Additionally, workshop participants (medium preparers) stated that verifying the data and aligning it to international standards is difficult. This would require significant additional resources (table 9, Appendix).
- From the workshops, it emerged that, for medium undertakings, BP8 was too complicated to conduct, as they may not have internal controls to support BP8.

Analysis of Platform responses (PREPARERS)

74. This section (BP Q2) analyses the difficulty of the disclosures from the preparers' platform perspectives.

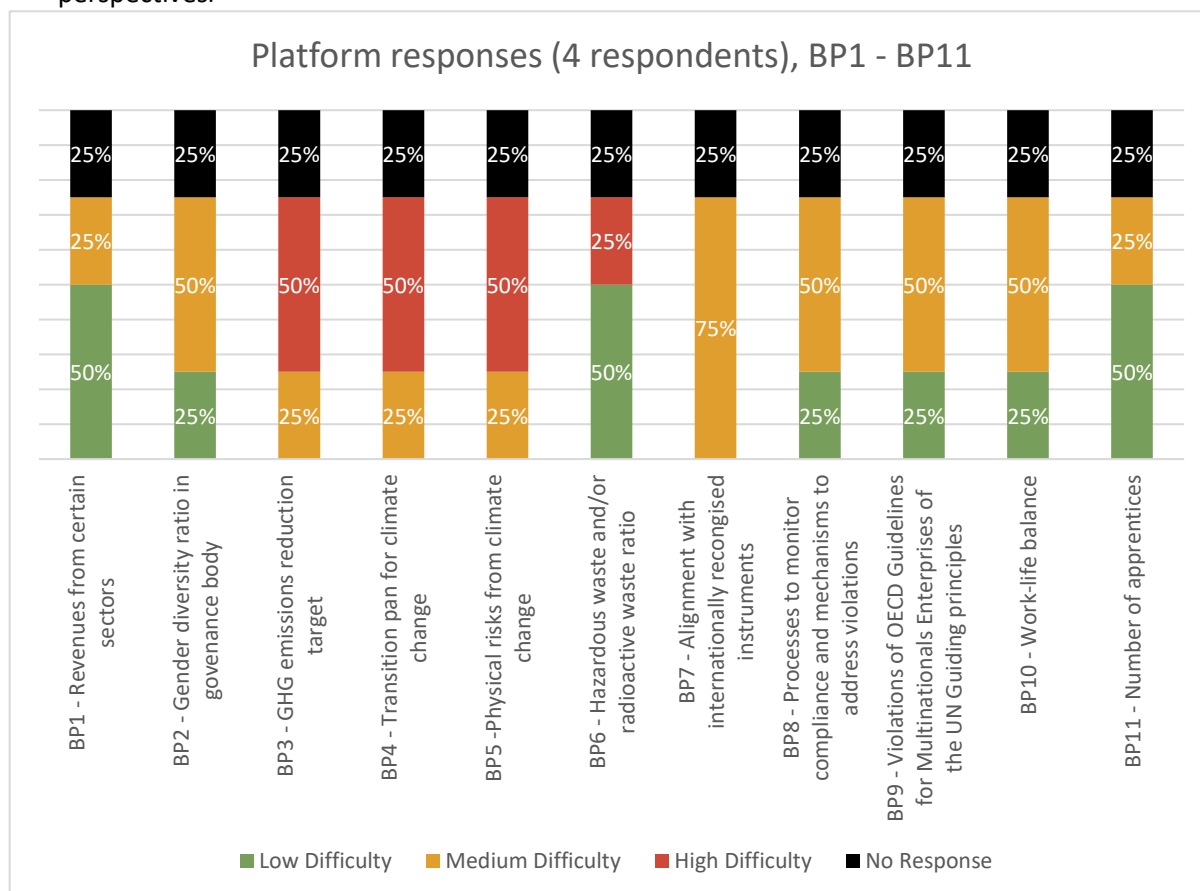


Figure 16: Analysis of discussion with platforms (PREPARERS, BP1 - BP11)

75. Key insights (by disclosure):

- One platform did not respond.
- BP3, BP4, BP5, were described as the most difficult to disclose.
- The same platform also recommended providing more specific guidance for BP9.

**Q3. Breakdown of total costs with preparation of Business Partners Module.**

76. In Question 3 of Part 4 (Preparation of Business Partners Module), 65 out of 76 (86%) respondents answered the question. This is taken into account for the following statistics and breakdowns.

VSME ED field test - Key findings

Aggregate Overview All preparers		HR/Personnel costs	Consultancy costs	IT costs (e.g. software, online platforms)	Other (training)
		37 respondents	31 respondents	16 respondents	1 resp
First year (one-off costs) EUR	Below 500	19%	23%	20%	0%
	500-1000	5%	3%	7%	0%
	1000-5000	<b>43%</b>	<b>33%</b>	<b>40%</b>	100%
	5000-10000	16%	23%	13%	0%
	Above 10000	16%	17%	20%	0%
		31 respondents	29 respondents	16 respondents	1 resp
Subsequent years (recurring costs) EUR	Below 500	<b>20%</b>	<b>25%</b>	<b>33%</b>	0%
	500-1000	<b>30%</b>	21%	13%	0%
	1000-5000	<b>37%</b>	<b>36%</b>	20%	100%
	5000-10000	8%	18%	20%	0%
	Above 10000	<b>3%</b>	<b>0%</b>	13%	0%

77. **Key insights (by type of cost):**

- Most respondents expected subsequent year costs to be less than first year costs.
- Estimates for the decreases ranged from minimal change from previous year, to 20% of first year costs, with many respondents citing an expected decrease of 50% from the first year of reporting.
- High consultancy fees are expected for the first year, with those costs decreasing significantly for subsequent year disclosures.
- Many respondents reported that HR/personnel costs are expected to represent a high proportion of the ongoing costs for the disclosures.
- Synergies with other modules are expected, reducing per-module IT costs in particular.
- IT cost predictions varied significantly and posed a challenge for respondents to estimate.

78. **Key insights (by preparer):**

- Medium-sized undertakings predict a decrease in costs after the first year but expect costs associated with sustainability disclosures to remain significant for the foreseeable future. Micro and small undertakings predict significantly lower ongoing costs.
- The balance between HR/personnel and consultancy costs varied. Some undertakings plan on investing heavily in HR/personnel and less so in consultancy, while others expected higher consultancy costs and lower investment in HR/personnel. While there was a clear correlation between approach and size of the undertaking, the complexity of disclosure requirements makes micro and small undertakings more dependent on external consultants for ongoing assistance.

**Q4 USERS. Classification of relevance and related benefit (low, medium, high) for metrics BP1 – BP11.**

79. In Question 4 of Part 4 (Preparation of Business Partners Module), 17 out of 18 (94%) respondents answered the question. This is taken into account for the following statistics and breakdowns.

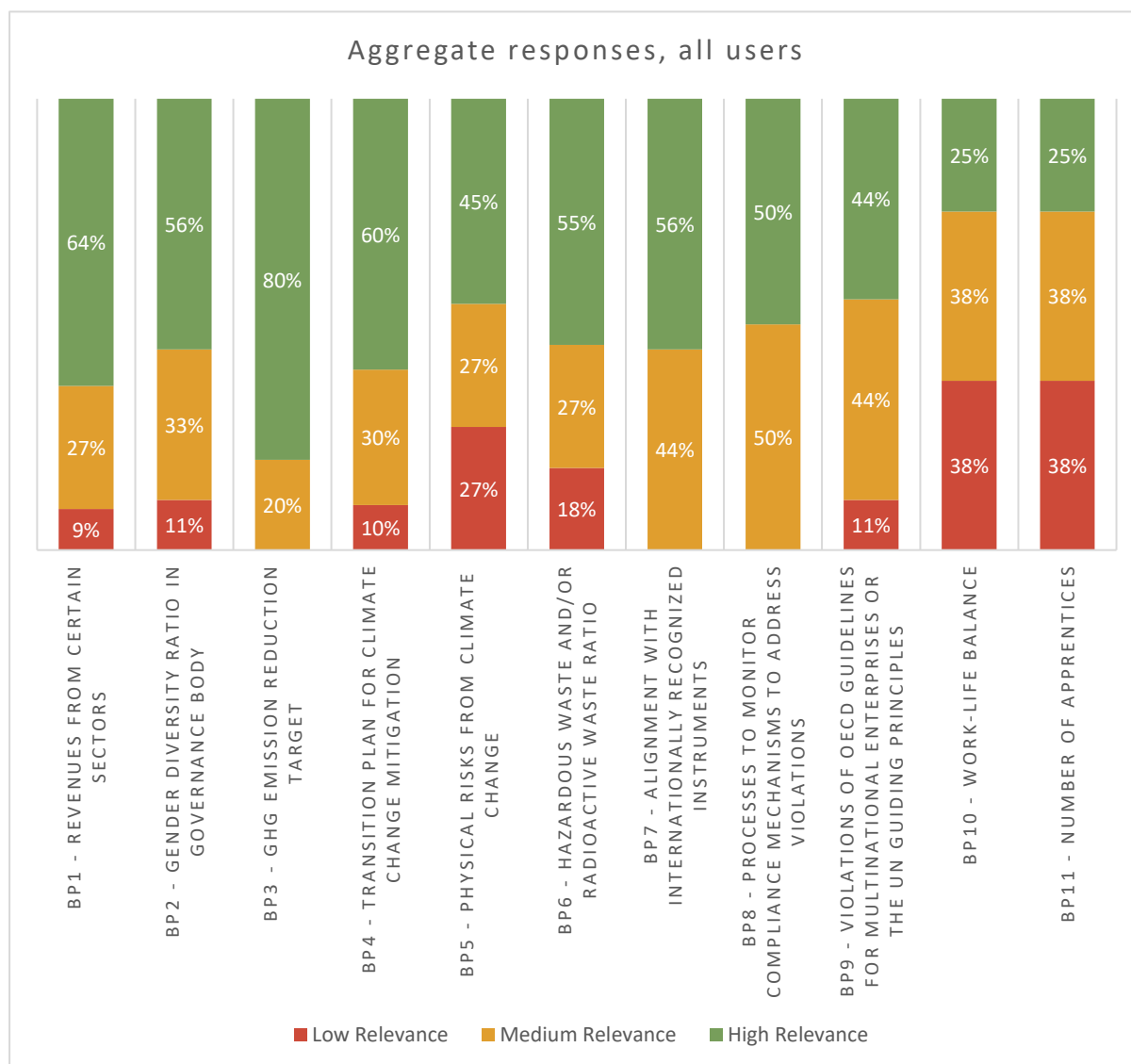


Figure 17: Classification of relevance (low, medium, high) for metrics BP1 - BP11. Aggregate responses (all users).

80. BP3 and BP4 were perceived as being the most relevant disclosures of the business partners module. BP10 and BP11, appear to be perceived as the least relevant ones by users. BP7 and BP8 are also perceived as of high or medium relevance.

81. **Key insights (by disclosure)**

- **Disclosure BP 1 – Revenues from certain sectors:** Provides users a helpful general overview of the undertaking as business partner. Incorporating NACE codes would improve comparability.

- **Disclosure BP 2 – Gender diversity ratio in governance body:** Important ratio as it is requested under SFDR PAI. However, better alignment of the calculation of this metric with SFDR calculation would be helpful (ESMA's definition).
- **Disclosure BP 3 – GHG emissions reduction target:** This disclosure was of the highest relevance to users, considered particularly useful as it is aligned to the SFDR PAI indicator and Benchmark Regulation. Further clarification and standardisation is needed to be introduced, especially on data collection for this disclosure. Additionally, workshop participants stressed the importance of using SBTi targets for SMEs to ensure comparability and reliability of target setting for banks. A few participants believed that this metric was too complex for micro and small organisations.
- **Disclosure BP 4 – Transition plan for climate change mitigation:** Useful information but additional guidance is needed to ensure the most uniform possible outcome. This would allow for better quantification, given that many SMEs do not have a comprehensive transition plan in place, while comparability and reliability are essential from the users' perspective.
- **Disclosure BP 5 – Physical risks from climate change:** Of limited benefit to some users, but of high benefit to others. Banks/investors suggested to replace this disclosure with geolocation (risk maps) as it would provide more accurate data elaboration through their own IT systems in assessing exposures to physical climate risks. Moreover, they considered the reporting of amounts to be too challenging for SMEs and, as a result, not reliable.
- **Disclosure BP 6 – Hazardous waste and/or radioactive waste ratio:** Is important, as it is aligned with the SFDR PAI-related disclosure. Concerns were also raised on the need to move the datapoints from this disclosure to B7.
- **Disclosure BP 7 – Alignment with internationally recognised instruments:** Useful in providing information for Credit Conversion Factors (CCF) calculations. Certain users workshop participants, suggested to move BP7 to the basic module instead of B11. In general respondents suggested to connect international instruments with national law to make it relevant to SMEs.
- **Disclosure BP 8 – Processes to monitor compliance and mechanisms to address violations:** categorised as medium to high relevance. Workshop participants (users/banks) suggested to move BP8 (like BP7) to the basic module, stating that it is not relevant in the BP module. In general respondents requested to insert scroll down menus to facilitate disclosures and ensure comparability.
- **Disclosure BP 9 – Violations of OECD Guidelines for Multinational Enterprises or the UN Guiding Principles:** No questionnaire comments on this disclosure but categorised as medium to high relevance. Just like for BP7 and BP8, workshop participants suggested to move BP9 to the basic module, for the same reasoning.
- **Disclosure BP 10 – Work-life balance:** Generally, of low use to users. Workshop participants suggested to delete BP10 or to make it optional.
- **Disclosure BP 11 – Number of apprentices:** Generally, of low use to users. Similarly to BP10, workshop participants suggested to remove BP11 or to make it optional.

## 82. **Key insights (by user)**

- BP 5 was deemed of limited use to some users (some banks and large undertakings), but it was of high value to other users (other banks and consultant users) (table 10, Appendix).

## VSME ED field test - Key findings

- Not all business partners will be asked for every BP disclosure, so it is important to conduct a case-by-case cost-benefit analysis and spend effort on the most relevant BP disclosures.
- A few respondents commented that all disclosures together provide a comprehensive overview of a business partner's impacts, risks, and opportunities (table 10, appendix).
- Rating agencies (1) deemed all disclosures essential (high relevance). Given that only two rating agencies contributed to the field test and 1 answered this question (table 10, Appendix), a skewed statistical disbalance is highly probable.
- Large undertakings (4 out of 6) deemed BP2, BP4 BP5, and BP10 as of low relevance. Given the low number of respondents in this category, bias is to be considered.

### Analysis of Platform responses (USERS)

83. This section (BP Q4) analyses the difficulty of the disclosures from the users' platform perspectives. 1 platform did not respond.

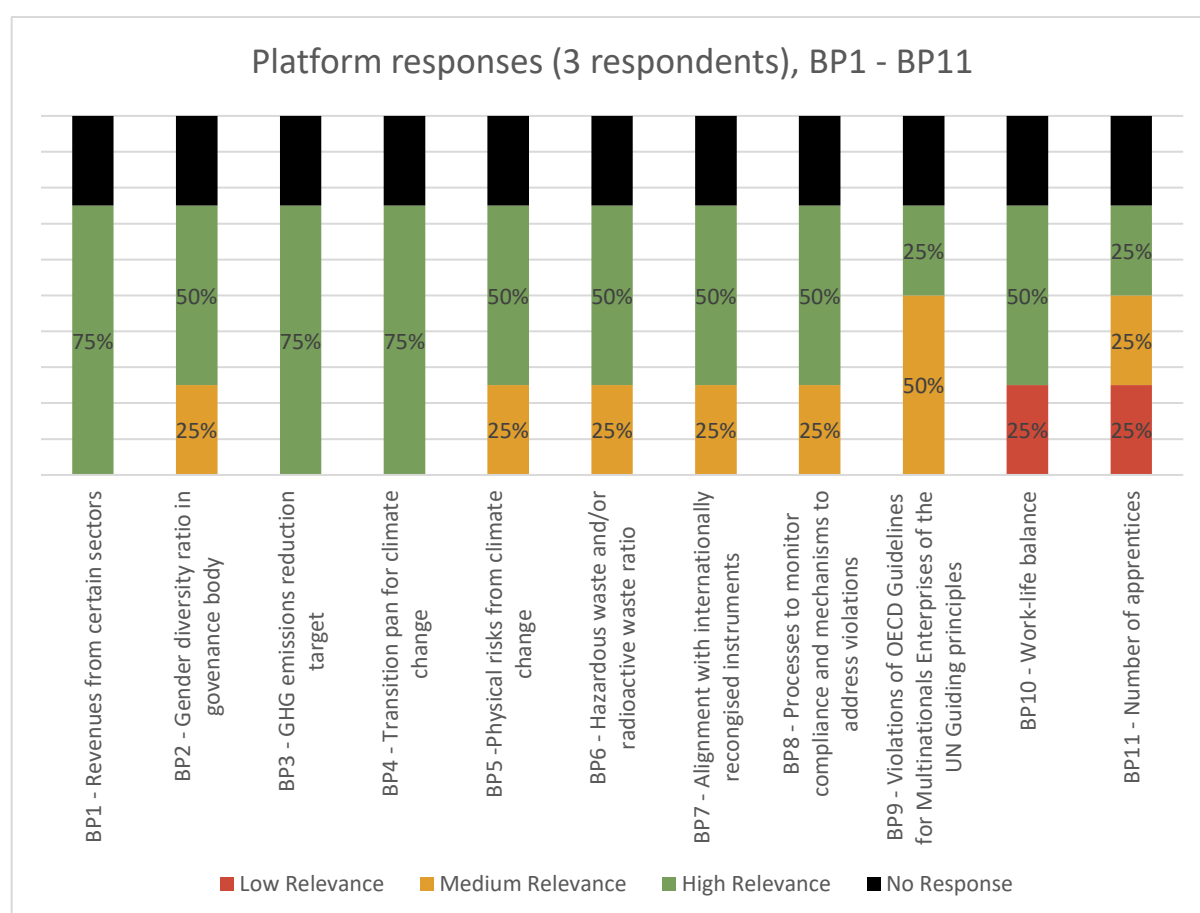


Figure 18: Analysis of discussion with platforms (USERS, BP1 - BP11)

### 84. Key insights (by disclosure):

- All disclosures were considered of medium or highly relevance with some nuances on BP9 more medium relevance than high relevance.
- The only exceptions were BP10 & BP11 with mixed views from the users that arose from high to low relevance.
- One platform did not respond.

- For BP8, one platform respondent strongly recommended providing practical guidance on what constitutes valid grievance/ complaints handling mechanisms, notably regarding the protection of the employee raising concerns or violations:
  - Explicit guarantees of non-retaliation
  - Explicit guarantees of confidentiality
  - Clear and well-known existence of a communication channel to raise concerns.

## Q5. Benefit estimation of metrics BP1 – BP 11 (value and/or text).

85. In Question 5 of Part 4 (Preparation of Business Partners Module), 72 out of 94 (77%) respondents answered the question. This is taken into account for the following statistics and breakdowns.

Aggregate Overview:	Number of preparers who selected the option (56 in total)	Number of users who selected the option (16 in total)
Synergies with other questionnaires (simplification & cost savings)	39 (70%)	12 (75%)
Increased access to finance	39 (70%)	11 (69%)
Access to more clients and better market positioning / competitiveness	42 (75%)	9 (56%)
Awareness and monitoring of sustainability issues	41 (73%)	8 (50%)

Table 4: Benefit estimation of metrics BP1 - BP11 (value and percentage).

### 86. Key insights (aggregate recurring comments)

- Both preparers and users view the synergies with other questionnaires and the increased access to finance as two significant benefits of the BP module.
- Replacing one standard with multiple requests offers a significant potential for saving time as there is overlap with requests from credit institutions and sustainability requirements from value chain.
- Most SMEs were motivated by an expectation the disclosure will lead to an increased access to finance.
- On the benefits related to having more access to more clients/ better market positions plus greater awareness and monitoring of sustainability issues, preparers perceive these two benefits categories more strongly than the USERS do.

### 87. Key insights (by stakeholder group)

- Expectations regarding access to finance varied within the respondent pool. For SMEs it was a source of motivation in their participation in the disclosures. Consultant preparers and users were more focused on the structural and reputational benefits. Accounting firms, auditing

firms, and reporting software/tools preparers were the most reserved in terms of the benefits to finance, needing more time to assess potential benefits.

- All respondents were positive regarding the benefits of the disclosures, yet the focus was slightly different depending on the type of undertaking. Micro and small undertakings emphasised the benefits from synergies in reporting and the awareness created within the organisation regarding sustainability matters. Small and medium undertakings remarked on the benefits from streamlining the reporting process if the VSME becomes a widely adopted standard. Consultants cited the long-term strategic benefits of the disclosure process for the undertakings.

## Appendix A

### BM Appendix

#### Q2 (PREPARERS) – BM Disclosure Difficulty

		B3	B4	B5	B6	B7	B8	B9	B10	B11	B12
Low difficulty	Micro	33%	61%	77%	42%	37%	88%	83%	65%	36%	75%
	Small	44%	57%	61%	58%	45%	93%	84%	61%	38%	77%
	Medium	27%	42%	44%	48%	15%	77%	78%	39%	19%	81%
	Accounting, auditing firms, and reporting software as Preparers	40%	30%	18%	50%	25%	90%	100%	73%	33%	86%
	Consultants as preparers	40%	80%	33%	50%	50%	100%	100%	50%	67%	100%
Medium difficulty	Micro	20%	4%	9%	27%	27%	8%	13%	27%	16%	17%
	Small	33%	21%	21%	26%	19%	7%	13%	39%	15%	16%
	Medium	30%	29%	32%	33%	42%	19%	22%	42%	33%	15%
	Accounting, auditing firms, and reporting software as Preparers	30%	60%	55%	42%	50%	10%	0%	27%	33%	14%
	Consultants as preparers	20%	20%	33%	33%	33%	0%	0%	38%	17%	0%
High difficulty	Micro	47%	35%	14%	31%	37%	4%	4%	8%	48%	8%
	Small	22%	21%	18%	16%	35%	0%	3%	0%	46%	6%
	Medium	43%	29%	24%	19%	42%	4%	0%	19%	48%	4%
	Accounting, auditing firms, and reporting software as Preparers	30%	10%	27%	8%	25%	0%	0%	0%	33%	0%
	Consultants as preparers	40%	0%	33%	17%	17%	0%	0%	13%	17%	0%

Table 5: Classification of difficulty (low, medium, high) for metrics B3 - B12. Separate responses per preparer



VSME ED field test - Key findings

Q4 (USERS) – BM Disclosure Relevance

		B3	B4	B5	B6	B7	B8	B9	B10	B11	B12
Low relevance	Users/banks, user associations and other proxies for users	0%	8%	23%	0%	8%	8%	8%	8%	20%	0%
	Large undertakings as SMEs' business partner	0%	0%	100%	0%	0%	100%	0%	100%	0%	100%
	Rating agencies	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Consultant as user	0%	67%	50%	0%	17%	33%	0%	0%	0%	75%
Medium relevance	Users/banks, user associations and other proxies for users	15%	38%	31%	43%	42%	31%	17%	42%	13%	28%
	Large undertakings as SMEs' business partner	0%	100%	0%	0%	0%	0%	100%	0%	100%	0%
	Rating agencies	50%	50%	0%	0%	0%	0%	0%	0%	0%	0%
	Consultant as user	0%	0%	25%	33%	33%	0%	0%	33%	33%	0%
High relevance	Users/banks, user associations and other proxies for users	85%	54%	46%	57%	50%	62%	75%	50%	27%	33%
	Large undertakings as SMEs' business partner	100%	0%	0%	100%	100%	0%	0%	0%	0%	0%
	Rating agencies	50%	50%	100%	100%	100%	100%	100%	100%	100%	100%
	Consultant as user	100%	33%	25%	67%	50%	67%	100%	67%	67%	25%

Table 6: Classification of relevance (low, medium, high) for metrics B3 - B12. Separate responses per user.

## Narrative-PAT Appendix

### Q2 (PREPARERS) – Narrative-PAT Disclosure Difficulty

		N1	N2	N3	N4	N5
Low difficulty	Micro	56%	17%	13%	72%	56%
	Small	69%	22%	27%	48%	77%
	Medium	50%	11%	17%	69%	50%
	Accounting firms, auditing firms, and reporting software/tools as Preparers	63%	13%	13%	50%	38%
	Consultants as preparers	50%	0%	0%	100%	0%
Medium difficulty	Micro	31%	44%	56%	28%	39%
	Small	19%	26%	35%	36%	12%
	Medium	29%	42%	17%	19%	25%
	Accounting firms, auditing firms, and reporting software/tools as Preparers	25%	38%	25%	38%	50%
	Consultants as preparers	50%	0%	0%	0%	100%
High difficulty	Micro	13%	39%	31%	0%	6%
	Small	12%	52%	38%	16%	12%
	Medium	21%	47%	67%	13%	25%
	Accounting firms, auditing firms, and reporting software/tools as Preparers	13%	50%	63%	13%	13%
	Consultants as preparers	0%	100%	100%	0%	0%

Table 7: Classification of difficulty (low, medium, high) for metrics N1 - N5. Separate responses per preparer.

### Q4 (USERS) – Narrative-PAT Disclosure Relevance

		N1	N2	N3	N4	N5
Low relevance	Users/banks, user associations and other proxies for users	12%	25%	25%	62%	13%
	Large undertakings as SMEs' business partner	0%	0%	0%	0%	0%
	Consultant as user	0%	33%	0%	0%	0%
Medium relevance	Users/banks, user associations and other proxies for users	44%	12%	25%	13%	12%
	Large undertakings as SMEs' business partner	100%	100%	100%	100%	100%
	Consultant as user	0%	0%	0%	33%	0%
High relevance	Users/banks, user associations and other proxies for users	44%	63%	50%	25%	75%
	Large undertakings as SMEs' business partner	0%	0%	0%	0%	0%
	Consultant as user	100%	67%	100%	67%	100%

Table 8: Classification of relevance (low, medium, high) for metrics N1 - N5. Separate responses per user.

## Business Partners Appendix

Q2 (PREPARERS) – BP Disclosure Difficulty

		BP1	BP2	BP3	BP4	BP5	BP6	BP7	BP8	BP9	BP10	BP11
Low difficulty	Micro	85%	100%	8%	8%	8%	62%	31%	42%	62%	92%	100%
	Small	86%	86%	26%	19%	35%	61%	33%	29%	29%	81%	86%
	Medium	62%	85%	25%	17%	17%	67%	42%	38%	67%	73%	90%
	Accounting firms, auditing firms, and reporting software/tools as Preparers	75%	80%	0%	0%	0%	60%	20%	60%	40%	60%	60%
	Consultants as preparers	50%	100%	0%	33%	0%	100%	33%	33%	0%	50%	100%
Medium difficulty	Micro	0%	0%	50%	38%	23%	31%	38%	42%	31%	8%	0%
	Small	5%	5%	30%	29%	17%	28%	43%	43%	38%	10%	10%
	Medium	15%	8%	17%	25%	33%	17%	25%	31%	8%	0%	0%
	Accounting firms, auditing firms, and	25%	20%	80%	40%	40%	40%	80%	20%	40%	40%	40%

VSME ED field test - Key findings

		BP1	BP2	BP3	BP4	BP5	BP6	BP7	BP8	BP9	BP10	BP11
	reporting software/tools as Preparers											
High difficulty	Micro	15%	0%	42%	54%	69%	8%	31%	17%	8%	0%	0%
	Small	10%	10%	43%	52%	48%	11%	24%	29%	33%	10%	5%
	Medium	23%	8%	58%	58%	50%	17%	33%	31%	25%	27%	10%
	Accounting firms, auditing firms, and reporting software/tools as Preparers	0%	0%	20%	60%	60%	0%	0%	20%	20%	0%	0%
	Consultants as preparers	0%	0%	0%	0%	67%	0%	67%	67%	100%	0%	0%

Table 9: Classification of difficulty (low, medium, high) for metrics BP1 - BP11. Separate responses per preparer.

Q4 (USERS) – BP Disclosure Relevance

		BP1	BP2	BP3	BP4	BP5	BP6	BP7	BP8	BP9	BP10	BP11
Low relevance	Users/banks, user associations and other	0%	0%	0%	0%	17%	0%	0%	0%	0%	67%	67%

VSME ED field test - Key findings

		BP1	BP2	BP3	BP4	BP5	BP6	BP7	BP8	BP9	BP10	BP11
	proxies for users											
	Large undertakings as SMEs' business partner	50%	100%	0%	100%	100%	50%	0%	0%	0%	100%	100%
	Rating agencies	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Consultant as user	0%	0%	0%	0%	33%	33%	0%	0%	33%	0%	0%
Medium relevance	Users/banks, user associations and other proxies for users	0%	25%	20%	40%	33%	0%	50%	60%	50%	33%	33%
	Large undertakings as SMEs' business partner	50%	0%	0%	0%	0%	50%	0%	0%	0%	0%	0%
	Rating agencies	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Consultant as user	67%	67%	33%	33%	33%	67%	67%	67%	67%	67%	67%
High relevance	Users/banks, user association	100%	75%	80%	60%	50%	100%	50%	40%	50%	0%	0%

VSME ED field test - Key findings

		BP1	BP2	BP3	BP4	BP5	BP6	BP7	BP8	BP9	BP10	BP11
	s and other proxies for users											
	Large undertakings as SMEs' business partner	0%	0%	100%	0%	0%	0%	100%	100%	100%	0%	0%
	Rating agencies	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
	Consultant as user	33%	33%	67%	67%	33%	0%	33%	33%	0%	33%	33%

Table 10: Classification of relevance (low, medium, high) for metrics BP1 - BP11. Separate responses per user.