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Executive Summary online survey responses VSME Public Consultation

This report offers only a partial view of the overall feedback. For a complete view the findings in this report (feedback from online survey) needs to be read in conjunction with the findings in the comment letter analysis, also considering that the comment letters mainly refer not to single respondents but to associations and authorities. The statistics in this report, in isolation from the qualitative findings of the comment letter analysis may be misleading.

About this report

1. EFRAG has conducted an online questionnaire-based survey to gather views from stakeholders that have participated in the public consultation of the Exposure Draft for a voluntary sustainability reporting standard for non-listed SMEs (including micro undertakings) (VSME ED). The results of the public consultation survey that included 311 participants as preparers, users and other (consultants, accountants, etc.) are summarised in the online survey Detailed Report VSME ED public consultation.
2. In addition, EFRAG Secretariat received 26 Comment Letters (directly uploaded through the online survey), that were analysed in the online survey Detailed Report VSME public consultation. Some organisations have sent both comment letters and answered to the online questionnaire. In this case, to avoid double counting, following a consistency check between the two submissions, the online questionnaire responses have been accounted (more comparable).
3. The key messages emerged in the Detailed Report are summarised in this Executive Summary of online survey, along the following categories of stakeholders: preparers (SMEs and SMEs associations), “users” (including banks and large corporates heads of supply chains¹); and “others” (including standard setters, NGOs, unions/worker representatives, academics, consultants/accountants/assurance providers, associations etc.). Being VSME ED a voluntary standard that builds on “market acceptance” specific questions were dedicated to the categories “preparers” and “users”.
4. This executive summary 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).

All: 100% 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
None: 0% of respondents

About the VSME ED public consultation

5. The public consultation was launched on 22 January 2024 and was open until 21 May 2024. It was conducted in parallel with the field test (with different deadline for submissions). Field test participants have also replied to the online survey and their findings are included in this report (limited to their contribution to the consultation questionnaire – refer to the report from field test for their contribution to the field test).
6. The public consultation questionnaire was designed to receive feedback from constituents on key aspects of the EDs, including (i) the proposed architecture; (ii) the relevance of the proposed disclosures; (iii) the simplifications achieved; and (iv) the market acceptance. The questionnaire aimed to capture users' and preparers' perspectives while offering the opportunity to all other interested constituents to also provide feedback.
7. The online questionnaires consisted of three parts: Part 1 (the most critical questions that EFRAG encourages to answer in full), Part 2 (additional and more detailed technical questions that EFRAG encouraged to answer as much as possible) and Part 3 on Value Chain Cap.

Summary of the key findings

8. The key messages emerged from the online survey are as follows:

Part 1

9. Most of the respondents agree with the **standard setting objectives (Q1)**. There was a general call for adding digital tools, simplifying structure/language and adding guidance. Preparers suggested the importance of EU Commission action to ensure that business counterparts commit to abandon their questionnaires. The need to underscore legitimacy and legal status of the VSME was also raised by the users. Users indicated that while VSME is able to satisfy a large proportion of questionnaires, some additional requests would remain either based on individual counterparts or transactions (by banks) or granular requests by sectors (for large undertakings).
10. On the **architecture (Q2)** a majority of respondents agreed on the three modules and their combination. There are general suggestions to: i) add online tools and guidance; ii) the materiality analysis is highly complex/not feasible for SME and iii) simplify the structure or adapt the disclosures for size, sector and potentially location. Some preparers suggest that BP module should be prioritised compared to Narrative PAT Module. Others suggest creating a “Basic Plus” Module with metrics from BP / PAT Modules. Users (banks/investors) support the flexibility but note that it may be a source of confusion, as such they indicate preference for Basic Module + Business Partner Module. Large undertakings users are hesitant on reliability of qualitative disclosures.
11. On the **Basic Module (Q3)**, a majority of respondents indicated support as a proportionate entry level. User respondents were the most supportive, followed by preparers, the “other” respondents were the least supportive. Suggestions included: i) further language simplification; ii) additional guidance, examples, and online templates; iii) clarification on the usage of “if applicable”.
12. For **Narrative PAT Module (Q4)**, a majority of respondents supported the approach to reserve it to undertakings that have policies, actions and targets in place. Frequently mentioned concerns and suggestions from respondents were: i) need to simplify approach to materiality, guidance and tools; ii) materiality analysis is a challenge for all. Many users found the narrative nature of the module problematic, as it made it difficult to obtain the necessary information and make comparisons across

respondents or over time. A more quantitative approach is preferable (e.g. moving to a checklist of YES/NO questions). Preparers, in particular SMEs associations, consider materiality and PAT over demanding and suggest deleting or postponing it.

13. For the **Business Partners (BP) Module (Q5)**, a majority of respondents agreed with the approach to be a replacement and standardisation of information requests by business partners. The following suggestions emerged across respondents type: i) delete materiality analysis from BP module, replace with “if applicable”; ii) additional guidance and tools are needed (e.g., on climate risks, transition plans, violations of OECD Guidelines); iii) too many references to extensive documents written for multinational companies (e.g., OECD guidelines), especially with English as a foreign language, iv) some metrics of BP module should be part of the Basic module. On the users side it is highlighted that BP may not cover entirely the requests by business partners, due to specific sector requests. Users also suggested to emphasise the flexibility in par.11 and 19 i.e. adopting Basic module by topping up some datapoints from PAT and BP modules. In addition, user banks associations point out that some disclosures (BP 10 and BP 11) are not required by SFDR or BMR and thus suggest removing them from the BP Module.
14. A majority of respondents identified a percentage of replacement of **ESG questionnaires or ESG requests (Q6)** with VSME three modules higher than 50% and for some above 80%. The user group “Large undertaking as SME’s business partner” and majority of the group banks/investors indicated at 50% or above, and others such as “Rating Agency (as proxy for user)” identified a degree of coverage higher than 80% if the Basic and BP Module modules are filled out in detail. Many financial institutions acknowledge that VSME will not include all data needed to manage their sustainability risks as this is highly individual. They also suggested inclusion of further datapoints for VSME to be able to better meet their needs, as further explained later in the report. An important message was that the success of the VSME depends on a central European software interface into which the reporting companies can enter their data and from which it can be read by business counterparts.
15. On the **approach to sectors (Q7)** in VSME, Option 3 was the most selected compared to the other options. Option 3 suggests that undertakings should apply on a voluntary basis sector specific guidelines and disclosures designed for non-listed SMEs, to be issued by EFRAG as a non-authoritative annex to the future sector-ESRS. The main argument that emerged was that non-listed SMEs need to be differentiated from listed SMEs as they have different characteristics. To note that the same question was asked in the context of ESRS LSME (listed SMEs) ED public consultation whose feedback is analysed separately.

Part 2

16. On the **Principles for preparation, (Q8)** most respondents agreed with the proposed approach. While respondents across categories agreed with the proposal to report on a **consolidated basis (Q10)**, SME associations demanded for more flexibility for preparers to choose whether to include subsidiaries. Some users suggested that subsidiaries sometimes are irrelevant (such as when they are not consolidated for financial purposes) and insisted on transparency regarding which entities are included in the reporting. Regarding the other principles for preparation suggestions include: i) include positive impact aspects (as currently the focus is on negative impact); ii) more guidance (i.e. on the term ‘comparable’); iii) flexibility on frequency of reporting (preparers indicated yearly too cumbersome), iv) add guidance on omission of sensitive information (definitions of sensitive).
17. On the **envisaged combination of modules (Q9 market acceptance)**, only few respondents supported the combination Basic Module + Narrative-PAT Module. Some indicated preference for Basic Module only, some for Basic + Business Partner and some for the 3 modules. Respondents who

preferred the 3 modules argued that this combination is for better transparency and accountability. Many respondents also argued that Basic Module is not sufficient as users of the sustainability reports require more information than what contained in the Basic Module. Preparers had a relatively higher preference for either 'all 3 modules' or 'Basic Module only'. "Basic Module" + "Narrative" was the least chosen option by preparers. On the users' side banks/investors indicated preference for "Basic Module + Business Partners", while large undertakings and rating agencies preferred the option "all 3 modules".

18. On **subsidiary exemption** (Q11), most respondents' users and preparers agreed; in the category "others" a majority agreed. Respondents in this category, in particular the associations of users and preparers, emphasised that since VSME is voluntary, (not in CSRD), specifying a subsidiary exemption is unnecessary. Overall, they recommend leaving the choice to the SMEs.
19. On the **additional component (including sectors/ Q12)**, most users agreed; in the categories preparers and "others" a majority agrees. Suggestion to define what is 'common to the undertaking's sector'. Some users and preparers also indicated burden on reporting entities in deciding on additional disclosures.
20. **On the Basic Module (Q13-Q19)** there was overall support. On the preparers' side B1, B8 and B9 were considered feasible by most respondents, while B2, B4, B5, B6, B7 and B12 were considered feasible by a majority. B11 had more respondents who considered it difficult to prepare. On B3 there are split views, with half considering it feasible and half not. On the users side all disclosures from B1 to B10, as well as B12, were considered essential by most of the respondents. On the other hand, B3 was considered the most essential for users. On B3 preparers were split, due to difficulty linked to data availability and/or collection, and the fact that this disclosure requires the need for external support and guidance.
21. In general, on all disclosures, a majority of respondents requested additional guidance, with respect to calculations and terminology. There were specific suggestions per each disclosure.
22. On the **question to users whether additional datapoints (Q14) are needed in Basic Module**, split views emerged with about half of respondents indicating that no datapoints are missing and the other half indicating that there are datapoints missing that are considered important (please see below in this report). On the questions whether respondents see **any potential in disclosures B3-B7 for better alignment with existing reporting schemes (i.e. EMAS) (Q15)**, split views emerged with a tiny majority (51%) of respondents agreeing. They noted that SMEs already using EMAS should benefit from streamlined alignment with VSME ED. Harmonization with recognized standards like GRI, IFRS, and CDP is seen as beneficial. Some respondents highlighted that EMAS may be too complex, costly, and burdensome for SMEs. for alignment with ESRS or ISO 14001.
23. On the question (Q16) on B9 if the practice in the respondent's **country includes commuting incidents in B9 as work-related fatalities**, most respondents agreed. They noted that the legislation already defines these terms, though definitions may vary between countries. On the question (Q17) related to **B10 a)** that asks to report the relevant **ratio of the entry level wage to the minimum wage** "when a significant proportion of employees are compensated based on wages subject to minimum wage rules," and whether this provides relevant and comparable information, a majority of respondents agreed, with some respondents disagreeing especially SMEs business associations (in category "other respondents"). There are split views among users regarding comparability of this ratio.
24. On the question on **B11** (Q18) and whether respondents agreed with the **voluntary approach** to the disclosure in B11, the majority of respondents agreed. However, in the category "other", business

associations on both preparers and users side expressed disagreement, not as much with voluntary approach, but with the inclusion of B11 in Basic Module. They asked to move it outside the Basic Module, arguing that despite its voluntary nature, it imposes unrealistic expectations on SMEs.

25. On the last question, on **the guidance in VSME for the Basic Module** (Q19), a majority of respondents show support to the specific guidance provided that is regarded very useful for SMEs. However, several respondents noted areas needing further clarification, particularly on specific disclosures (e.g., B4, B5, B10) and calculation methods (e.g., GHG emissions, biodiversity impacts). More practical examples and user-friendly tools are recommended to enhance usability and comprehensive online tool to calculate metrics. Preparers also asked for educational support.
26. On the **principles of materiality** (Q20) to be applied to the Narrative PAT and Business Partner module (impact materiality, financial materiality and stakeholders' engagement) and whether they are considered proportionate, a majority of respondents agreed. However, the comments indicated substantial concerns about materiality. The most recurring were: i) the complexity of the materiality process and selection/engagement with stakeholders; ii) the need to provide guidance, examples, templates, tools to help SMEs; iii) since the material process is a heavy burden for SMEs, the suggestion to use sector-guidance instead or closed ended questions; iv) add positive impacts as optional, not only financial opportunities v) for preparers the financial risk is difficult.
27. On the question (Q21) related to disclose **sustainability matters listed in Annex B** of VSME ED (which is the same as AR 16 of ESRS 1 general requirements) that are material to the undertaking and whether respondents agree with this approach, there was a mismatch between the answers provided to the closed question (agree/disagree) and the qualitative comments. In the statistics most preparers and a majority of users and "others" agreed. However, the qualitative comments indicated disagreement on the substance. The most recurring comments were the following: i) materiality analysis and sustainability matters are considered too complex; ii) need to provide guidance, examples, charts, templates, tools to help SMEs., iii) the fact that the materiality analysis is useful but heavy for SMEs, time consuming and very costly; iv) suggestion to use sector-guidance pre-defined materiality instead. Preparers indicated challenges on implementation, uncertainty and cost. SMEs business association indicated preference to prioritise Basic Module and BP Module before the Narrative PAT Module. Users indicated that PAT module is not considered attractive by SMEs and not necessary. Standard setters commented that conducting a formal materiality analysis should not be obligatory in line with the proportionality principle, as SMEs may refer to indicative tables of material topics by sector. Some NGO respondents suggested that instead of focusing on the materiality approach, the VSME standard could focus on enhanced sectoral guidance for non-listed SMEs.
28. On the question (Q22) about the **notion of "report only if applicable"** in Basic Module and in parts of the BP Module most of the respondents agreed. In the category "other" a majority agreed. The most recurring comments were: i) support the "if applicable" approach that is useful to replace materiality. ii) materiality is very demanding for SMEs; iii) there is a need to clarify the difference between the following: "material", "if applicable", "if relevant".
29. On the questions on the **approach to "financial opportunities"** as optional (Q23) most of the respondents agreed. In the category "other" a majority agreed. The most recurring comments were: i) including financial opportunities may help the undertaking to manage risk, build awareness and identify new financial options; ii) to avoid a disproportionate burden on SMEs, such reporting should remain optional.

30. On the question (Q24) regarding the **principles for the preparation** for the Narrative-PAT and Business Partners Module most respondents agreed both with time horizons and with linkages to financial report. Recurring comments on time horizons were: i) it guides the undertaking; ii) administrative burden was mentioned as SMEs find a 5-year, time horizon difficult; iii) more flexibility is needed. On alignment with financial statements, comments were: ii) support as it avoids duplicating information; ii) it is challenging and complicated. Guidance is needed.
31. On the question (Q25) related to Narrative-PAT Module and which disclosures are considered feasible/ not feasible by preparers or essential/not necessary by users, there was a mismatch between the answers provided to the closed question (agree/disagree) and the qualitative comments. Despite a statistical result indicating that a majority of respondents consider the disclosures N1 to N5 feasible on the preparers side and essential on the user's side, the content of the comments is indicating the opposite, requiring substantial simplifications and indicating complexity and burden both on users and preparers side. Concerns were stronger in the comments of business associations both on the users and the preparers side, specifically for N2, N3 and N4 that banks associations considered not needed. N2 and N3 were considered complex by preparers associations.
32. On the question (Q26 for preparers only) if they anticipate to apply the Narrative-PAT module, having implemented policies, actions and targets (PAT) due to requests by counterparties in the value chain, the answers were split between yes and no. A tiny majority (51%) answered that this was not the case, as the request of counterparties in the value chain is seen as an additional argument since every company needs such a strategy anyway. However, many believed that counterparties have no interest in the Narrative-PAT module, but only in Basic Module and Business Partner Module.
33. On the question (Q27 for users only) if users considered that some datapoints were missing in the Narrative PAT Module, the majority of respondents answered that this is not the case.
34. On the question (Q28) about N3 (disclosure of policies, actions and targets to manage material sustainability matters) and if respondents would see potential for better alignment with other reporting schemes such as the European Eco-Management and Audit Scheme (EMAS – Regulation (EC) No. 1221/2009), there were split views and a relatively lower response rate compared to other questions. Respondents indicated being not familiar with EMAS and other schemes.
35. On the **Business Partner module** and the question (Q29) related to the inclusion of **greenhouse gas (GHG) Scope 3 emissions** as additional component (entity-specific) being material in certain sectors, a majority of respondents agreed that scope 3 should be included, the most supportive being users. Preparers indicated that additional sector guidance or calculation/software would be needed. SME associations state that it is highly difficult, and they do not support its inclusion in the standard. Users also suggested EU database and allowing use of proxy emission factors and industry averages to enable SMEs (the EFRAG Secretariat notes that the use of proxies is not only a possibility in the standard but what it is expected in general to be used). The group "other" expressed lowest support.
36. On the question (Q30) regarding **each of the disclosures in the Business Partner module, for preparers if they are feasible or difficult to prepare and for users if they are essential or not necessary**. Most of the preparers indicated that BP1, BP2, BP10 and BP11 are feasible, while BP5, BP6, BP8 and BP9 were considered feasible by the majority of preparers. On BP3, BP4 and BP7 there are split views with half of the preparers considering it feasible, and the other half difficult. On the users' side, BP1, BP2, BP3, BP4, BP5 and BP8 were considered essential by most. BP6, BP7, BP8 and BP10 were considered essential by a majority but needed some simplifications. BP11 was considered

- not necessary by users. Banks associations considered BP2 and BP10 not needed. In general respondents requested more guidance/instructions or calculation tools. There were also requests to drop “materiality” in this module and put everything as “if applicable”.
37. On the question (Q31) to users if they agreed with the **approach** that in Business Partner modules disclosures are reported **if applicable, with the exception of BP 5, 7, 8, 9, 10 that are omitted when considered not material**, the majority of users did not agree. The majority (especially banks) preferred to remove materiality from the module and have all disclosures “if applicable” a few also mentioned the option “report if you have”.
 38. On the question (Q32) **regarding BP7, BP8 and BP9 (human rights)** and alignment to the Sustainable Finance Disclosures Regulation (SFDR) and whether there would be alternative or more suitable disclosures, the majority of respondents were supportive of the SFDR alignment or could not propose alternatives. Both users and preparers asked, however, for simplifications (i.e. referencing existing national regulations or standards instead of international frameworks, move BP7 to Basic and reformulate under HR, merge and simplify BP8 and BP9).
 39. On the question (Q33) if it would be beneficial **to split the Business Partners (BP) Module into sub-modules** depending on the nature of the user (for example “banks”, “investors”, “large corporates”), there were split views with a tiny majority (52%) in favour of the split. The arguments in favour were improve utility of the information, the arguments opposed were that division in sub-modules would over complexify. Associations of both preparers and users banks were in favour of split.
 40. On the question (Q34) **regarding datapoints related to the EU-taxonomy regulation** considering the work of the Sustainable Finance to make a proportionate tool for EU-taxonomy available, the majority of respondents was not in favour. Many commented that it would be too complex and difficult to understand the taxonomy for SMEs, given their limited resources. General suggestion to postpone this, recognising that it may enhance market opportunities for SMEs.
 41. On the question (Q35) about **the guidance developed for the Business Partners Module** and whether respondents considered it useful and sufficient, the majority agreed that this was the case. Some pointed out remaining concerns on language, calculation complexity, sector-guidance, need for clearer definitions and hyperlink, online tools to guide navigation and reporting.
 42. On the question (Q36) for users whether **there any datapoint(s) were missing** from this module that users consider as essential to meet their information needs, the majority of respondents disagreed and considered that no additional datapoints were needed. Some suggested to provide distinction between data related to own operations, clients (downstream), and suppliers (upstream), another suggestion was to foster data accessibility and national authorities to identify which VSME points are already covered by national regulations, so companies quickly know if they comply with VSME via local laws.
 43. On the question (Q37) for users whether **Appendix C** is clear, all the respondents mentioned that Appendix C is clear and helps reconcile the data points in VSME ED. On question (Q38) asking users whether the **VSME ED can replace the existing ESG questionnaires if additional datapoints are added**, a slight majority agreed with the question. However, a slight majority of banks/ investors stated otherwise.
 44. Questions 39 and 40 provided the possibility to respondents to submit additional comments for topics that they were not questioned about but rather wished to express their opinion none the less. These comments are more general and can be found at the respective detailed answers.

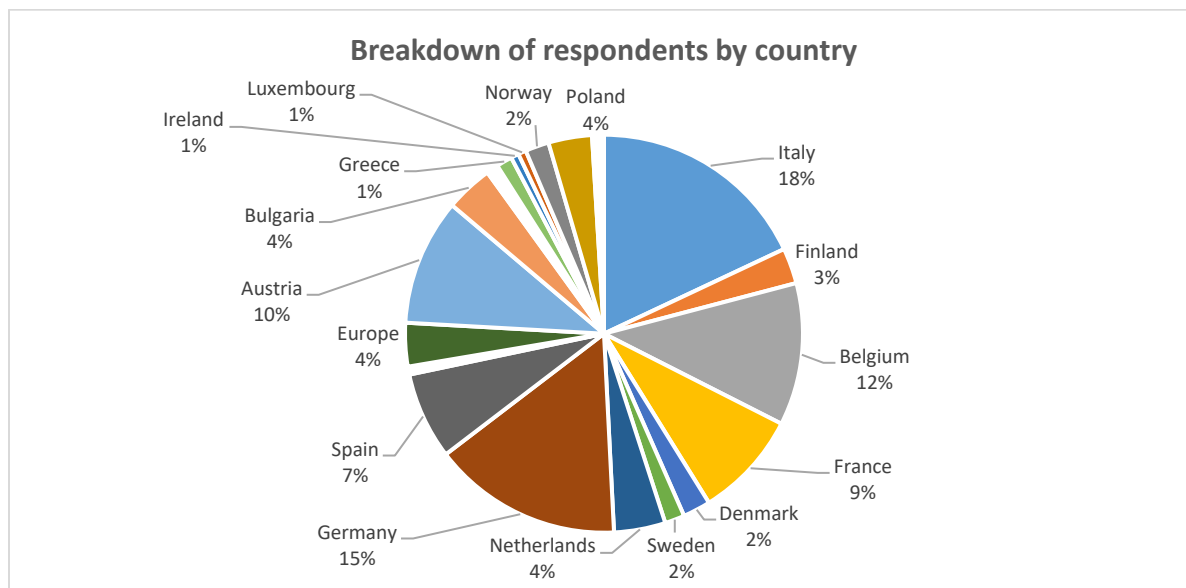
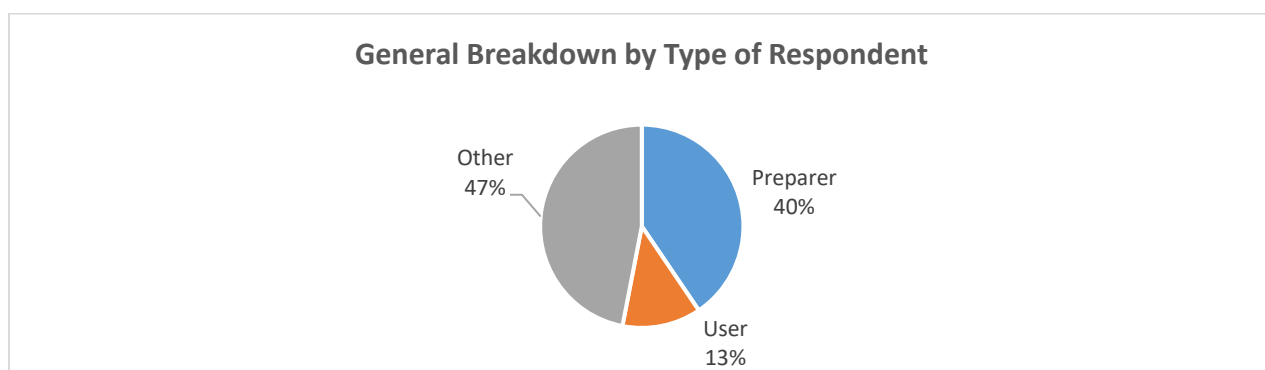
Part 3

45. Concerning the **two questions on the value chain cap** (Q41 and Q42)¹, a majority of preparer and user respondents agree with current value chain cap. However, national and European SME associations as well as a majority of standard setters disagree and requested that VSME be the cap.

Overview of public consultation respondents

46. EFRAG registered 311 respondents to the online public consultation questionnaire.

General Breakdown by Type of Respondent	Number of respondents
Preparer	126
User	39
Other	146 ²



¹ Please note that there are two different pools of respondents to Value Chain Cap questions. Here we consider the feedback of those that replied to VSME consultation.

² The category 'Other' includes also business associations representing preparers or users, but that did a self-classification under "other, if other please specify". Hence, they have identified themselves not as preparers or users. EFRAG Secretariat considered that a reclassification could not be implemented without disrupting the analysis, as the category preparers and users had specific questions in the survey's questionnaire, different from the category "others".

