

EFRAG – Voluntary Reporting standard for SMEs (VSME)



Disclaimer (I)

The views expressed in this presentation are those of the presenter, except where indicated otherwise. EFRAG positions, as approved by the EFRAG SRB, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

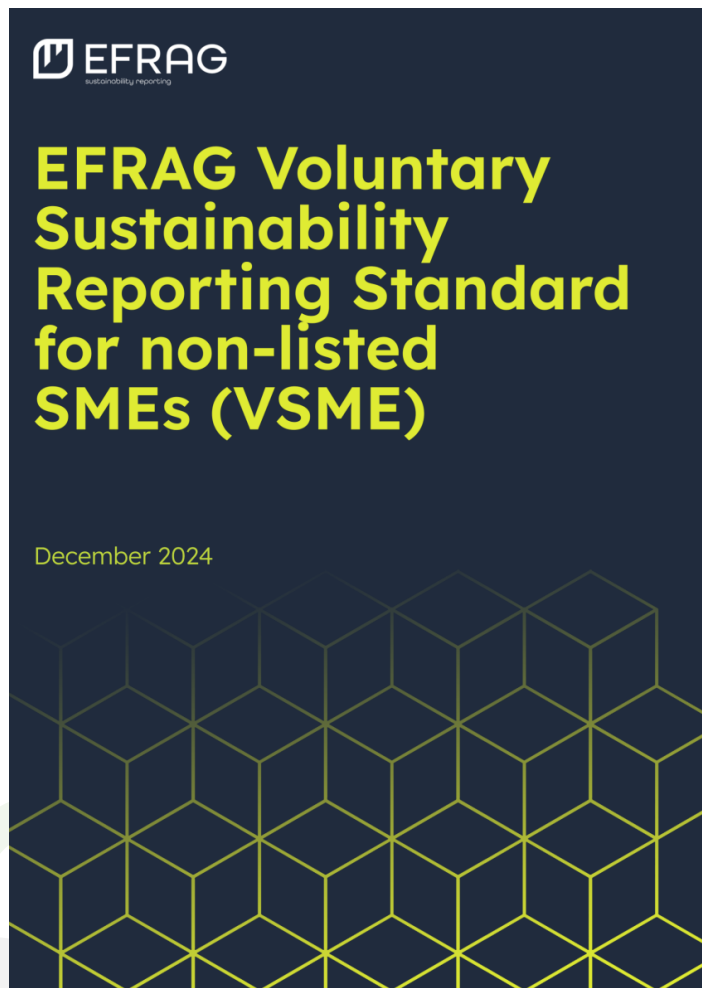
Disclaimer (II)

The European Commission in the Omnibus proposal released on 26 February 2025 proposes, to use the VSME Standard as the basis of a future voluntary standard for undertakings up to 1000 employees (Delegated Act to be adopted by mid 2026). The VSME Standard has been developed for use by non-listed SMEs including micro-enterprises and has not been tested for use by other larger and more complex companies. The VSME supporting guides currently being developed are to be understood as supporting the application of the VSME Standard for undertakings with less than 250 employees.

It is important to note that the European Commission adopted EFRAG's VSME as a Recommendation in its current form. In the [final Omnibus](#) co-legislators indicated that until the delegated act for the voluntary standard based on VSME is adopted, undertakings can use the EC VSME Recommendation [Until the Commission adopts sustainability reporting standards for voluntary use, undertakings that report sustainability information voluntarily are free to do so in accordance with Commission Recommendation (EU) 2025/171010 which is based on the voluntary standard for SMEs (VSME) developed by EFRAG]

No	Item
1	Key Features and Objectives
2	Methodological Approach & Due Process
3	Outcomes of Public Consultation
4	Final VSME Structure - Overview
5	Basic and Comprehensive Module - Overview
6	VSME Ecosystem

Voluntary sustainability reporting standard for non-listed SMEs



- *December 2024*: Delivery of the VSME to the EC
- *February 2025*: Creation of the VSME Ecosystem
- *July 2025*: Publication of the VSME as an EC Recommendation (available in all EU languages)

Voluntary sustainability reporting standard for non-listed SMEs

- Based on EFRAG technical advice, the European Commission has adopted EFRAG's VSME as a [Recommendation](#) in July 2025. This is now available in all languages of the EU Member States and addresses SMEs (1-250 employees).
- The EC VSME Recommendation addresses:

Preparers (SMEs): to accept the VSME Standard as a simplified voluntary reporting framework

Users (Financial institutions/value chain counterparts): to use the VSME as the framework to obtain ESG data from their SME counterparts

Member states : raising awareness and uptake of the VSME, in order to facilitate burden reduction. Promote digital solutions and tools



Key Features and Objectives

Key features and Objectives

Objective:

replace value chain questionnaires used by investors, lenders and corporate clients and to support SMEs in monitoring their sustainability performance

Why a voluntary standard for SMEs?

- [EC Q&A Delegated Acts ESRS in July 2023](#): “EFRAG is developing simpler, voluntary standards for use by non-listed SMEs [...] to respond to requests for sustainability information in an efficient and proportionate manner, and so facilitate their participation in the transition to a sustainable economy.”
- [EC SME Relief Package of September 2023](#): Action 14 tasks EFRAG to develop a simple and standardised framework for SMEs to report on ESG issues, creating better opportunities to obtain green financing and thus facilitating the transition to a sustainable economy.
- **Commitment of market participants** (larger corporates and banks) essential for the success of the standard

99.8% of total EU companies

Not legally binding (outside CSRD) → to fulfil market needs

Scope: Non-listed Micro and SMEs in EU

Proportionality: simplified language + modularity + overall ESRS consistency



Methodological Approach & Due Process

EFRAG's Transparent & Inclusive Due Process

General approach: have the VSME as a standalone document to provide a simple reporting guidance for SMEs that are outside the scope of CSRD.

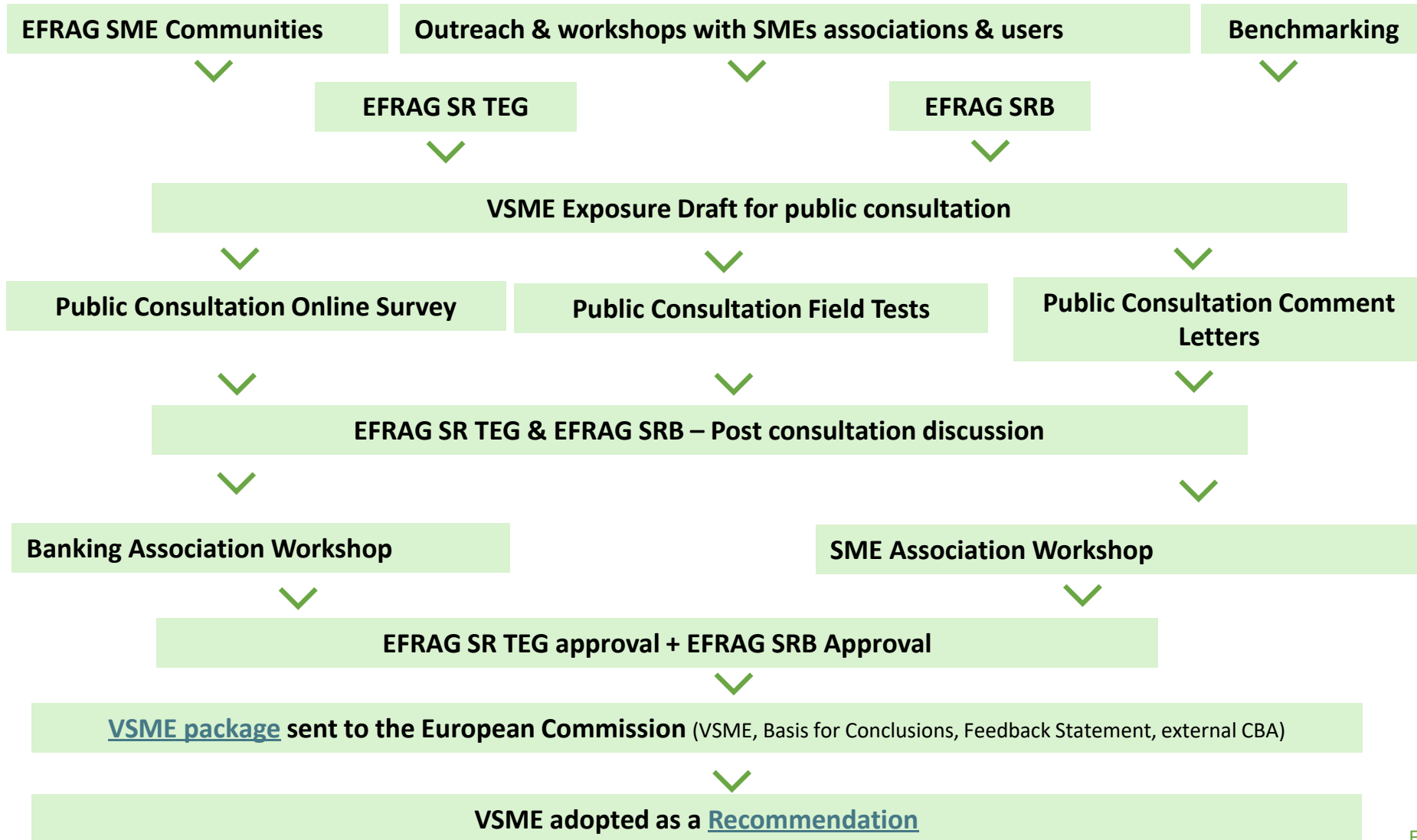
CSRD Scope: The CSRD however provides certain indications for non-listed small and medium companies (Art 29b4, Recital 21, Recital 22). With reference to Recital 21, EFRAG considered whether the non-listed SME should also apply LSME ESRS, resulting in a single standard for SMEs. The EFRAG SR TEG and EFRAG SRB considered that the level of simplification and proportionality of a voluntary standard suited for use by micro and small undertakings would be irreconcilable with the minimum disclosures needed by investors.

Approach to the preparation:

- Ensure conceptual coherence with the ESRS Set 1 and ESRS LSME
- Proportionality and simplified language and starting from a white sheet of paper
- Focus on the users' needs = built based on existing questionnaires (12 questionnaires covering up to 26,000 SMEs, 700 banks and 450 corporates)
- SFDR PAI as sources of ESG datapoints needed beyond investors (lenders and corporates)

VSME Due process and Methodology

Methodological Due Process Used from the Public Consultation



Due Process of CBA

Cost-Benefit Analysis - Phase 1
– CBA conducted on the basis of the ED

Cost-Benefit Analysis - Phase 2
– CBA updated on the basis of the changes made to the VSME post-public consultation



VSME Modular Structure

BASIC MODULE

- **Entry level** for non-listed SMEs
- **Target for micro-undertakings**
- Simplified language
- **11 Disclosures** (including narrative disclosures simplified and ESG Topical metrics).
- Simplification: all required BUT whenever it is appropriate **'IF APPLICABLE'**



COMPREHENSIVE MODULE

- Provides **additional information** to the Basic module, requested by business partners.
- Applying the Basic module is a **prerequisite** for applying the Comprehensive module
- Sustainable Finance datapoints (Table 1 SFDR PAI, EBA Pillar 3, Benchmark Regulation) as proxies for ESG management.
- **9 disclosures**, with **"IF APPLICABLE"** criteria where appropriate

Overarching principles and features of the VSME Standard:

- **No Narrative-PAT requirements**
- **No Materiality/ Materiality Assessments required**
- **Excel Template** and online **XBRL converter** – available on EFRAG's website



Basic and Comprehensive Module – detailed overview

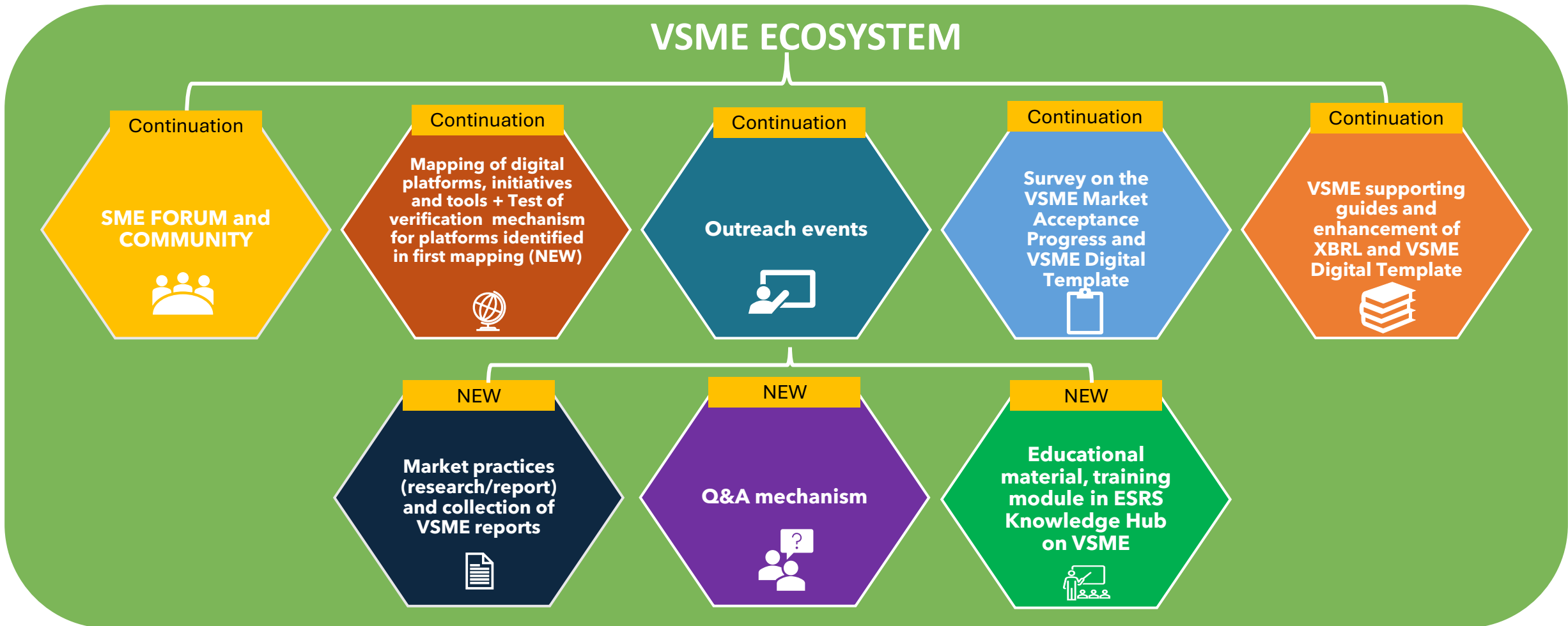
BASIC MODULE	Questionnaires in which it is asked (#)	“If applicable”/ Always to be reported on/ May disclosure
B1 – Basis for Preparation	Public Consultation	Always to be reported on If applicable
B2 - Practices, policies & future initiatives for transitioning towards a more sustainable economy	7	If applicable
B3 – Energy and greenhouse gas emissions	12	Always to be reported, breakdown if available Always to be reported on
B4 – Pollution of air, water and soil	7	If applicable
B5 – Biodiversity	4	If applicable May disclosure
B6 – Water	9	Always to be reported on If applicable
B7 – Resource use, circular economy and waste management	9	If applicable Always to be reported on
B8 – Workforce – General characteristics	8	Always to be reported on If applicable To be reported on when above the threshold
B9 – Workforce – Health and safety	3	Always to be reported on
B10 – Workforce – Remuneration, collective bargaining and training	7	Always to be reported on To be reported on when above the threshold
B11 – Convictions and fines for corruption and bribery	4	If applicable

COMPREHENSIVE MODULE	Questionnaires in which it is asked (#)	“If applicable”/ Always to be reported on/ May disclosure
C1 – Strategy: Business Model and Sustainability – Related Initiatives	10	Always to be reported on
		If applicable
C2 – Description of practices, policies and future initiatives for transitioning towards a more sustainable economy	7	If applicable
		If applicable + may disclosure
Consideration when reporting on GHG emissions under B3 (Basic Module)	9	Consideration (for certain sectors)
C3 – GHG reduction targets and climate transition	7	If applicable
		If applicable + may disclosure
C4 – Climate risks	9	If applicable
		May disclosure
C5– Workforce (General) Additional characteristics	Public Consultation	May disclosure + threshold included
C6 – Additional own workforce information - Human rights policies and processes	6	Always to be reported on
		If applicable
C7 – Severe negative human rights incidents	3	Always to be reported on
		If applicable
C8 – Revenues from certain sectors and exclusion from EU reference benchmarks	5	If applicable
		Always to be reported on
C9 – Gender diversity ratio in governance body	6	If applicable



VSME Ecosystem

Continuation of the VSME Ecosystem





Explore more:





Follow us



35 Square de Meeûs, B-1000 Brussels
info@efrag.org - www.efrag.org



EFRAG is co-funded by the European Union through the Single Market Programme in which the EEA-EFTA countries (Norway, Iceland and Liechtenstein), as well as Kosovo participate. Any views and opinions expressed are however those of the presenter only and do not necessarily reflect those of the European Union, the European Commission or of countries that participate in the Single Market Programme. Neither the European Union, the European Commission nor countries participating in the Single Market Programme can be held responsible for them.

