

VSME ESRS ED Comparison between Business Partners Module and ESRS SET 1 Definitions

Objective

The objective of this paper is to provide a comparison between the wording of the datapoints related to Sustainable Finance (SFDR Table 1, Pillar 3 and Benchmark) in VSME Exposure Draft (ED)- Business Partner Module and the one of ESRS set1 (EC Delegated Act July 2023). The table below shows that few simplifications have been implemented in VSME ED Business Partner Module. The simplification applied are in line with the methodology of VSME as illustrated in the column "Explanation".

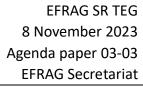
Context

While SFDR, Pillar 3 and Benchmark datapoints have been included in Set 1 in order to put in place the data infrastructure needed for financial market participants to comply with their own reporting obligations, they have been retained by EFRAG in VSME ED in the Business Partners Module, as they represent a reasonably limited number of commonly understood and widely used disclosures. In particular, from the outreaches conducted head of the finalization of the ED for consultation, EFRAG understood that while SFDR indicators have been designed to provide information to investors when they buy securities, they are considered a good basis also in order to provide information needed by banks in granting a loan, as well as by corporate clients that manage and report about their sustainability issues in the supply chain. This approach will be tested in practice during the consultation.

SFDR, Pillar 3 and Benchmark datapoints are used in VSME as the 'backbone' of the Business Partners module, however as they do not serve strictly speaking the need of investors (differently from their role in Set 1 ESRS), some simplifications have been implemented, as described in this table.

Comparison of datapoints in VSME and in Set 1

VSME ESRS ED Business Partners Module definition	ESRS SET 1(EC Delegated Acts July 2023) Definition	Explanation





Disclosure BP 1 – Revenues from certain sectors (SFDR Table 1) The SME shall include where applicable, a statement indicating, together with the related revenues, that the undertaking is active in: i. fossil fuel (coal, oil and gas) sector (i.e., it derives revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and the Council17), including a disaggregation of revenues derived from coal, from oil and from gas; and/or	ESRS 2 par 40: Where applicable, a statement indicating, together with the related revenues, that the undertaking is active in: i. the fossil fuel (coal, oil and gas) sector, (i.e., it derives revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and the Council17), including a disaggregation of revenues derived from coal, from oil and from gas, as well as the revenues derived from Taxonomyaligned economic activities related to fossil gas as required under Article 8(7)(a) of Commission Delegated Regulation 2021/217818;	The Taxonomy part of this Disclosure was explicitly excluded in the methodological approach from the Sustainable Finance (SF) Module of VSME.
Disclosure BP 2 – Responsibilities in relation to	GOV 1 par 21. The undertaking shall disclose the following	Simplification in line with VSME
 ii. The SME shall describe: (a) if there is a governance body, the related gender diversity ratio. 	information about the composition and diversity of the members of the undertaking's administrative, management and supervisory bodies: (d) percentage by gender and other aspects of diversity that the undertaking considers. The board's gender diversity shall be calculated as an average ratio of female to male board members.	approach.
Disclosure BP 3 – GHG emissions reduction target	E1 PAR 34 (b): GHG emission reduction targets shall be disclosed	The part of this datapoint that in
(Benchmark) If the SME has set GHG emission reduction targets, it shall provide its GHG emission reduction targets for (i) scope 1 emissions; (ii) scope 2 emissions.	for Scope 1, 2, and 3 GHG emissions, either separately or combined. The undertaking shall specify, in case of combined GHG emission reduction targets, which GHG emission Scopes (1, 2 and/or 3) are covered by the target, the share related to each	ESRS Delegated Act July 2023 for large undertakings also includes Scope 3 GHG emission reduction targets has been deleted in line with

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	respective GHG emission Scope and which GHGs are covered. The undertaking shall explain how the consistency of these targets with its GHG inventory boundaries is ensured (as required by Disclosure Requirement E1-6). The GHG emission reduction targets shall be gross targets, meaning that the undertaking shall not include GHG removals, carbon credits or avoided emissions as a means of achieving the GHG emission reduction targets;	the simplification applied to VSME as part of its methodology.
Disclosure BP 4 – Transition plan for climate change mitigation (Benchmark) If applicable, the SME shall provide information about its transition plan for climate mitigation with an explanation of how GHG emission reduction targets are compatible with the limiting of global warming to 1.5°C in line with the Paris Agreement.	E1 par 14: 14. The undertaking shall disclose its transition plan for climate change mitigation. 16. The information required by paragraph 14 shall include: by reference to GHG emission reduction targets (as required by Disclosure Requirement E1-4), an explanation of how the undertaking's targets are compatible with the limiting of global warming to 1.5°C in line with the Paris Agreement;	SAME DEFINITION AS SET 1
Disclosure BP 5 – Sector EU Paris Aligned Benchmarks (EBA Pillar 3 and Benchmark) If applicable, the SME shall include a disclosure on whether or not the SME is excluded from the EU Paris-aligned Benchmarks.	E1 par. 16 g: 16. The information required by paragraph 14 shall include: g) a disclosure on whether or not the undertaking is excluded from the EU Paris-aligned Benchmarks;	SAME DEFINITION AS SET 1
Disclosure BP 6 – Physical Risks from climate change (EBA Pillar 3 and Benchmark) If applicable, the SME disclose the anticipated financial	E1 par. 64 (a), 66 and 67 c): 64. The undertaking shall disclose its: (a) anticipated financial effects from material physical risks; (b) anticipated financial effects from material transition risks;	The part of this datapoint that in ESRS Delegated Act July 2023 for large undertakings also includes anticipated financial effects has been
effects that physical risks from climate change may have on	(a) articipated municial effects from material transition risks,	deleted in line with the simplification

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the company. In particular:	66. The disclosure of anticipated financial effects from material	applied to VSME as part of its
i) the monetary amount and the percentage of the SME's	physical risks required by paragraph 64 (a) shall include:	methodology.
total assets that can be subjected to material physical risks	(a) the monetary amount and proportion (percentage) of assets at	
over the short, the medium and the long-term, before	material physical risk over the short-, medium- and long-term	
considering climate change adaptation actions disaggregated	before considering climate change adaptation actions; with the	
by acute and chronic physical risk;	monetary amounts of these assets disaggregated by acute and	
ii) the proportion of assets at material physical risk	chronic physical risk;	
addressed by the climate change adaptation actions;	(b) the proportion of assets at material physical risk addressed by the climate change adaptation actions;	
iii) the location of the significant assets affected by material	(c) the location of significant assets at material physical risk; and	
physical risks;	(d) the monetary amount and proportion (percentage) of net	
	revenue from its business activities at material physical risk over	
iv) the monetary amount and proportion (percentage) of net	the short-, medium- and long-term.	
revenue from its business activities at material physical risk		
over the short-, medium- and long-term;	67. The disclosure of anticipated financial effects from material	
	transition risks required by paragraph 64 (b) shall include:	
v) the breakdown of the SME's carrying value of its real		
estate assets, by energy efficiency classes.	(c) a breakdown of the carrying value of the undertaking's real	
	estate assets by energy efficiency classes;	
Disclosure BP 7 – Hazardous waste and radioactive waste	E5 par 39:	SAME DEFINITION AS SET 1
ratio (SFDR Table 1)	The undertaking shall also disclose the total amount of hazardous waste and radioactive waste generated by the undertaking, where	
If applicable, the SME shall disclose the total amount of	radioactive waste is defined in Article 3(7) of Council Directive	
hazardous waste and radioactive waste generated	2011/70/Euratom .	
(radioactive waste is defined in Article 3(7) of Council		
Directive 2011/70/Euratom).		

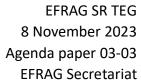
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Disclosure BP 8: Alignment with internationally recognized instruments (Benchmark) The undertaking shall disclose whether its policies with regard to its own workforce are aligned with relevant internationally recognized instruments, including the UN Guiding Principles on Business and Human Rights.	S1, para 21: The undertaking shall disclose whether and how its policies with regard to its own workforce are aligned with relevant internationally recognised instruments, including the UN Guiding Principles on Business and Human Rights.	SAME DEFINITION AS SET 1 Missing "and how"
Disclosure BP 9: Processes to monitor compliance and mechanisms to address violations (SFDR Table 1) The undertaking shall disclose whether it has processes in place to monitor compliance with the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the International Bill of Human Rights and the eight fundamental conventions identified in the ILO Declaration or grievance/complaints handling mechanisms to address violations of the above standards.	S1, para 20: The undertaking shall describe its human rights policy commitments that are relevant to its own workforce, including those processes and mechanisms to monitor compliance with the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises.	SAME DEFINITION AS SET!
Disclosure BP 10 – Violations of OECD Guidelines for Multinational Enterprises or the UN Guiding Principles (including the principles and rights set out in the 8 fundamental conventions of the ILO Declaration and the International Bill of Human Rights) (SFDR Table 1 and Benchmark) If applicable, the undertaking shall disclose whether there have been any violations of the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work or the OECD	S1 PAR 104 a): The undertaking shall disclose the following information regarding identified cases of severe human rights incidents (e.g., forced labour, human trafficking or child labour): (a) the number of severe human rights incidents connected to the undertaking's workforce in the reporting period, including an indication of how many of these are cases of non-respect of the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work or OECD Guidelines for Multinational Enterprises. If no such incidents have occurred, the undertaking shall state this.	Aligned with SFDR PAI text

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Guidelines for Multinational Enterprises during the reporting		
year.		
Disclosure BP 11 – Workforce – Work-life balance	Disclosure Requirement S1-15 – Work-life balance metrics	
TI CASE I II	91. The undertaking shall disclose the extent to which employees	
The SME shall disclose the percentage of employees:	are entitled to and make use of family-related leave.	
(i) entitled to take family-related leave, with a breakdown by	92. The objective of this Disclosure Requirement is to provide an	
gender; and	understanding of the entitlement and actual practices amongst the	
(ii) that took family-related leave, with a breakdown by	employees to take family-related leave in a gender equitable manner, as it is one of the dimensions of work-life balance.	
gender. Family-related leave includes maternity, paternity, parental,	93. The disclosure required by paragraph 91 shall include:	
and carers' leave.	(a) the percentage of employees entitled to take family-related	
and carers reave.	leave; and (b) the percentage of entitled employees that took	
	family-related leave, and a breakdown by gender. 94. If all of the	
	undertaking's employees are entitled to family-related leave	
	through social policy and/or collective bargaining agreements, it is	
	sufficient to disclose this in order to meet the requirement of	
	paragraph 93a.	
Disclosure BP 12 – Number of apprentices	This would be entity-specific for set 1. No standarised disclosure	This disclosure does not come from
	requirement in set 1.	SFDR or Benchmark Regulation but
The SME shall disclose the number of apprentices in the		VSMEs are an important provider of
reporting period.		apprentices. Apprentices' definition
		and regulation vary among EU
		Member States. The information
		required shall not affect their status
		pursuant to applicable law.

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