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## **VSME Revised Supporting Guide on disclosures C2, (Description of practices, policies and future initiatives for transitioning towards a more sustainable economy), C3 (GHG reduction targets and climate transition) and C7 (Severe negative human rights incidents – paragraph 62(c)) – Cover**

### **Note**

#### **Disclaimer to frame the session - VSME and Omnibus proposal**

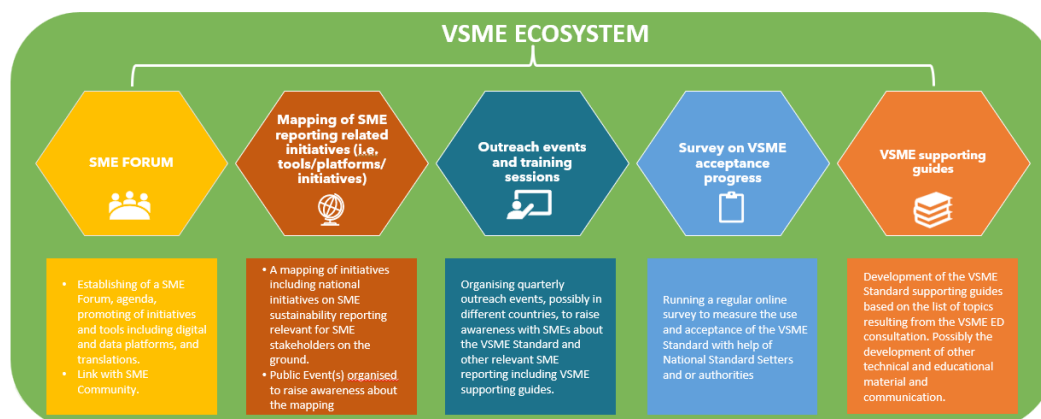
1. The European Commission in the Omnibus proposal released on 26 February 2025 proposes to use the VSME Standard as the basis of a future voluntary standard to be used for companies with up to 1000 employees. The VSME Standard has been developed for use by non-listed SMEs including micro-enterprises and has not been tested for use by other larger and more complex companies. The VSME Supporting Guides that are being developed in the current EFRAG work are to be understood as supporting the application of the VSME Standard by companies with less than 250 employees. For the purpose of the targeted consultation on the Supporting Guides, this scope of application (companies with less than 250 employees) has been considered. The content of the VSME guides under discussion has been developed to be proportionate to these small and less resourced undertakings, taking into account of the (lower) complexity of their operations. Should they be destined to a different group of companies, their content could be different and less simplified.

#### **Objective**

2. The objective of this session is to present to the EFRAG SRB & SR TEG the draft supporting guide that EFRAG Secretariat has drafted for the disclosures C2 (Description of practices, policies and future initiatives for transitioning towards a more sustainable economy), C3 (GHG reduction targets and climate transition) and disclosure C7 (Severe negative human rights incidents). These support guides fall within deliverable five of the VSME Ecosystem.
3. In July 2025, the European Commission has adopted EFRAG's VSME as a [Recommendation](#). This is now available in all languages of the EU Member States and addresses SMEs (1-250 employees). At the moment, no information is available on the proposed Delegated Act of a voluntary standard to be used by companies with 250 to 1000 employees, besides the European Commission's 26 February Omnibus proposal.

## Background

- Following EFRAG's technical advice on the VSME to the European Commission, EFRAG has been working on the roll-out of the VSME Ecosystem which includes complementary initiatives aimed at promoting market acceptance of the VSME in order to fully realise the benefits of the standard. The VSME Ecosystem will span until November 2025.



- As agreed in the SRB (18 January 2025) and SR TEG (21 January 2025) meetings, in terms of process, considering that this stream of activity is on top of the ordinary EFRAG work programme, the support guides are following a simplified decision making, due to their SME-specific nature. As such the EFRAG secretariat is first collecting feedback from the VSME Community and the newly established SME Forum, to gather feedback from a wide range of users, preparers and other relevant stakeholders on the initial drafts. EFRAG SR TEG and SRB are then invited to provide written input and to approve in writing. Following the EFRAG SR TEG and EFRAG SRB approval, when relevant these documents would be open for targeted feedback (SME Forum and VSME Community members).
- In terms of stakeholder feedback collection, EFRAG Secretariat EFRAG has conducted a targeted consultation between 17 June and 5th September 2025 to collect feedback from the SME Forum and VSME Community on the Supporting Guides on disclosures C2 (Description of practices, policies, future initiatives for transitioning to a sustainable economy), C3 (GHG reduction targets and climate transition), and C7 (Severe negative human rights incidents). This targeted consultation was composed of 30 questions.

## Introduction to the feedback from survey on Supporting Guide on C2, C3 and C7

- This online survey was sent to the SME Forum (47 members) and the VSME community (523 members). The SME Forum had a total of 33 respondents, including 10 preparers (6 National associations of SMEs and 4 European associations), 9 users (3 European banks representative, 3 National banks representative, 1 National association of large undertakings and 2 Large undertakings), 5 platform representatives and 9 observers. The Community had a total of 175 respondents, composed of 48 preparers (17 Non-listed SMEs, 24 Accountants/Auditors and 7 Association of enterprises of preparers), 28 users (15 Banks and international organisations, 9 Large Companies, 1 Rating agency, 2 Association of enterprises of users and 1 Public Sector) and 99 others (International organisation, Consultants, Academics, Non-EU participants and NGOs).
- Each part of the survey investigated whether respondents agreed with the approach taken and gathered respondents' views on the specific content proposed for the three supporting guides.

9. For an overview of the survey analysis as well as the preliminary response of EFRAG Secretariat, refer to agenda paper 03-06 Targeted Consultation Key Messages from Forum and Community + Secretariat Response.

#### **Overview of feedback from survey on C2 how it has been addressed**

10. Regarding the Support Guide on C2, the analysis of the survey responses from both the SME Forum and the VSME Community showed an overall support on the list of practices, policies and future initiatives and the 5 case studies that were found clear and useful. However, some respondents highlighted the need for further clarity in some areas. These areas mainly focused on:
  - (a) Introduction: there was a high request to simplification the wording and clarification of some paragraphs as well as some definitions, such as the “mixed approach”, and the difference between practices, policies and future initiatives. Moreover, it was asked to better link the descriptions of the sector chosen with the case studies in the introduction part.
  - (a) Part 1- List of practices, policies and future initiatives (to be inserted as scroll down menu in the digital VSME template):
    - i. E: there was a call for simplification, as some examples, particularly in the category of “Climate Change” and “Pollution” were considered too technical. To enhance clarity, respondents also requested the reformulation and simplification of several examples under “Biodiversity”. Specifically, for “Water and Marine Resources”, there was a clear demand to expand the list by including additional examples.
    - ii. S: most respondents recommended reformulating some examples to simplify the content, particularly for the categories “Own Workforce”, “Workers in the Value Chain”, and “Affected Communities”. To improve clarity across these sustainability topics, including “Consumers and End-users”, there was also strong interest in expanding the list with new examples proposed by the respondents.
    - iii. G: there was a general request to clarify and simplify for better understanding of some of the example’s list on business conduct. Moreover, some respondents suggested new examples to be included in the list.
  - (b) Part 2 - Case Studies: it was requested to improve the structure and clarity of all 5 case studies while providing more accessible tools. Moreover, some actions/practices and examples for each ESG topic were suggested to be implemented for each case study.
11. In response, the EFRAG Secretariat has revised the [draft] Supporting Guide C2 to allow for further clarification on each part of the Supporting Guide. These includes:
  - (c) Introduction: most of the paragraphs have been revised and simplified. The definition of “mixed approach”, and of “practices, policies and future initiatives” have been further clarified and underlined. Finally, the link between the sector

chosen and the case studies has been strengthened and inserted in the new “Overview and definitions” section.

(d) Part 1- List of practices, policies and future initiatives:

- a. E: several minor adjustments to the E list of practices, policies and future initiatives were implemented to enhance clarity, for “Climate Change”, “Pollution” and “Biodiversity”. Some of the proposed examples from the respondents of “Climate Change”, “Water Marine”, “Biodiversity” and “Circular Economy” were added to the list. For more details see “Agenda paper 03-05 – Analysis of specific comments on C2 examples
- b. S: to simplify the list, several examples across the different categories were merged and clarified. Many of the additional examples suggested by respondents for “Own Workforce” and “Affected Communities” were incorporated into the list. For more details see “Agenda paper 03-05 – Analysis of specific comments on C2 examples
- c. G: to facilitate the understanding, some examples were rephrased, simplified and merged. Some of the examples proposed by the respondents that were considered pertinent were added as part of the “Business Conduct” sustainability issue. For more details see “Agenda paper 03-05 – Analysis of specific comments on C2 examples

(e) Part 2 - Case studies: some terminology used within the case studies have been clarified and pertinent suggested examples addressed by the respondents were included as well. However, the request to provide templates and tools was not implemented as it goes beyond the purpose of this supporting guide. The EFRAG VSME Excel Digital Template is a VSME related template that EFRAG has released to give more guidance on the structure of the reporting. The content of this supporting guide is made in a way that can be placed within the template.

### **Overview of feedback from survey on C3 how it has been addressed**

12. Regarding the Supporting Guide on disclosure C3, the analysis of the responses from both the SME Forum and the VSME community highlighted that the guide was considered clear and concise. Respondents noted some areas where further clarity was needed. These areas mainly focused on:

- (a) Introduction and definition: it was noted that the guide is clear and useful, although sometimes it appeared complex. It was suggested to provide clearer references for technical terms and to include standardized tools for calculating emissions
- (b) Step-by-step guide of GHG reduction targets: many respondents requested greater consistency in the instructions regarding base year and target year selection, along with clearer definitions, such as for “net zero”, and a review target values setting. Additionally, it was asked for more detailed explanations, particularly concerning Scope 2 and Scope 3 emissions.
- (c) Step-by-step guide of a Climate Transition Plan: the feedback highlighted the need to provide clearer and more comprehensive guidance by adding information on the role responsible for the plan, including further examples, reformulating the

text to improve clarity and alignment with the standard, expanding on Scope 1, 2 and 3, reviewing the tables, and offering precise definitions of specific technical terms.

13. In response, the EFRAG Secretariat has revised the [draft] Supporting Guide C3 to allow for further clarity when disclosing on C3. These include:

- (a) Introduction and definition: the section has been made more understandable and clearer by reducing complexity. A glossary with definitions has been provided, and reference has been included to the recent EFRAG webpage with links to GHG emission calculators.
- (b) Step-by-step guide of GHG reduction targets: the description for the base year and target year has been redrafted with new definitions to provide more consistency and clarifications. “Net zero” was eliminated from the guide to avoid confusion. As for Scope 3, it was not included in the guidance as it remains premature and because in the VSME, Scope 3 was carefully introduced as a ‘consideration’ only for specific sectors. Its introduction will potentially be evaluated in the future when SMEs will gain knowledge and preparedness on sustainability topics
- (c) Step-by-step guide of a Climate Transition Plan: additional information has been included to make the guide more detailed and understandable, without adding unnecessary complexity. As for Scope 3, further information was omitted because, as previously stated, Scope 3 is only described as a “consideration” in the VSME Standard. Furthermore, some sentences and sections have been reformulated and simplified to ensure closer alignment with the VSME standard.

#### **Overview of feedback from survey on C7 how it has been addressed**

14. Regarding the Supporting Guide on C7, the analysis of the survey responses from both the SME Forum and the VSME Community indicates an overall positive support on the examples proposed by EFRAG on how to disclose on paragraph 62 (c). However, the following suggestions were made:

- (a) Introduction: there was a strong request to make it more realistic and clearer, by adding more detailed information such as targets, and timeline. Furthermore, it was suggested to provide more detailed definitions of certain key terms and to be more specific throughout the text
- (b) Examples: the suggestion provided repeatedly emphasized the need to make the texts clearer and more understandable through rephrasing, simplification, and the addition of more detailed examples, with particular attention to relevance for SMEs, alignment with specific laws or regulations, and the inclusion of sector-specific variations or details, as well as a stronger focus on the concrete consequences for companies

15. In response, the EFRAG Secretariat has structured the [draft] Support Guide C7 to allow for further clarification on the disclosure of Severe Negative Human Rights Incidents (paragraph 62 (c)) within the VSME framework. These include:

- (c) Introduction: the request to make the content more realistic and clearer has been implemented; further explanations of certain terms were also provided through the expansion of the paragraphs, thus addressing the request for more detailed

definitions in cases where the guidance might appear unclear. However, the request to add targets and a timeline was not implemented, as the VSME standard does not require such information.

- (d) Examples: the requests to rephrase has been partially accepted to ensure clarity and context of the example. The request to shorten the sentences has been considered, but the example is already concise, and at the same time the request to make it more detailed with additional sub-examples has not been implemented, as this would increase complexity. The request to base the example on certain regulations has not been implemented, as it would be too specific and as legislation varies case by case depending on the country. Furthermore, the broader request for sector-specific details has not been implemented, as this one is not sector-specific guidance.

**Question[s] for EFRAG SR TEG:**

16. Do SR TEG members have any comments on the [draft] Revised Support Guide on disclosures, C2, C3 and C7?

**Next Steps**

17. Following this meeting, the EFRAG Secretariat will send the support guides on disclosures C2, C3 and C7 to SRB and SR TEG members for a 2 weeks written feedback period (deadline 27 October 2025).
18. Following this written feedback period, the draft guides will be adjusted and finalised to be released (if current timeline allows it) by mid November 2025.

**Agenda Papers**

19. In addition to this cover note, agenda papers for this session are:
- (a) Agenda paper 03-02 – Supporting Guide C2 – clean
  - (b) Agenda paper 03-03 – Supporting Guide C2 – mark-up
  - (c) Agenda paper 03-04 – Supporting Guide C3 – Post Targeted Consultation– clean
  - (d) Agenda paper 03-05 – Supporting Guide C3 – Post Targeted Consultation – mark-up
  - (e) Agenda paper 03-06 – Supporting Guide C7 – Post Targeted Consultation – clean
  - (f) Agenda paper 03-07 – Supporting Guide C7 – Post Targeted Consultation – mark-up
  - (g) Agenda paper 03-08 – C2 Targeted Consultation Key Messages from Forum and Community + Secretariat Response
  - (h) Agenda paper 03-09 – C3 Targeted Consultation Key Messages from Forum and Community + Secretariat Response
  - (i) Agenda paper 03-10 – C7 Targeted Consultation Key Messages from Forum and Community + Secretariat Response