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## **VSME: Technical orientations based on public consultation feedback**

### **Objective**

1. The objective of this paper is to present the results of the field test and public consultation of the VSME ED and to get approval of the technical directions proposed by EFRAG Secretariat on how to address the consultation feedback, for each of the disclosure requirements in the three modules.

### **Structure of the paper**

2. This comment letter analysis contains:
  - a. Background;
3. Summary of VSME respondents' views and proposed orientation from EFRAG Secretariat.
  - i. General considerations
  - ii. General principles
  - iii. Basic Module
  - iv. Narrative-PAT Module
  - v. Business Partners Module

### **Background**

4. The EFRAG Secretariat has analysed and summarised the responses received on the VSME Exposure Draft (VSME ED) received both online and via comment letters. The VSME ED was subject to public feedback from the 22 January 2024 to 21 May 2024. In parallel to the public consultation, EFRAG Secretariat has conducted a field test with preparers and users of the VSME ED to further test the usability of the standard.
5. This paper presents the EFRAG Secretariat proposed orientations to address comments from the field test and public consultation. They will support decision on technical direction about changes to the standards before it is finalized.
6. The detailed analysis of the feedback from the field test and public consultation has been summarised in the Key Findings reports of both the field test ([link](#)) and public consultation on-line questionnaire ([link](#)). To note that the below table also considers the results from the public consultation's comment letters (Executive summary public consultation comment letters).

## Summary of VSME respondents' views and proposed orientations from EFRAG's Secretariat

7. In this section, an overview of the main points emerged from the VSME Field Test (highlighted in grey) and Public Consultation (both on-line questionnaire and comment letters) together with the proposed EFRAG Secretariat orientation is provided.
8. In the table the conclusions are progressively numbered: ACT means Possible action after the delivery of VSME to the EC; TBD means Item to be discussed at the SRB (cross cutting) or SR TEG (topical) in order to identify the course of actions; CCS means change to VSME cross cutting content; ENV means change to VSME environmental content; SOC means change to VSME social content; GOV means change to VSME governance content.
9. This document is to be read in conjunction with the Strategic orientations prepared for the SRB discussion, where the general aspects of the consultation are treated, i.e. architecture, modularity, cross cutting, etc.
10. The feedback from the consultation shows that VSME is able to meet the expectations of the users, however for banking users have provided a list of additional datapoints that they include in their questionnaires, as suggested integrations. The EFRAG Secretariat has collected them in a list of possible additional datapoints in a new module labelled ADVANCED (see dedicated paper).

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Basic module

Topic		Preparers	Users	Other	EFRAG Secretariat Orientation	Conclusion
<i>B1 – Basis for preparation</i>	FT	N/A	N/A	N/A	Add in B1 (merged in N1 if CCS 1 is implemented) the CORE/BASIC content: <ol style="list-style-type: none"> <li>NACE sector classification code</li> <li>Size of balance sheet</li> <li>Turnover</li> <li>Country of primary operations + location(s) of significant assets</li> <li>ESG labels or certificates if any.</li> </ol>	CCS 8
	PUBLIC CONSULTATION	Feasible and straight forward for most.	<p><b>Banks:</b> essential for most. Suggestion to add NACE sector classification code, size of balance sheet, turnover and FTE employees, country of primary operations (One European banking association) + location(s) of significant assets + ESG labels or certificates if any.</p> <p><b>Large undertakings:</b> Essential for most. Suggest adding the following points: the company's sector(s), turnover (range) and location(s).</p>	<p><b>NGOs:</b> Structural changes asked by a selection NGOs (see above). Other NGOs did not ask for these.</p> <p><b>Standard Setters:</b> Request to add NACE codes, HQ location etc. as mandatory under EMAS.</p> <p><b>Accountants:</b> Increase Guidance + include basic undertakings information.</p>		
<i>B2 – Practices for transitioning towards a more sustainable economy</i>	FT	N/A	N/A	N/A	<p>The EFRAG Secretariat understands the suggestion of NGOs as requiring that for each metrics the undertaking explains its practices. However, reflecting the logic of demand driven standard setting (content of the questionnaires based on input from banks and large corporates to this consultation) the EFRG Secretariat does not agree with this suggestion.</p> <p>See the suggested restructuring in the SRB strategic directions document.</p> <p>Add in B2 the BASIC content:</p> <ul style="list-style-type: none"> <li>if there is a formal sustainability policy on ESG issues (and if it is publicly available) as well as any separate environmental, social or governance policy for addressing material risks and opportunities</li> </ul>	CCS 9
	PUBLIC CONSULTATION	<p><b>SMEs:</b> Feasible for most. Suggestion to include philanthropic activities within B2 by a European SME association. Additional suggestion to include the following for cooperatives:</p> <ul style="list-style-type: none"> <li>“The effective participation of workers, users or other interested parties or communities in governance”</li> <li>“the financial investment in the capital or assets of social economy entities referred to in the Council Recommendation of 29 September 2023 (excluding donations and contributions)”</li> <li>“any limits to the distribution of profits connected to the mutualistic nature or to the nature of the</li> </ul>	<p><b>Banks:</b> essential for most. Suggestion to add: policies implemented or future policies and any initiatives to either reduce emissions or measures to improve energy efficiency. Suggestion to include procurement <u>policies</u> re ESG in supplier selection; % of employees that received ESG training over the last 3 years &amp; number of “ESG” employees. Also from a European Banking assoc.:</p> <ul style="list-style-type: none"> <li>whether a formal sustainability policy on ESG issues (and if it is publicly available) as well as any separate ESG policy for addressing material risks and opportunities</li> </ul> <p>Any future initiatives or forward-looking plans the company has identified that are relevant to</p>	<p><b>NGOs:</b> Split views. Some ask for structural changes asked by a selection NGOs. Other NGOs did not ask for these. If the structure is changed as mentioned by the NGOs, B2 would need to be reassessed. Integrate B2 into paragraph 19 to allow undertakings to complement metrics with additional qualitative and/or quantitative information.</p> <p><b>Standard Setters:</b> Split views on possible reformulation of content into a Y/N approach.</p> <p><b>Accountants:</b> certain accountants asked to include philanthropic activities. Other did not mention it.</p> <p><b>European Standardisation Organisations:</b> emphasis on excluding philanthropic action from B2 (one organisation).</p>		

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		activities consisting in services of general economic interest (SGEI)”	implement • Initiatives to reduce emissions or measures to improve energy efficiency. Proposed rewording to allow PAT information on ESG: “The undertaking may briefly describe specific practices (i.e. PAT) for transitioning towards a more sustainable economy where applicable”. Such practices include actions to reduce its negative impacts, risks and to enhance its positive impacts linked with all ESG matters included in VSME (non-exhaustive list: climate change, climate mitigation, biodiversity, water, resource use, pollution, any policies regarding its workforce). <b>Large undertakings:</b> Essential for most. However, disclosure <u>requires more clarity</u> on “practices for transitioning”. Additional indicative elements to be introduced in the guidance.		<ul style="list-style-type: none"> <li>any future initiatives or forward-looking plans the company has identified that are relevant to implement</li> <li>Any initiatives to either reduce emissions or measures to improve energy efficiency.</li> </ul>	
<b>B3 – Energy and greenhouse gas emissions</b>	<b>FIELD TEST</b>	Most preparers found this disclosure to be highly challenging. <u>Proposals from preparers:</u> Respondents suggest providing free online calculation tools and conversion methodologies (including references to those on national level). Guidance for shared office spaces and remote work (e.g., estimates from national data).	All users found this disclosure essential (banks/investors, large companies and platforms). <u>User banks also recommended</u> to include in the guidance either on-line calculators or methodologies to support SMEs.	<b>N/A</b>	EFRAG will not be directly responsible for delivering tools. However, EFRAG could support the promotion of coordinated implementation efforts by Member States, including the availability of online calculators and databases for inputs for GHG.	ACT 7
	<b>PUBLIC CONSULTATION</b>	<b>SMEs:</b> Split views, no majority. Overall agreement on the need to facilitate the disclosing of GHG emission-related data. Suggestion to add an online calculation tool. One European SME association suggests adding building energy performance certificate and/or vehicle emission standard.	<b>Banks:</b> Essential for all. A European banking association suggest reformulating as following: i) Reformulate §24 as "Total consumption of energy from fossil sources (for electricity consider consumption indicated in utility bills for the part from non-renewable	<b>NGOs:</b> essential, very few suggested to include scope 3 in B3. Additional marginal suggestion to allow to use market-based information and estimates + building energy performance certificates - pillar 3. <b>Standard Setters:</b> Allow for market-based information and estimates +	<ul style="list-style-type: none"> <li>Allowance for market-based is provided in guidance. No change.</li> <li>§25 already requires the use of estimates.</li> <li>Add building energy performance certificates if available (CORE module to be discussed, instead of BP5(e) (simplification)).</li> </ul>	ENV1

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	<p>Additional suggestion: energy consumption should be measured in Joules, since MWh is a second level conversion measure.</p>	<p>sources i.e. without guarantee of origin); ii) Total consumption of energy considered from renewable sources (for electricity consider consumption indicated in utility bills for the part from renewable sources i.e. with certificate of origin)". ii) building energy performance certificates - pillar 3.  <b>Large undertakings:</b> essential for most. suggestion to allow SMEs to make use of average estimates. Additionally, more guidance/ tools/ examples should be provided within the standard.</p>	<p>building energy performance certificates - pillar 3.  <b>Accountants:</b> Provide additional support/ tools + guidance on how to manage shared office spaces/ co-working facilities.  <b>SFP/ Authorities: SFP:</b> proposal to add to paragraph 24 (a), in case the undertaking's activity is related to energy production, the amount of energy production (split between renewable and non-renewable).  <b>One other authority:</b> Additional suggestion to include the production volumes at granular level (MWh for electricity production; tons.km or passengers.km for the road freight and road passenger transport; etc.). This information, together with the related GHG emissions, will allow a robust calculation of the company's departure point and trajectory.                      This other authority also stated that it regards appendix C to be missing references with B3.</p>	<ul style="list-style-type: none"> <li>• Add guidance on issue of shared facilities and calculation of different indicators.</li> <li>• Add, where activities relate to energy production, the amount of energy production (split between renewable and non-renewable) - (if applicable) ADVANCED module.</li> <li>• Add "Total consumption of energy from fossil sources (for electricity consider indication in utility bills for part from non-renewable sources i.e. without guarantee of origin); ii) Total consumption of energy considered from renewable sources (i.e. with certificate of origin)" – ADVANCE module OR report Total energy consumption + % renewable (but considering banks' calculation guidance).</li> </ul>	<p>ENV 2</p> <p>ENV 3</p> <p>ENV 4</p>

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B4 – Pollution of air, water and soil	FIELD TEST	<p><b>Proposal from preparers:</b> Those reporting this disclosure, requested avoiding double reporting under ISO 14001, EMAS, and VSME ED, suggesting cross-referencing the standard to streamline information. Suggestion to make a more explicit formulation of “if applicable”.</p>	<p>Majority of users found this disclosure of medium to high relevance.</p>	N/A	<p>Guidance should make explicit this is only required of certain types of SMEs, which typically will not include service/office-based businesses, i.e. (differentiation between production &amp; service SMEs).</p> <p>The EFRAG Secretariat has worked on ESRS / EMAS mapping to understand possible enhancements to the level of alignment. <b>A dedicated document will be discussed at TEG.</b></p> <p>EFRAG Secretariat is also cooperating with CEN/CENELEC to map ISO 14001 to VSME.</p>	<p>ENV 5</p> <p>ACT 8</p>
	PUBLIC CONSULTATION	<p><b>SMEs:</b> Split views on difficulty, slight majority finds it feasible. Request to add the list of all pollutants (note that a very low number of SMEs use EMAS). <b>European or national organizations (as proxy for SMEs):</b> suggestion to make the second part of the requirement in paragraph 26 ("or that it already reports according to an Environmental Management System such as Eco-Management and Audit Scheme (EMAS)") a "may" disclosure, to be consistent with ESRS E2 (only focuses on information the undertaking is already required to report under existing legislation, not focusing on voluntary schemes).</p>	<p><b>Banks:</b> Essential for most. Suggestion to first require disclosure on whether SMEs already report this data (according to law, EMAS, etc.), and only if the answer is positive will the undertaking be required to disclose the metrics. Suggestion to require only indicate measures of company emissions relating to environmental pollution other than climate-altering gases (not for micro). <b>Large undertakings:</b> Essential for most. Suggestion to <u>provide the full list of pollutants</u>.</p>	<p><b>NGOs:</b> essential <b>Accountants:</b> Increase Guidance. <b>Standard Setters:</b> Essential. Provide <u>examples</u> of the pollutant types addressed in EPRTR.</p>	<p>Clarify “or that it already <u>voluntarily</u> reports according to an Environmental Management System such as Eco-Management and Audit Scheme (EMAS)”.</p> <p>A list of main pollutants to water (Total solids, COD, BOD, N, P and heavy metals), air (PM10, SOx, NOx, etc) and soil (spills) can be added, as well when they may occur (i.e., in what SMEs activities) can be provided.</p> <p>require disclosure on whether SMEs already report this data (according to law, EMAS, etc.) - ADVANCE</p> <p>A list of all pollutants does not make sense and would overwhelm users.</p> <p>Propose alternative requirements on emissions other than GHG emissions for TEG discussion.</p>	<p>ENV 6</p> <p>ENV 7</p> <p>ENV8</p> <p>TBD 1</p>

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Topic		Preparers	Users	Other	EFRAG Secretariat Orientation	Conclusion
B5 – Biodiversity	FIELD TEST	<p><b>SMEs and platforms:</b> For those preparers for which the disclosure was considered applicable (small number), challenges included measuring proximity to biodiversity-sensitive areas.</p> <p><u>Proposals from preparers:</u></p> <ol style="list-style-type: none"> <li>needing a clear definition of distance – the term “near”;</li> <li>need for more guidance, like interactive maps and examples.</li> </ol>	<p><b>Banks/investors</b> indicated a preference for the SME <u>disclosing the geolocation coordinates of their operations</u>. This information would allow banks/investors to perform their own analysis and ensure solid data via their IT systems.</p>	N/A	<p>“Near” is defined in §120 and can be included in glossary.</p> <p>Links for tools provided by global consortiums to map the different conservation areas. Would be useful if these tools would be translated into EU main languages and engagement with the consortiums to further improve it for EU SME usability. All this would strengthen the tools and would be most cost-effective. EFRAG could support member states as relevant.</p>	<p>ENV 9</p> <p>ACT 9</p>
	PUBLIC CONSULTATION	<p><b>SMEs:</b> Perceived as feasible by overall preparers. Difficult for medium sized SMEs, much less for micro and small SMEs. This may be because B5 may not be applicable for many smaller preparers. Overall request to increase clarity on guidance. Request to better define the term “near”. One national SME association suggests replacing it with <u>geolocation (postcode)</u>.</p>	<p><b>Banks:</b> essential for most. However, a European Banking association suggests limiting B5 to: i) Percentage of land owned, leased and/or <u>managed within legally protected and internationally recognized areas</u> (...); ii) Percentage of marine area owned, leased and/or managed within legally protected or internationally recognized (One European banking association) + Define “near”.</p> <p><b>Large undertakings:</b> Essential for majority. Suggestion to <u>clarify the concept of “near”</u>. Provide additional guidance.</p>	<p><b>NGOs:</b> essential</p> <p><b>Standard Setters:</b> essential. Recommend <u>optional land-use metrics</u> to be applied to high biodiversity impact sectors identified by the TNFD.</p> <p><b>Accountants:</b> Too difficult to prepare → suggestion to increase tools + guidance on how to manage shared office spaces/ co-working facilities.</p> <p><b>SFP/ Authorities:</b> SFP: make paragraph 29 applicable depending on the location and size of the undertaking + align with SFDR PAI 7 wording (activities negatively affecting biodiversity sensitive areas). + define the term “near”. + Clarify the term “adjacent”, quantify it. Request to provide further details on how to report the location (e.g. country + postal code).</p> <p><b>European Standardisation Organisations:</b> Consider making mandatory the disclosure of soil use (total use of land, total sealed area, total nature-oriented area on site and total nature-oriented area off site) as per EMAS regulation.</p>	<ul style="list-style-type: none"> <li>The concept of near in §120 moved into the glossary.</li> <li>Discuss at TEG if should be changed to “within” (inside).</li> <li>More guidance and examples can be provided, E.g., an explanation with examples on how to calculate the different land areas.</li> <li>TO BE DISCUSSED IN TEG the feasibility opportunity for geolocation, secretariat has concerns about unintended consequences</li> <li>On the suggestions made by standard setters, SF platforms, and European standardisation organisations on paragraph 29, for SR TEG consideration, under ESRS E4 paragraph AR 34 the same requirements are a “may” disclosure (Set1 consistency). Suggest making B5 paragraph 29 a ‘shall’ only if SME has sites in or near biodiversity-sensitive areas (paragraph 28) for certain sectors.</li> <li>Propose not to align wording with SFDR as it would mean including a significant additional dimension</li> </ul>	<p>ENV 10</p> <p>TBD 2</p> <p>ENV 11</p> <p>TBD 3</p> <p>ENV 12</p>



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Topic		Preparers	Users	Other	EFRAG Secretariat Orientation	Conclusion
					(assessing if the operations are negatively affecting the area).	
B6 – Water	FIELD TEST	<p><u>Additional guidance was requested:</u></p> <ol style="list-style-type: none"> <li>on situations of co-working/office sharing in terms of allocation key (water bill to attribute to co-working space).</li> <li>on water consumption applicability (examples); and or high-stress areas.</li> </ol>	Majority of users found this disclosure high relevance.	N/A	Guidance will be added (for water and other BM disclosures) for simple calculation methods when using shared offices/co-working facilities; some simplification of the guidance is needed on water consumption, users seem to be confused with references to water discharges (a scheme would probably be best) as well as how to use water utility bills; for high-stress areas	ENV 13
	PUBLIC CONSULTATION	<p><b>SMEs:</b> Perceived as feasible by overall preparers. More difficult for medium sized SMEs, rather than for micro and small SMEs. This may be because B6 may not be applicable for many smaller preparers. Overall request to increase clarity on terms and definitions (withdrawal, consumption, collected rainwater). One national SME association suggests <u>water stress to be determined via online map</u> automatically and consider the <u>disclosure to apply only for certain sectors (agriculture)</u>. Additional issue brought up by the determining of water usage for shared working spaces (such as offices).</p>	<p><b>Banks:</b> Essential for most. Request to replace current metrics (water withdrawal, including from high-water stress areas; water consumption, if applicable) with the indicator of water intensity on all (1 European banking association). Request to develop (or include a link to) a tool with disclosure thresholds for water consumption in m3), which, if surpassed, triggers reporting. Additionally, a European banking association suggests limiting B6 to: Annual average amount of water consumed by businesses (in cubic meters) per million EUR of business revenue.</p> <p><b>Large undertakings:</b> Essential for most. However, datapoint only relevant for certain sectors. Difficulty in determining whether a company is located in a site of water stress. Provide additional guidance/ tools/ examples.</p>	<p><b>NGOs:</b> essential</p> <p><b>Standard Setters:</b> Use “water use” instead of “water withdrawals”: “water use” is used by the Directive 2000/60/EC. Avoid using the term “water consumption” as it is a rather rare datapoint.</p> <p><b>Accountants:</b> <u>Too difficult</u> to prepare → increase guidance.</p> <p><b>SFP/ Authorities:</b> <b>SFP:</b> on the guidance proposed by the WRI Aqueduct Water Risk Atlas, the threshold to be considered in distress should be further specified. Therefore, guidance on water-intensive sectors is required.</p>	<ul style="list-style-type: none"> <li>Terminological differences (e.g., withdrawal, consumption) are already explained in the guidance.</li> <li>Applicability of water consumption vs withdrawal can be strengthened in the guidance.</li> <li>No action on water stress determination via automated online mapping (WRI reference already provided in guidance; EFRAG does not develop tools).</li> <li>The terms water consumption and withdrawal come from Set1. Discuss with TEG its inclusion or not.</li> <li>On WRI tool, the threshold is high-water stress, this is &gt;40% of ratio of water demand/water renewable supply. Clarify with PSF comment, but for now do not request a new data point.</li> <li>Instead of a quantitative threshold provide some guidance on potential applicability (e.g. office/service based/co-working not applicable; if in low/medium-low risk area not applicable).</li> </ul>	<p>ENV 14</p> <p>TBD4</p> <p>ACT9.bis</p> <p>ENV 15</p>

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Topic	Preparers	Users	Other	EFRAG Secretariat Orientation	Conclusion
<p><i>B7 – Resource use, circular economy and waste management</i></p>	<p>SMEs: Deemed as medium to high difficulty due to the fact that often SMEs do not have detailed systems in place to track waste types, amounts, and disposal methods.</p> <p>Proposals from preparers:</p> <ul style="list-style-type: none"> <li>Request for templates to help frame responses.</li> <li>Additional guidance to manage cross-national discrepancies towards waste and recycling.</li> </ul>	<p>Medium relevance suggests that while resource efficiency and waste reduction are important, they may not be as universally critical as emissions or water usage to businesses.</p>	<p>N/A</p>	<p>Suggest that these disclosures are streamlined with EMAS (and ISO14001, to be assessed).</p> <p>Do not propose to add national guidance, this would considerably increase guidance volume and would be very time consuming. To deal with this issue, the approach to tools and engagement for SME support at national level needs to have a clear strategy.</p>	<p>ENV 16</p> <p>ACT 10</p>
	<p><b>SMEs:</b> Small majority finds the disclosure as feasible. Suggestion to <u>replace</u> this disclosure with a <u>drop-down menu</u>, to clarify that it is not applicable to distributors and to clarify hazardous waste. This would simplify disclosure metric calculation difficulty.</p>	<p><b>Banks:</b> essential for most. Split views. Suggestion to change from “shall” to “may” in paragraph 33d (1 national banking association). Many respondents stated that the data is already being collected. Provide additional guidance. Another European Banking association proposes to change B7 to: “The undertaking shall disclose how it manages resource use, its waste management practices and whether it applies circular economy principles. The disclosure may include: [...] (d) the total annual waste diverted to recycling or reuse expressed in units of weight (e.g., kg or tons).”</p> <p><b>Large undertakings:</b> essential for most. Clarifications to be introduced in the guidance.</p>	<p><b>NGOs:</b> Essential</p> <p><b>Standard Setters:</b> Create closer links with existing frameworks and legislation. Create a quantifiable list of material flows (key materials used, broken down by type of material – no descriptive provision). Make paragraph 33 (a &amp; b) applicable for certain undertakings only. Move BP6 into B7.</p> <p><b>Accountants:</b> <u>Too difficult to prepare</u> + increase guidance to include the main points that SMEs should consider.</p> <p><b>SFP/ Authorities:</b> <b>SFP:</b> paragraph 33 (c) keeps units of weight, not volume for consistency reasons with SFDR. Increase guidance on how to identify manufacturing and/ or packaging processes (paragraph 134) ahead of the guidance on the rate of recycled and recyclable content (paragraph 132).</p>	<p>Paragraph 33(d) qualification as a “may” disclosure, to be proposed for SR TEG discussion.</p> <p>Simplify in accordance with EMAs to make it easier to calculate (also a solution to concerns on paragraph 33(a,b)).</p> <p>Radioactive waste will be part of the Core module, which includes the BP7 datapoints.</p> <p>Consider units used in different regulations and Set 1 and consider allowing both (believe was changed from weight to volume as considered friendlier for smaller companies).</p> <p>On the list of material flows, suggestion not to take it on board as it would add to the burden of information to be studied by VSMEs, and would risk being a non-exhaustive list.</p>	<p>TBD5</p> <p>ENV 17</p> <p>ENV 18</p> <p>ENV 19</p>

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B8 – Workforce – General characteristics	FT	Disclosure of <u>low difficulty</u> as it requires information already being collected.	Overall essential, however for some the metric may be less directly linked to immediate sustainability goals.	N/A		
	PUBLIC CONSULTATION	<b>SMEs:</b> Overall perceived as feasible by most respondents. In addition, some suggested clarifying disclosure requirements for self-employed and agency workers, as well as for cross-border placements of employees, and interns. Some requested to clarify the basis of the country breakdown	<b>Banks:</b> Essential for most. Suggestion to add additional datapoints by banks: i) percentage of non-employee personnel (work-supply contracts) on the total number of employees 2) percentage of female staff in managerial roles by one financial institution, 3) staff turnover. Additionally, one respondent proposed to disclose ▲Staff with other types of contracts (contracted and other) • Staff in managerial roles • Number of employees promoted by gender • Number of deceased employees. Moreover, there should be clarification if the employee statistics refer to the year average or point in time (European banking association). <b>Large undertakings:</b> essential for most. It was requested to specify whether paragraph 34 c) refers to the origin of employees and clarification on how to proceed in the case of cross-border employees.	<b>NGOs:</b> Incorporate <u>additional indicators</u> related to equal treatment and antidiscrimination within VSME. SMEs should also report on the existence of inclusiveness policies and which social identities are covered by the policy. Additional contract types should be included in B8, i.e. part-time by one NGO. One NGO suggests adding workforce data breakdown by age. <b>Standard Setters:</b> Essential. Suggestion from minority to <u>omit the FTE option</u> paragraph 34. Also proposed to disclose. information on non-contract workers. <b>SFP/ Authorities:</b> SFP: paragraph 34 c), suggestion to specify if the country refers to where the worker is domiciled for tax purposes or other.	Question for SR TEG is to include a new datapoint on number or percentage of non-employees. The definition of non-employees is aligned with set 1 (i.e., self-employed and agency workers from NACE code N78).  Percentage of female in managerial roles or employees by type of contract arises from set1, however it is not SFDR nor drives from existing legislation. To be discussed as part of the ADVANCED module (see separate doc.)  Clarification to be added for country breakdown whereby the contractual relationship (for example, in the case of employees that is the employment contract) defines the country.	TBD6  TBD7  SOC1

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Topic		Preparers	Users	Other	EFRAG Secretariat Orientation	Conclusion
B9 – Workforce – Health and safety	FT	Disclosure of low difficulty for most respondents. However, some situations provide challenges (e.g. contract workers).	Highly relevant.	N/A		
	PUBLIC CONSULTATION	<p><b>SMEs:</b> Overall, most public consultation respondents found the disclosure feasible. Several requests to have a clear definition of what a work accident entails. Data should be made comparable between sectors. Some respondents proposed to add non-employees (i.e., self-employed and agency workers) given that they are critical members of the workforce for SMEs.</p>	<p><b>Banks:</b> Essential for most respondents. One national banking association suggested to include: i) Number of days lost due to injuries, accidents, fatal accidents or professional diseases, ii) Number of cases related to discrimination (e.g. sexual and non-sexual harassment, discrimination on the basis of gender, racial or ethnic origin, nationality, religion or belief, disability, age or sexual orientation) with sanctions or definitive measures (i.e., not ongoing lawsuits but definitive measures), iii) Compulsorily employed staff (for protected categories</p> <p><b>Large undertakings:</b> essential for most respondents. Necessity to clarify which cases of accidents at work are considered. Suggestion that only fatalities defined by law should be included.</p>	<p><b>NGOs:</b> Essential</p> <p><b>Standard Setters:</b> Suggestion to add the number of days of work lost to paragraph 35 b. One respondent, along with a large undertaking and a user, suggested using the new proposed SFDR formula for the rate of recordable work-related accident calculation.</p> <p><b>Accountants:</b> Suggestion to extend metric to cover self-employed or agency works over whom the SMEs has a similar level of control. Proposal to include self-employed within the disclosure requirement given the prevalence of this type of employment contract.</p> <p><b>Authorities: SFP:</b> paragraph 35 a) suggestion to explicitly ask to report 0 if no work-related accidents were recorded for the reporting year.</p>	<p>This is a SFDR datapoint on health and safety which is considered as feasible. Propose to wait with using the new proposed SFDR formula until adopted by the EC to be consistent with set 1.</p> <p>To discuss with TEG the proposal of the single banking association. Secretariat position:</p> <p>i) Number of days lost due to injuries, accidents, fatal accidents or professional diseases: to reject it as Health and safety compulsory SFDR are already covered.</p> <p>ii) Number of cases related to discrimination with sanctions or definitive measures: to reject it as discrimination for policies and violations are already included in BP7, BP8 and BP9.</p> <p>iii) Compulsorily employed staff for protected categories: to have as datapoint in the ADVANCED module (B8 additional breakdown of employees with disabilities).</p> <p>In addition, consensus from different groups of stakeholders is being reached regarding the relevance of self-employed within SMEs. Secretariat is proposing to add a voluntary datapoint of accidents and fatalities of self-employed and agency workers.</p> <p>Most of the respondents stated that commuting accidents are included as per the specific question conveyed in</p>	<p>ACT11</p> <p>TBD8</p> <p>SOC2</p> <p>SOC2.bis</p>

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Topic		Preparers	Users	Other	EFRAG Secretariat Orientation	Conclusion
					the public consultation. A definition of accidents will be included.	
B10 – Workforce – Remuneration , collective bargaining and training	FIELD TEST	<ul style="list-style-type: none"> <li>- Challenge to compare gender pay gap in small undertakings.</li> <li>- Definitions of formal and informal training unclear.</li> <li>- Clarification on minimum wage disclosures for countries without one.</li> <li>- Clarification on parental leave and more guidance on FTE requested.</li> <li>- Privacy concerns for micro and small SMEs on disclosing salaries.</li> </ul>	Split views: some participants highlighted that only training information should be reported, the other datapoints of this disclosure are not relevant as they are already covered by national laws. Others commented that monitoring annual trainings is irrelevant, while others stated that they were already collecting these metrics.	N/A		
	PUBLIC CONSULTATION	<p><b>SMEs:</b> Overall feasible for majority. Request for <u>further clarifications</u>: how to apply wage baseline for entry level as this can be different for different categories of employees; also noted the need to clarify if it's adjusted vs unadjusted pay gap in the disclosure.</p> <p>Also noted that tracking training may be complicated.</p> <p>Additional suggestion: add a point that commits the company to inform on "the possible existence of mechanisms for involving workers, users and the communities directly interested in the democratic governance of the company, as well as mechanisms for protecting the rights of stakeholders who are eligible to be admitted to the cooperative business".</p> <ul style="list-style-type: none"> <li>• Possible "social" b-10 linked disclosures could create legal problems for SMEs disclosing information on remuneration etc.</li> </ul>	<p><b>Banks:</b> essential for majority. <u>Reformulate and add the following datapoints:</u></p> <ul style="list-style-type: none"> <li>• Pay gap (men's pay - women's pay/men's pay) by classification: executives, managers and employees, is structured training provided? Of which mandatory?</li> <li>• Average number of training hours per employee and by gender</li> <li>• Training on issues related to sustainability</li> </ul> <p><b>Large undertakings:</b> Essential for majority. One request to <u>delete the disclosure</u> on minimum wages (paragraph 36a). Other request for further clarifications.</p>	<p><b>NGOs:</b> As some EU countries use collective bargaining instead of statutory minimum wage laws, the term "minimum wage" should be clarified and not be used as a benchmark parameter.</p> <p><b>Standard Setters:</b> a) Adequate wages- Lack of clarity of par 36 (a) departs from set 1 and unclear how to calculate the entry level wage. Request to remove. b) Pay gap- Request to replace the 150-employee threshold in 36 b. with 50 given lower thresholds in nationally. Suggestion to move 36b to BP Module. c) Collective bargaining- Suggestion to move this to the Narrative-PAT module.</p> <p><b>Other:</b> New metric suggested: provision of pension or health/social benefits to all/or a group of employees?</p> <p><b>Accountants:</b> For micro's: could disclosures lead to data privacy issues around personal information? Also relevant to B8 and B9?</p> <p>Suggestion to also cover self-employed or agency workers where SMEs has a similar level of control and the existence of apprenticeships. Clarify the guidelines for minimum wage calculations.</p> <p><b>SFP/ Authorities:</b> <u>SFP: drop the limitation</u> to report this only from 150</p>	<p>The orientation from Secretariat on the four datapoints included in this disclosure has been based on the consensus reached on this disclosure whereby minor changes are proposed.</p> <p>a) <b>Adequate wages</b> - Reformulation of the disclosure by substituting entry level wage with minimum wage or determined according to a collective bargaining agreement.</p> <p>b) <b>Pay gap</b> – Given that the threshold is at 50 employees in some of the member states, Secretariat proposes to lower it to 100 employees based on the to reduce to 100 Pay Transparency Directive. To clarify that it's unadjusted pay gap. To add a voluntary datapoint (may) related to the split by professional role.</p> <p>c) <b>Collective bargaining agreements</b>- to add a voluntary contextual datapoint when there is a different concept of collective bargaining.</p> <p>d) <b>Training:</b> to remove informal training.</p>	<p>SOC 3</p> <p>SOC 4</p> <p>SOC 5</p> <p>SOC 6</p>



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				be subject to being affected. Additionally, add reference to tools in place under other legislation such as the Regulation to ban products made with forced labour.		
<b>B12 – Convictions and fines for corruption and bribery</b>	<b>FT</b>	Low difficulty for preparers.	Split views. Rating agencies and banks say that this metric is relevant. Large undertakings and most consultants do not see it as relevant.	<b>N/A</b>	The EFRAG Secretariat does not agree with adding additional types of legislation as this would go beyond Set 1 and would not meet the aim of simplification. The Secretariat also does not consider that legal form is part of a sustainability statement but rather the management commentary or directors' report as applicable. However, the EFRAG Secretariat does not agree that mentioning the undertaking was convicted or fined on this particularly heinous crime during the period raises confidentiality issues and would hope that this happens seldom enough that the undertaking is able to track these.  Include in the dropdown menu supporting disclosure of policies-actions-targets in basic module whether the undertaking has implemented a charter etc.	GOV 1
	<b>PUBLIC CONSULTATION</b>	<b>SMEs:</b> Feasible for majority of respondents. General consensus on the disclosure possible posing privacy/ confidentiality issues + feasibility to collect data. Split views on whether to delete it or not – despite it not being complicated to collect.	<b>Banks:</b> essential for most. A European banking association propose to limit to the adoption (or not) of active and passive anticorruption policies. Number of convictions and number of fines imposed for violations of the laws against active and passive corruption - Is there a system in the company to report violations of laws or regulations, crimes and cases of corruption. Another European association asks reformulating as follows: "The undertaking shall disclose, whether it has implemented a charter/code of conduct for its employees to formalize its ethical commitments. If applicable, the undertaking shall specify: - which topics are covered (corruption, fraud, anti-competitive practices, human rights, labour code provisions, tax transparency) and what measures have been put in place; - what verification/internal control processes are in place to ensure compliance with the code of ethics/charter. Additional suggestion to include human rights violations including other legal infractions or fines, such as environmental	<b>NGOs:</b> Suggestion: Link B12 to governance and make SMEs disclose their legal form. Additional suggestion: add other types of litigations including competition and harassment. <b>Standard Setters:</b> suggestion: make preparers explain why a disclosure has been omitted. <b>Accountants:</b> additional guidance.		

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Topic		Preparers	Users	Other	EFRAG Secretariat Orientation	Conclusion
			legislation violations or money laundering. <b>Large undertakings:</b> essential for most. Confidentiality issue that needs to be addressed. An association suggested to delete the disclosure.			



Business partners module

Topic		Preparers	Users	Other	EFRAG Secretariat Orientation	Conclusion
Scope 3	FT	N/A	N/A	N/A	Explore with SR TEG the options for Scope 3 requirements (leave them in the Core module or move them to the Advanced module).	
	PUBLIC CONSULTATION	<p><b>SMEs: SPLIT views:</b> 50/50 on whether this metric is too complicated. National SME associations state that it is highly difficult, and they do not support its inclusion in the standard.</p>	<p><b>Users (Banks + Large Undertakings):</b> Essential despite heavy burden for companies.  <b>Banks:</b> <u>consider Scope 3 necessary</u>, one European banking association suggest disclosure only <u>if already available</u>.  <b>Large undertakings:</b> agreement that scope 3 is essential, despite too complex for SMEs. Some view this disclosure as not essential.</p>	<p><b>NGOs:</b> VSME positioning of scope 3 in the BPM, while reported in the BM <u>creates confusion</u> – emissions should be moved to the BM (also because the metric is needed by a wide variety of users). GHG emission calculation tools remain critical.  <b>Standard Setters:</b> 1 Standard Setter: <u>deletion of the entity-specific reference</u> applicable to all sectors; disclosure requirement applicable to high climate impact sectors.                      1 Standard Setter: keep scope 3 as is without entity-specific disclosures.                      1 Standard Setter: have entity-specific considerations for GHG scope 3 emissions.  <b>Accountants:</b> <u>difficult for SMEs</u> to implement, there should be an “EU” GHG <u>emissions calculator</u> (that provides <u>estimates/ approximations</u>, compliant to VSME reporting).</p>	<p>Explore the approach to tools, which could make easier (and potentially meaningless) the S3 calculation.</p>	<p>TBD9</p> <p>ACT 13</p>

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Topic		Preparers	Users	Other	EFRAG Secretariat Orientation	Conclusion
BP1 – Revenues from certain sectors	FT	The majority of respondents consider this low difficulty as most undertakings already have this information readily available.	Provides users a helpful general overview of the undertaking as business partner. Incorporating NACE codes would improve comparability.	N/A	Discuss with EFRAG SR TEG possible additional disclosure of whether companies are excluded from the EU reference indices aligned with the Paris Agreement.	TBD10
	PUBLIC CONSULTATION	<p><b>SMEs:</b> Feasible for most. Some suggest moving BP1 to the BM in the form of ‘if applicable’</p> <p>Suggestion to report gross profit rather than turnover.</p>	<p><b>Banks: essential for most.</b></p> <p>Suggestion of a European banking association to request whether companies are excluded from the EU reference indices aligned with the Paris Agreement pursuant to art.12 par.1, letter. from d) to g), and of the art. 12 par. 2 reg. (EU) 2020/1818) - This refers to companies that derive 1% or more of their revenues from the exploration, extraction, distribution or refining of hard coal and lignite; (e) companies that obtain 10% or more of their revenues from the exploration, extraction, distribution or refining of fuel oils; f) companies that obtain 50% or more of their revenues from the exploration, extraction, production or distribution of combustible gases; g) companies that obtain 50% or more of their revenues from electricity production with a greenhouse gas intensity greater than 100 g CO2e/kWh. This should apply to medium enterprises only. Small and micro-SMEs should have the option to disclose.</p> <p><b>Large undertakings:</b> suggestion to clearly name the sectors in the main text and suggestion by some to use gross profit rather than turnover for B1 reporting.</p>	<p><b>Standard Setters:</b> Proposed alignment to SFDR: “(a) manufacture or selling of controversial weapons such as anti-personnel mines, cluster munitions, chemical weapons and biological weapons.”</p> <p>A standard setter sees BP1 unnecessary, despite SFDR.</p> <p>Add that the undertaking shall state whether or not it is excluded from the EU Paris-aligned Benchmarks in accordance with the exclusion criteria stated in Articles 12.1 (d) to (g) and 12.2 of Commission Delegated Regulation (EU) 2020/1818.</p> <p><b>SFP/Authorities: SFP:</b> If the indicator is not applicable/ determinable to the SME, they should be allowed to report 0 revenues which could be translated to 0 exposure Provide clarity on what ‘active in’ means (included in the guidance).</p> <p>Additional comment on BP1: Add references to Pillar 3 – template 1 ( “production of tobacco” and “fossil fuel but also to add it for chemical production as it is listed in Template 1)</p>	<p>Add reference in Appendix C to Pillar 3 (only Benchmark and SFDR are now covered)</p>	GOV2

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Topic		Preparers	Users	Other	EFRAG Secretariat Orientation	Conclusion
BP2 – Gender diversity ratio in governance body	FIELD TEST	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.	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).	N/A	<ul style="list-style-type: none"> <li>• Considers that generally families also have female members, and the size of the undertaking (one-person company) should be obvious from other disclosures.</li> <li>• Given that a significant proportion of respondents consider this essential, not convinced about limiting the disclosure to certain entities.</li> <li>• No preference on the definition of the ratio (SFDR vs usually used) as both have advantages and disadvantages. However, should be clear which ratio is used. Proposal to use SFDR PAI definition for ratio.</li> </ul>	Propose no change
	PUBLIC CONSULTATION	<b>SMEs:</b> Individual SME preparers see the disclosure feasible. However, national and European SME associations ask to delete the disclosure as family-owned undertakings cannot apply it.	<b>Banks:</b> A majority considers disclosure essential. However, 4 European Banking Associations deem this disclosure not necessary. Additional request to move BP2 into the BM and adding the share of independent members in the supervisory body. A European banking association states that banks do not necessarily require this information from their counterparties. The information is currently also not required for CRR disclosures or a bank's ESG risk management from a regulatory standpoint. If it is maintained, compilation should be further simplified. The information requested could be limited to the following: <ul style="list-style-type: none"> <li>• Average female/male ratio among directors - excluding micro</li> <li>• Percentage of members of the administrative, management and control bodies by gender - excluding micro. This should apply to medium enterprises only; Small and micro-SMEs should have the option to disclose</li> </ul> <b>Large undertakings:</b> Split views. A majority state that the disclosure is essential. Some others deem this disclosure not relevant as SMEs are often family-run SMEs (especially micro and small ones).	<b>NGOs:</b> Essential. Request for further guidance. <b>Standard Setter:</b> Essential, however one standard setter sees BP2 as not particularly useful. <b>SFP/Authorities:</b> SFP: align the formula in the VSME indicator with the formula in the matching SFDR PAI 13.		GOV 2.bis

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Topic		Preparers	Users	Other	EFRAG Secretariat Orientation	Conclusion
<p><i>BP 3 – GHG emissions reduction target</i></p>	<p><b>FIELD TEST</b></p>	<p>Numerous comments that outside expertise and tools are required for this difficult disclosure. <u>More precise guidance on target setting</u> and target characteristics to ensure credibility (SBTi for SMEs etc.). <u>Additional guidance, especially related to scope 3 emissions</u>, requested.</p>	<p>Considered the disclosure with the highest relevance to users. Useful as it is an SFDR PAI and Benchmark Regulation disclosure.</p>	<p>N/A</p>	<p>Guidance will be strengthened with some additional materials from SBTi for SMEs. However, considerable effort needs to be done to easily translate SBTi concepts into SME actionable steps. Guidance to be included to the extent feasible in available time. To be consider subsequent action.</p>	<p>ENV20</p>

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Topic		Preparers	Users	Other	EFRAG Secretariat Orientation	Conclusion
	PUBLIC CONSULTATION	<p><b>SMEs:</b> Overall split views. Some regarded this disclosure as feasible to prepare, other respondents as difficult, no majority. A European and a national SME association, which considered these requirements as difficult, suggested to include this disclosure only in the “green finance” submodule. These two associations requested targets to be disclosed in percentages or absolute values. Additional suggestion to include an “EU GHG emission calculator” for scope 3 approximations.</p>	<p><b>Banks:</b> <u>essential to most</u>. Additional request to : i) merge BP3 and BP4; ii) align with set 1 on absolute value; iii) require only for SMEs with targets + intermediate time objectives; iv) only report GHG emission intensity if measured, GHG emissions reduction targets should be disclosed of high impact sectors.; vi) add removals, avoided emissions to emissions reduction targets. A European association suggests including: • Scope 1 &amp; 2 GHG emissions • Publication of quantitative carbon emission reduction targets to align with the Paris Agreement? If so, provide intermediate objectives [e.g. 2025, 2030, etc.]. (Not for micro’s) • Is the intensity related to GHG emissions measured? (e.g. tons of GHG per million turnover) • Change in GHG emissions from last two years or one year. While BP3 is relevant for CRR disclosures, (e.g. Template 3: or 35 a) in EBA/CP/2024/02 for portfolio alignment), the DR obsolete if disclosing a transition plan (BP4). Suggestion for guidance for high-impact sectors (medium enterprises only, voluntary for small and micro). <b>Large undertakings:</b> deemed by a respondent as <u>highly complex</u> for SMEs. Most state that it is essential (despite difficulty).</p>	<p><b>Standard Setters:</b> i) Merge with BP4 and rename as “GHG emission reduction action plan and targets”, ii) (absolute amount and specifying the target year)”. <b>Accountants (all):</b> Considered as necessary and also feasible by some. <b>SFP/Authorities:</b> <b>SFP:</b> the Platform recommends that disclosure <u>BP 3 is merged with disclosure in BP 4</u>. Suggestion to include further guidance on how such targets should be reported in terms of elements covered (type of target, base year, target year, emissions covered, targeted reduction, etc.). Additional suggestion to include further SME specific guidance such as that provided by the SME Climate Hub. Additional comment from <b>another authority:</b> Additional request to report on: (i) gross GHG emissions intensity (disclosed as GHG emissions and revenue per sector). Finally, additional suggestion from this <b>other authority:</b> disclose actions implemented or scheduled to reduce emissions along with the financial resources should be stated to reduce green washing. + Emission volumes should be disclosed as a more granular level than simply MWh. This is important to establish an emission reduction trajectory.</p>	<p>On the points raised by banks, SF platforms, and standard setters, ok with merging with BP4 and making targets more actionable and TP easier.</p> <p>Provide guidance link to external resources. However, tools out of scope for the moment.</p> <p>On targets in % and absolute value, to be brought up for SR TEG consideration and explained in the guidance how targets can be expressed.</p> <p>On the point to make this a requirement only for SMEs that have targets, no action as requirement persists only if the SME asked and wished to answer; this logic needs to be explained in the introduction to module, not an E issue.</p> <p>Intermediate objectives, GHG emission intensity, GHG emission targets in high impact sectors, GHG removals and avoided emissions are topics to be discussed at SR TEG on whether to include them in the Advanced module.</p>	<p>ENV21</p> <p>TBD11</p>

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BP 4 – Transition plan for climate change mitigation	FIELD TEST	Disclosure perceived as difficult. There were several suggestions to add guidance through examples, scenarios and on sectoral transition plans.	Useful information but additional guidance is needed to ensure uniform possible path.	N/A	Do not propose explaining scenarios, etc. Better explain in simple words the challenge in terms of emission reductions and the type of steps that companies can take to achieve them, with a few practical examples.	ENV22
	PUBLIC CONSULTATION	<p><b>SMEs:</b> split views, 50/50 regarding difficulty. Suggestion to disclose this data in an ad hoc bank submodule (a European and a national SME Association).</p> <p>Additional suggestion to make this disclosure more proportionate by not referencing the Paris Agreement.</p>	<p><b>Banks:</b> Essential for most. Suggestion to merge BP3 and BP4. However, additional argument on the importance of BP4 for loan/ risk management purposes.</p> <p>A European banking association suggests adding the follow: In case the company does not yet have a transition plan in place, does it plan to do so and if yes, by when? This should, however, be accompanied by guidelines on the structure of transition plans, including elements like ambition, implementation strategy, metrics &amp; targets and governance. This should apply to medium enterprises only, Small and micro-SMEs should have the option to disclose.</p> <p><b>Large undertakings:</b> Essential for most. Disclosure should be applicable only if the undertaking has adopted a transition plan. Additional suggestion to include a qualitative assessment of the SME's actions to reduce GHG emissions.</p>	<p>NGOs: 1 NGO suggested to make SMEs explain why SMEs do not have transition plans (if they don't have one in place).</p> <p>Standard Setters: Merge BP3 with BP4. Disclosure should be applicable to high impact sector only.</p> <p>Accountants: disclosure is <u>too complex</u>, more realistic metrics should be asked.</p>	<p>Merge with BP3 and simplify to make simple disclosures on actions that can help achieve targets.</p> <p>Already limited to SME that have a TP in place , no need to limit to high impact sectors.</p> <p>Do not propose explaining scenarios, etc. Better explain in simple words the challenge in terms of emission reductions and the type of steps that companies can take to achieve them, with a few practical examples.</p> <p>Consider E1-1 para. 17 (if and when to adopt TP if not yet in place). Needs to work with ecosystem of NGOs working with SMEs for practical tools.</p>	<p>ENV23</p> <p>ACT 14</p>

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Topic		Preparers	Users	Other	EFRAG Secretariat Orientation	Conclusion
<i>BP 5 – Physical risks from climate change</i>	FIELD TEST	<p>Along with BP 3 and BP 4, SMEs and platforms reported it as the most difficult disclosure.</p> <p>Several respondents requested to <u>add guidance</u> on this in VSME.</p> <p>Additionally, workshop participants stated that they found it extremely complicated to assess medium- and long-term risks, stating that they focus on the short-term aspects.</p>	<p>Banks/investors suggested to <u>replace this disclosure with geolocation (risk maps)</u> as this provides more accurate data for their IT systems to assess exposures to physical climate risk. They consider amounts to be too challenging for SMEs and not reliable.</p>	N/A	<ul style="list-style-type: none"> <li>• Agree that this is complicated and would favour removal.</li> </ul>	ENV24
					<ul style="list-style-type: none"> <li>• Agree that it would be easier for banks to ask physical assets from clients and do analysis themselves.</li> <li>• Disagree that this is something banks should be receiving through a SR from SMEs, should be requested when justified by the services requested. However, given other discussions on provision of geolocation, maybe it can be dealt through this way.</li> </ul>	TBD12

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	PUBLIC CONSULTATION	<p><b>SMEs:</b> Split views in public consultation. However, all European and national SME associations consider it to be <u>very difficult to report</u>. One European association suggests replacing BP5 with a narrative disclosure as it will be the role of users to assess the risks.</p>	<p><b>Banks:</b> <u>essential</u> for most, as in line with EBA Pillar 3 and EBA/CP/2024/02 One national banking association suggest replacing with: geolocation of individual local units; NACE codes for individual local units if different from that of the company; Turnover per local unit or if not available employees per local unit (a definition of local unit must be provided); Presence of insurance coverage for physical risk events with specific indication of: i) start date and expiry date, ii) type of risk (earthquake, floods, landslides, floods/inundations, other natural risks linked to the climate), iii) amount insured, iv) any deductible. One European banking association suggests simplifying requirements 79 (e) carrying value EPC. Another European banking association suggests that this should apply to medium enterprises only, Small and micro-SMEs should have the option to disclose. <b>Large undertakings:</b> Split views, no majority on essential.</p>	<p><b>Standard Setters:</b> BP5 to be replaced by: the location of single local units, NACE code of single local units (if different from NACE code of the undertaking), net turnover for local unit or, if not available, employees for local unit, presence of insurance coverage against physical risk events with specific indication of i) start date and expiry date, ii) type of risk, iii) amount insured, iv) any deductible [all pillar 3]. Further clarification needed, not clear whether the figures are net of insurance. <b>SFP/ Authorities:</b> <u>SFP: too complex</u> for most SMEs on their own. The banks will do the assessments of risks, based on data provided. Crucial to have the asset location for physical climate risk. Additionally, SFP states that tools for SMEs (location based), could be made available to support SMEs in understanding the physical risks that they face, and how they might address them to reduce their vulnerability.</p>	<p>Agree this is complicated and would favour taking it out.</p> <p>Agree it would be easier for banks to ask physical assets from clients and do analysis themselves.</p> <p>Disagree this is something banks should be receiving through a SR from SMEs, this should be something banks ask to their clients when the services being requested justifies so.</p> <p>If necessary EFRAG can harmonize a reporting template, but this is outside the aim of an annual SR.</p> <p>Geolocation option, NACE codes, turnover per local unit, and insurance coverage are issues to be brought up for SR TEG discussion.</p> <p>§79(e): propose a simplification for SR TEG's consideration (e.g., "state if your building portfolio is characterized for energy efficiency; disclose areas/carrying value by EE classes (A to F)").</p>	<p>ENV25</p> <p>TBD13</p>



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Topic		Preparers	Users	Other	EFRAG Secretariat Orientation	Conclusion
BP 6 - Hazardous waste and/or radioactive waste ratio	FIELD TEST	<b>SMEs:</b> Request raised to define the applicability. Disclosure considered to be of low difficulty.	<b>Banks:</b> suggestion to include a requirement on contextual information (aggregate quantification of hazardous waste is often not useful) on risks and impacts; request to modify the requirement from a ratio to radioactive waste in t/kgs to align with SFDR.	N/A	Need to clarify the "if applicable" condition in guidance or FAQ.  Agree on contextual information. To check and align with SFDR; consider also EMAS.	ENV26
	PUBLIC CONSULTATION	<b>SMEs:</b> Split views: <u>majority of national and European SME associations</u> consider this disclosure as <u>not relevant/ not applicable</u> , with some suggesting deleting the disclosure entirely. However, the majority of individual SME respondents deem this disclosure as feasible. The general suggestion is to increase guidance/ provide examples.	<b>Banks:</b> Majority confirm importance of BP6, especially on hazardous waste. <b>Large undertakings:</b> essential for most. Clarifications needed concerning the term hazardous (to be better defined).	<b>NGOs:</b> essential <b>Standard Setters:</b> The need for this DR should be reconsidered as it seems to duplicate disclosure requirement B7. <b>Large corporation</b> point out that "incident"-related disclosure would be helpful, i.e. when did SME have a compliance issue. <b>SFP/ Authorities:</b> <b>SFP:</b> <u>confusing</u> because this indicator does not ask for the same ratio as PAI 9. The actual matching indicator would be B7 in the BM. This should be adjusted.	Align with SFDR ratio and language.  Radioactive waste will be part of the Core module, which includes the BP7 datapoints.  Further clarification and examples on the points raised will be considered.	ENV27
BP 7 – Alignment with internationally recognised instruments	FIELD TEST	Requests were raised to add correspondence tables between international instruments and EU law implemented at national level. Preparers' views split between low, medium, and high difficulty.	Certain users workshop participants, suggested to <u>move BP7, BP8 and BP9</u> to the Basic Module instead of B11.  In general respondents <u>requested to insert scroll down menus to facilitate disclosures</u> and ensure comparability. Of high relevance.	N/A		

Technical orientation: how to address consultation feedback

Topic		Preparers	Users	Other	EFRAG Secretariat Orientation	Conclusion
	PUBLIC CONSULTATION	<p><b>SMEs:</b> Split views. Some prepares view this disclosure as feasible rather than difficult. National and European SME associations view the disclosure as too complex as it contains reference to international instruments that are not actionable for SMEs. Some respondents asked for increased guidance and that the disclosure be rephrased to include concrete questions on policies in place.</p> <p>However overall, a significant number of individual SME respondents deem this disclosure feasible.</p>	<p><b>Users (Banks + Large Undertakings):</b> A simplified reference to a due diligence process would be preferable, otherwise too complex.</p> <p><b>Banks:</b> Split views. Small majority considering it essential. A suggestion to move BP7 to the Basic Module and to change the title to refer to human rights (for clarity). If no change, proposal to reword to yes/no questions such as: “has the SME undertaken or intends to undertake action plans aimed at improving working conditions, reducing risks regarding its workforce and any negative impacts on it, including policies for the prevention of accidents at work in addition to what is established by the regulations in force on the matter (Y/N); Human rights policies [including workers' rights (Y/N)]”. (one European banking association).</p> <p>Disclosure suggestion: This should apply to medium enterprises only; voluntary for small and micro-SMEs.</p> <p><b>Large undertakings:</b> essential for most. A European business association suggested introducing a reference to a Code of Conduct or to international guidelines applied/referred to by the company. Another European business association suggests reconsidering the proportionality and information requested by this metric.</p>	<p><b>NGOs:</b> Suggestion: in the VSME, this disclosure is limited to the own workforce, whereas in the SFDR they cover all material impacts. One NGO is especially worried that this may lead to neglectation of human rights.</p> <p><b>Standard Setters:</b> Suggestion by a couple of Standard setters to delete BP7 from the BPM and to merge BP7 and BP8 in N3. Others suggested deleting cross references to international laws and providing disclosure-specific requirements extracted from the current cross-references.</p> <p><b>Accountants:</b> SMEs likely lack the necessary resources to report on BP7; request to simplify metrics. Metrics described in paragraph 185 provide more meaningful information.</p> <p><b>SFP/ Authorities:</b> SFP: turn this indicator into a close-ended question (Y/N) and if yes, which policies are aligned to int. Standards. SFP recommended to keep BP7, BP8 and BP9 within the Business Partner Module as the DRs encompass the provisions outlined in Art.18 of the Taxonomy Regulation which mandates undertakings to incorporate SMEs in their human rights due diligence processes when engaging in business with them. Due diligence requirements on human rights are also at the core of the Corporate Sustainability Due Diligence Directive and part of PAIs.</p>	<p>Clear feedback received for this disclosure and BP-8 in terms of complexity and understandability mainly because the international due diligence instruments are being referred to. With some views being to delete it. <b>Proposal to merge BP-7 and BP-8</b> and reformulate it simple questions with a dropdown menu. Refer to the revised text below:</p> <ul style="list-style-type: none"> <li>• Do you have an undertaking’s code of conduct or human rights policy for its own workforce? To note: those that have a due diligence process in place shall answer positively.</li> <li>• If yes, do these cover (dropdown menu): <ul style="list-style-type: none"> <li>i) Child labour</li> <li>ii) Forced labour</li> <li>iii) Human trafficking</li> <li>iv) Discrimination</li> <li>v) Accident prevention</li> </ul> </li> <li>• Do you have a complaints-handling mechanism for own workforce?</li> </ul> <p>In addition, Secretariat will include definitions for the terms in 2) and 3) and examples for point 3) above.</p>	<p style="text-align: center;">SOC 8</p> <p style="text-align: center;">ACT 15</p>

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<i>BP 8 – Processes to monitor compliance and mechanisms to address violations</i>	FIELD TEST	Request for clarification and examples.	Some users suggested <u>moving BP7 to BP9</u> to the Basic Module (vs B11). Respondents <u>requested scroll down menus to facilitate disclosures</u> and ensure comparability. Split views on relevance (between medium and high relevance).	N/A		

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	PUBLIC CONSULTATION	<p><b>SMEs:</b> Split views. The majority found the disclosure feasible. However, National and European SME associations found the disclosure difficult and suggested rephrasing with actionable questions or removing it.</p> <p>Suggestion to delete cross references to international laws and to provide disclosure-specific requirements extracted from the current cross-references.</p>	<p><b>Users (Banks + Large Undertakings):</b> A simplified reference to a due diligence process would be preferable, otherwise too complex. <b>Banks:</b> essential for most. Reword and limit to:</p> <ul style="list-style-type: none"> <li>• Due diligence process or procedure to identify, prevent, mitigate and address adverse human rights impacts? (Yes/No)</li> <li>• Procedures and measures to prevent human trafficking? (Yes/No).</li> <li>• Operations and suppliers at serious risk of child labour in terms of geographic area or type of operation.</li> <li>• Operations and suppliers at serious risk of child, force or compulsory labour among workers in the company's value chain, in terms of geographical area and/or type of operation. labor among workers in the company's value chain, in terms of geographical area and/or type of operation.</li> </ul> <p>Only for medium enterprises; voluntary for small and micro-SMEs. <b>Large undertakings:</b> The majority considers BP8 as essential. Some suggestions to merge BP8 and BP9 and align them with GRI 406-1 (Incidents of discrimination and corrective actions taken).</p>	<p><b>NGOs:</b> Suggestion to be fully aligned with SFDR, i.e., not solely focusing on "own workforce," but rather broadly on people.</p> <p><b>Standard Setters:</b> Suggestion from a couple of standard setters to delete BP8 from the BPM and Merge BP7 and BP8 in N3. Others suggested removing cross-references and integrate the contents in the standard directly. References of the OECD Guidelines for multinational enterprises deemed too complex and long. Reference to them should be omitted or key elements extracted (conventions listed in ILO declaration). Request for examples.</p> <p><b>Accountants:</b> SMEs likely lack the necessary resources to report on BP8; request to simplify metrics.</p>	<p>See above as the proposal from Secretariat is to merge BP-7 and BP-8.</p>	<p>See above SOC 8</p>

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<p><b>BP 9 – Violations of OECD Guidelines for Multinational Enterprises or the UN Guiding Principles</b></p>	<b>FIELD TEST</b>	<p>BP9: Some respondents suggested <u>modifying this to a Yes/No question. Seen as low difficulty.</u></p>	<p>Certain users workshop participants, suggested to <u>move BP7, BP8 and BP9 to the BM instead of B11.</u> In general respondents <u>requested to insert scroll down menus to facilitate disclosures</u> and ensure comparability. Of lower relevance than BP7 and 8 (split between low, medium and high relevance).</p>	<p>N/A</p>	<p>Revised wording of BP9- incidents related to severe human rights cases (and we use the SFDR cases being human trafficking, child labour and forced labour).</p>	<p>SOC 9 for both Field Test and Public Consultation</p>
	<b>PUBLIC CONSULTATION</b>	<p><b>SMEs:</b> Split views. The majority sees the disclosure as feasible. Some suggest merging it with BP7. However, National and European SME associations view this disclosure as difficult with some suggesting rephrasing it (with possibly a list of the requirements to be met/ specific processes the company must report on); others suggest deleting it completely. Additional suggestion to omit reference to external guidelines.</p>	<p><b>Users (Banks + Large Undertakings):</b> A simplified reference to a human rights process would be preferable, otherwise too complex.</p> <p><b>Banks:</b> perceived essential by a majority. One European banking association suggested facilitating SME reporting with information requirements limited to:</p> <ul style="list-style-type: none"> <li>Number of serious human rights problems and incidents. They specify that this should only apply to medium enterprises and that small and micro undertakings should have the option to disclose.</li> </ul> <p>However, some banks suggested extending the disclosure requirements to value chain if material, as well as to disclose the topics related to any violations.</p> <p><b>Large undertakings:</b> A majority considered BP9 as essential, although one large undertaking association suggested deleting the disclosure’s reference to the OECD guidelines. Additionally, one large undertaking association suggested replacing disclosures BP7, 8, and 9 with a question about the existence of a code of conduct.</p>	<p><b>NGOs:</b> Essential</p> <p><b>Standard Setters:</b> International instruments are too complex for SMEs. Suggestion to delete cross references to international laws and to provide disclosure-specific requirements extracted from the current cross-references. Additional request for practical examples.</p> <p><b>Accountants:</b> emphasised the need for simplification stressing SMEs’ insufficient resources to report on this disclosure. One European accountancy association suggested extending BP9 to cover potential fines and penalties in respect to own workforce and/or lawsuits or cases under consideration by relevant authorities, per type: "Open cases brought forward + new cases - closed cases - rejected cases = open cases carried forward". Additional demand for simplification; stating the specific contents in the standard.</p> <p><b>SFP/ Authorities:</b> SFP: need for further guidance and support to SMEs on how to report and address violations of international standards.</p>	<p>Following feedback received, proposal to streamline the content of this datapoint to:</p> <p><i>Does the undertaking have confirmed cases related:</i></p> <p><i>i) child labour;</i> <i>ii) forced labour;</i> <i>iii) human trafficking; or</i> <i>iv) discrimination?</i></p> <p><i>If so, the undertaking may describe the actions being taken to address the violations described above.</i></p>	<p>SOC 10</p>

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BP 10 – Work-life balance	FT	Most comments cited low difficulty of this disclosure, as the data already being collected.	Generally, of low relevance to users. Workshop participants suggested <u>deleting BP10</u> or <u>making it optional</u> .	N/A	Following the responses from the various stakeholder groups, the proposal is to delete.	SOC 11
	PUBLIC CONSULTATION	<p><b>SMEs:</b> most respondents consider this disclosure feasible. However, some National and European SME associations questioned its relevance, including some stating that BP10 may be too difficult for SMEs to disclose. Respondents also suggested widening the scope of the disclosure to cover more comprehensive work-life balance metrics.</p> <p>One national SME association requested clarification that BP 10 does not cover future claims or potential claims.</p>	<p><b>Banks:</b> a majority found not relevant. A European banking association suggested removing this disclosure as it is not related to SFDR datapoints. Additionally, one European banking association stated that only medium undertakings should report on this and that micro and small undertakings should have the option to disclose.</p> <p><b>Large undertakings:</b> Although BP10 is perceived as feasible, views on its relevance are split.</p>	<p><b>Standard Setters:</b> Clarify DR, regarding family-related leave entitlement (i.e., national legislation or company-specific policies): only long-term leave or short term as well?</p> <p>Suggestion to omit the disclosure as work-life balance is not only dependent on corporate culture, but also on age and education of workforce –difficult to compare and interpret.</p> <p>Additional opinions emphasize the disclosure’s lack of relevance, despite acknowledging its importance.</p> <p><b>Accountants:</b> Low relevance of disclosure BP10. Recommend focus on metrics such as remote policies, contacting employees out of working hours policies, holiday and extra paid holiday entitlement policies, disclosure of employee turnover rate (by voluntary and involuntary leaves), and summary results of employee satisfaction survey.</p>		

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BP 11—Number of apprentices	FT	Comments cited that this was an easy metric to disclose, although a few respondents asked about the rationale for the disclosure.	Generally, of low relevance to users. Similarly to BP10, workshop participants suggested <u>removing BP11</u> or <u>making it optional</u> .	N/A	Following the responses from the various stakeholder groups, the proposal is to delete.	SOC 12
	PUBLIC CONSULTATION	<b>SMEs:</b> most support this datapoint as it is <u>feasible for SMEs</u> .	<b>Users (Banks + Large Undertakings):</b> split views on relevance. <b>Banks</b> Irrelevant for most respondents. One European banking association suggested removing this disclosure as it is not related to SFDR datapoints. It also states that the disclosure should not apply to micro and small undertakings, who should have the option to disclose. <b>Large Undertakings:</b> Considered unnecessary/ irrelevant by majority.	<b>Standard Setters:</b> <u>Consider deletion:</u> generally, of low relevance to users. <b>Accountants:</b> <u>not necessary</u> .		