EFRAG
sustainability reporting

EFRAG Voluntary Sustainability Reporting Standard for non-listed SMEs (VSME)

Basis for Conclusions

December 2024

DISCLAIMER

Disclaimer

This Basis for Conclusions accompanies but is not part of the Voluntary standard for non-listed micro-, small- and medium-sized undertakings (VSME). It summarises the considerations of the EFRAG SR TEG and SRB used in developing the proposed contents of the Standard.

About EFRAG

EFRAG's mission is to serve the European public interest in both financial and sustainability reporting by developing and promoting European views in the field of corporate reporting. EFRAG builds on and contributes to the progress in corporate reporting. In its sustainability reporting activities, EFRAG provides technical advice to the European Commission in the form of draft European Sustainability Reporting Standards (ESRS) elaborated under a robust due process and supports the effective implementation of ESRS. EFRAG seeks input from all stakeholders and obtains evidence about specific European circumstances throughout the standard setting process. Its legitimacy is built on excellence, transparency, governance, due process, public accountability and thought leadership. This enables EFRAG to speak convincingly, clearly, and consistently, and be recognised as the European voice in corporate reporting and a contributor to global progress in corporate reporting.

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Introduction and key steps of EFRAG due process

BC1. The objective of this document is to illustrate the basis for conclusions and describe the process followed in defining the EFRAG Voluntary Standard for non-listed micro-, small-, medium-undertakings ('the VSME'). In this document 'non-listed SMEs' is used to identify the undertakings in the scope of the VSME, including micro-undertakings[1]. This includes the methodological approach taken, the main content of the Standard and the key aspects discussed by the EFRAG Sustainability Reporting Board ('SRB') and the EFRAG Sustainability Reporting Technical Expert Group ('SR TEG'), as a result of the public consultation and field test.

BC2. EFRAG's work on such a voluntary Standard for non-listed SMEs falls outside the Corporate Sustainability Reporting Directive ('CSRD'). It stems from the market's need to have a common point of reference to be used by SMEs to face growing sustainability data requests from business partners and lowering entry barriers to sustainability reporting by non-listed SMEs.

BC3. The primary ambition is for the VSME to become the basis for lenders, investors and corporate counterparts in the value chain when they define their ESG data requests for SMEs. In concrete terms this means that, based on market acceptance, the VSME is expected to limit *de facto* current multiple ESG data requests (a significant cost of preparation for SMEs) by replacing the various uncoordinated ESG questionnaires.

BC4. The purpose of the VSME is to support SMEs in:

(a) providing information that will help satisfy the data needs of large undertakings requesting sustainability information from their suppliers;

(b) providing information that will help satisfy data needs from lenders/credit providers and investors, to improve SMEs' access to finance;

(c) improving the management of their sustainability issues. This will support their competitive growth and enhance their resilience in the short-, medium-, and long-term, and the VSME can be used as an internal management tool; and

(d) contributing to a more sustainable and inclusive economy.

BC5. Hence, a fundamental aspect of the VSME is its market acceptance:

(a) on the user's side, acceptance by business partners, i.e. lenders, investors, and corporate clients as well as heads of supply chains, to replace their multiple questionnaires and use instead the VSME to gather sustainability data from SMEs. Those data requests fulfil the needs under their ESRS reporting obligations or managing sustainability risks in investment portfolios or in the supply chain; and

(b) on the preparers side, SMEs (as well as small- and medium-sized practitioners as proxies of SMEs) accepting the VSME as a reporting tool to start their sustainability journey and monitor sustainability performance while also responding to growing requests of sustainability data from business partners.

BC6. The public consultation and field test allowed for the identification of important conditions to facilitate broad market acceptance. These include:

(a) the availability of online platforms that work at the same time as template and data repositories, making the reported information available to multiple existing and potential business partners;

(b) the availability of free or affordable online tools supporting the preparation of the disclosures (e.g. GHG calculator).

[1] Micro undertaking if it does not exceed two of the following thresholds: €450,000 in balance sheet total, €900,000 in net turnover, or an average of 10 employees.

Small undertaking if it does not exceed two of the following thresholds: €5 million in balance sheet total, €10 million in net turnover, or an average of 50 employees.

Medium undertaking if it does not exceed two of the following thresholds: €25 million in balance sheet total, €50 million in net turnover, or an average of 250 employees.

BC7. The VSME is a deliverable of the European Commission SMEs Relief Package (September 2023). The European Commission tasked EFRAG to develop a simple and standardised framework for SMEs to report on ESG issues, creating better opportunities to obtain green financing and thus facilitating the transition to a sustainable economy. In particular, in Action 14 of the SMEs Relief Package it is mentioned that the '*Commission will ensure that SMEs have a simple and standardized framework to report on ESG issues … ensuring the rapid delivery of voluntary standards for non-listed SMEs.'*

BC8. In addition, the European Commission's 'Questions and Answers on the Adoption of European Sustainability Reporting Standards' that accompanies the adoption of the ESRS' Delegated Acts in July 2023 (Commission Delegated Regulation (EU) 2023/2772 - hereafter also referred to as 'ESRS Set 1'), contains specific text about non-listed SMEs that can be summarised as follows:

(a) Some non-listed SMEs which are not subject to any sustainability reporting requirements under the Accounting Directive (Directive 2013/34/EU) as amended by the CSRD may nevertheless receive requests for sustainability information from customers, banks, investors or other stakeholders. 'EFRAG is therefore also developing simpler, voluntary standards for use by non-listed SMEs. These voluntary standards should enable non-listed SMEs to respond to requests for sustainability information in an efficient and proportionate manner and so to facilitate their participation in the transition to a sustainable economy.'

BC9. Reflecting the above, the logic followed in the standard setting has been primarily to prioritise the identification of a proportionate set of indicators as a credible replacement for at least a substantial component of the questionnaires currently used. At the same time, the standard supports a complete picture of the ESG impacts that would inform stakeholders other than lenders, investors and corporate clients in keeping SMEs accountable for impacts is not the focus of this Standard.

EFRAG SRB approval (13 November 2024)

BC10. The EFRAG SRB approved VSME on 13 November 2024. The following SRB members supported the standard: Salvador Marin, Ruben Zandvliet, Thomas Roulland, Laurence Rivat, Roderik Meeder, Mariyan Nikolov, Maria Dolores Urrea Sandoval, Marcello Bianchi, Kristian Koktvedgaard, Kerstin Lopatta, Filip Gregor, Grégoire de Montchalin, Charlotte Söderlund, Luc Vansteenkiste, Monika Brom, Simon Braaskma, Begona Giner, Wim Bartels, Patrick de Cambourg, Isabelle Schoemann, Alex Bassen.

BC11. While approving the overall Standard, four of them (Alexander Bassen, Marcello Bianchi, Monika Brom, Simon Braaksma) expressed reservations on the following specific aspects of it:

(a) the Basic Module is in general too complex for micro-undertakings which should be allowed to use a pre-defined sub-set of disclosures of that module (a simplified Basic Module) in order to not discourage them to use the Standard;

(b) the Basic Module should be targeted also to small companies;

(c) some of the disclosure requirements included both in the Basic and in the Comprehensive Modules are still too complex and granular for SMEs, as clearly emerged from the field test (B3, B7 were considered 'highly difficult' by around 1/3 of responses and 'medium difficult' by around another 30% of responses). Even higher difficulty has been pointed out regarding C3 and C4. An additional field test to assess the feasibility of the current version of the VSME Standard would be useful;

(d) *Appendix B (list of sustainability issues)* should be simplified;

(e) to avoid double reporting, it should be possible to integrate VSME information/requirements into other reports, such as EMAS or GRI; they fear in particular that the adoption of the VSME could result in the discontinuation of these reports.

BC12. Cristina Saporetti (representative of Business Europe) abstained as the final version will still impose significant costs on smaller companies for understanding all the requirement and terminology. She pointed in particular to the geolocalisation and the environmental requirements, with the latter emerging as challenging in the field test (the SRB member did not specify which ones in particular).

BC13. The EFRAG SRB agreed to modify the following content in the VSME version approved by EFRAG SR TEG. While keeping unchanged the substance of the requirements, the EFRAG SRB intended to simplify further the narrative components of the Basic Module. In particular, the EFRAG SRB agreed to move the description of the practices, policies and future initiatives in the Comprehensive Module. In addition, the EFRAG SRB agreed to move from the Basic Module to the Comprehensive Module the description of the undertaking's strategy, business model and sustainability-related initiatives. The markup of these paragraphs is presented in Annex 9.

BC14. The EFRAG SRB considered the activities undertaken by the EFRAG Secretariat, including the supplementary workshops on the revised VSME in September 2024, as well as the evidence from the consultation and the field test. They concluded that a re-exposure of the final VSME would have not revealed substantially new elements on the concerns of stakeholders. For this reason, following EFRAG due process procedures, they concluded that a re-exposure was not needed.

EFRAG SR TEG approval (22 October 2024)

BC15. On 22 October EFRAG SR TEG approved the VSME. The following 20 SR TEG members approved the standard: Piermario Barzaghi, Kati Beiersdorf, Belen Varela, Carlota de Paula Coelho, Chiara Del Prete, Eric Duvaud, Jose Moneva, Julia Kölzer, Olivier Scherer, Per Anders Öjar Törnqvist, Piotr Biernacki, Signe Lysgaard, Sigurt Vitols, Luc Hendrickx, Anne-Claire Ducrocq, Sandra Atler, Robert Adamczyk, Christoph Toepfer, Philippe Diaz and Jean-Francois Coppenolle. One SR TEG member (Luca Bonaccorsi) abstained.

BC16. While approving the Standard:

(a) Luc Hendrickx expressed reservations on the inclusion of Disclosure C9 – Gender Diversity in Governance Body because of legal reasons, as there is no legal binding requirement in the sustainability reporting legislation to ask for this kind of information from SMEs. In addition, Directive (EU) 2022/2381 on improving gender balance among directors of listed companies exempts SMEs from its scope; and

(b) Signe Lysgaard, Sandra Atler and Sigurt Vitols expressed reservations on the 'may instead of shall' datapoint on non-employees in C5 – Additional (general) workforce characteristics, and on the own workforce specification in C6 – Human rights policies and processes.

Meetings since the end of the public consultation (From May to November 2024)

BC17. Following the end of the public consultation (May 2024), the EFRAG Secretariat discussed the results with both SR TEG and the SRB in July. During these discussions, SR TEG and the SRB approved strategic orientations to be implemented based on the proposals presented by the EFRAG Secretariat.

BC18. Following discussions with SR TEG and the SRB in July, the EFRAG Secretariat modified the draft VSME Standard accordingly and during a series of SR TEG discussions in September and October, it reviewed these changes with SR TEG. Furthermore, the EFRAG Secretariat held two additional meetings with preparer and user associations to ensure coherency between public consultation results and the opinions of preparer and user associations. The dates of all these meetings are mentioned in Annex 3.

EFRAG's due process from design to approval of the VSME ED (From November 2022 to November 2023)

BC19. The VSME ED was discussed for the first time by SR TEG on 17 November 2022. The EFRAG SRB on 27 January 2023 discussed the need to develop a single standard for all SMEs or two separate standards and concluded on developing two as follows:

(a) ESRS for listed SMEs (identified in this document as ESRS LSME or LSME[2]), which is legally binding, according to the CSRD Art. 19 (a) (6); and

(b) VSME (i.e. a voluntary sustainability reporting standard for non-listed SMEs).

[2] At the date of the issuance of VSME, EFRAG has not finalise its advice on LSME.

BC20. The EFRAG SRB consensually agreed to instruct SR TEG to:

(a) start with the ESRS LSME;

(b) not overdo the ESRS LSME (i.e. proportionality) but remain within the remit of the CSRD's constraints;

(c) once the ESRS LSME's basis is stabilised, consider the VSME (including the PTF draft[3]) from the perspective of consistency and proportionality;

(d) consider merging the ESRS LSME and the VSME if it appears relevant; and

(e) take into account that the requirements for both listed and non-listed SMEs should be available at the same time.

BC21. With reference to point (d), the technical activities leading to the drafting of the two Standards after this meeting showed that the differences in purpose and perimeter of application of the two respective Standards require different approaches. Merging the two Standards would have failed to meet the different needs of the respective constituencies.

BC22. Following the nine meetings of EFRAG SR TEG and eight EFRAG SRB meetings as illustrated in Annex 3, the VSME ED was approved by EFRAG SR TEG on 8 November 2023 on a consensus basis, with 23 SR TEG members[4] recommending the issuance of the ED for public consultation. On 29 November 2023, 21 EFRAG SRB members[5] approved the ED on a consensus basis for public consultation, with a number of changes being compared with the text approved by EFRAG SR TEG.

BC23. In addition to being discussed by EFRAG SR TEG and the SRB, the VSME ED was also discussed intensively with stakeholders at: (i) several meetings of the EFRAG SME Expert Working Group, (ii) workshops with the EFRAG VSME community, and (iii) workshops with representatives of SMEs, banks and large corporates held between December 2022 and November 2023 (Annex 4).

Key messages from the public consultation and how they have been addressed

BC24. The VSME Exposure Draft is included in Annex 1 of this document.

BC25. Following the approval at the EFRAG SRB meeting on 29 November 2023, the VSME ED was published for public consultation for four months from 22 January 2024 until 21 May 2024. The EFRAG Secretariat received comments from 311 respondents from the online survey (126 preparers, 39 users and 146 other respondents) and from 164 participants in the field tests (135 preparers and 29 users). The EFRAG Secretariat also received 22 comment letters on top of the online survey respondents. Platforms that currently work as data aggregators were involved as a proxy for preparers, and users represented 23,000 SMEs across Europe and over 100,000 large undertakings worldwide. In parallel to the public consultation, EFRAG has also run a total of 11 field test workshops. The field test included preparers preparing their sustainability report based on the VSME ED. Supplementary workshops were also held in September 2024 to collect reactions on a revised VSME draft, prepared to reflect the consultation feedback.

BC26. The following paragraphs illustrate the key messages gathered from the public consultation and field test, as well as how they have been integrated in the final VSME.

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[3] Proposal by former EFRAG Project Task Force ESRS (PTF-ESRS), cluster 8 (Issue Paper 03-0, Appendix 1 of SR TEG meeting of 17 November 2022).

[4] While voting in support of the ED, Luc Hendrickx qualified his vote, expressing disagreement on the inclusion of the following disclosures: i) convictions and fines, ii) definition of accidents in B 9 and iii) diversity of the board members in BP 2. He also expressed reservations on the usefulness and benefits of the Business Partner module. Despite these reservations, he supported issuing the ED in its current version for consultation.

[5] The EFRAG SRB member Annina Tanhuanpää, representing the banking sector, expressed reservations regarding the current proposed standards as the ED VSME may not be sufficiently simplified, potentially imposing an undue costs of preparation on SMEs. She also noted the reservations expressed by SME representatives in the EFRAG SR TEG on the usefulness and benefits of the Business Partner module. She agreed to issue the ED for consultation, expecting that the consultation would help address these concerns.

BC27. *Request for an online tool and a VSME ecosystem.* A clear request stemmed from both prepares and users, on the need to have an online platform and additional online tools to simplify and guide the reporting process for SMEs. This message was pervasive in online survey, field tests and comment letters.

(a) Stakeholders suggested that the VSME be made available as an online reporting template, to facilitate the exchange of information between preparers and business counterparts. This would unlock the full benefits for value chain participation. The availability of a central repository (inspired by the existing platforms) where SMEs, banks and other counterparties (heads of supply chains) can populate online templates and have access to the data is essential in order to achieve the expected benefits. The questionnaires would be replaced by the downloading of data from this source. This was also an important message of the Cost Benefit Analysis on the VSME ED.

(b) Stakeholders suggested developing online tools (calculators, databases) accessible to SMEs when preparing the information, thus reducing the technical complexity and the need for specialised skills. While EFRAG can partially work on certain elements of guidance and stimulate the availability of such online tools, it will not develop them. In particular, the development of online platforms and tools (i.e. GHG calculators, geolocation tools) is considered by stakeholders an essential element to facilitate the reporting as well as the comparability of information.

BC28. In addition, several stakeholders requested adding VSME supporting guides in addition to the VSME. This is an area where EFRAG plans to be active in the future, resources permitting, and developing synergies with the current EFRAG workplan (e.g. on sector guidance). Not all items in this list will be covered by EFRAG; however, EFRAG will endeavour to stimulate the development of some of these elements by other stakeholders. The following areas have been identified by those stakeholders:

(a) Templates of the VSME report and mock up disclosure;

(b) Guidelines to simplify actions/policies in relation to the possible sustainability issues to be used as a scrolling menu from the VSME online template under the Basic and Comprehensive Modules;

(c) Examples of climate change actions or transition plans for SMEs;

(d) Examples of impacts on workers in the value chain and affected communities for SMEs;

(e) Guidance linking the VSME and ISO-CEN CENELEC standards; Map ISO 14001 to the VSME;

(f) VSME Pollution Guidance.

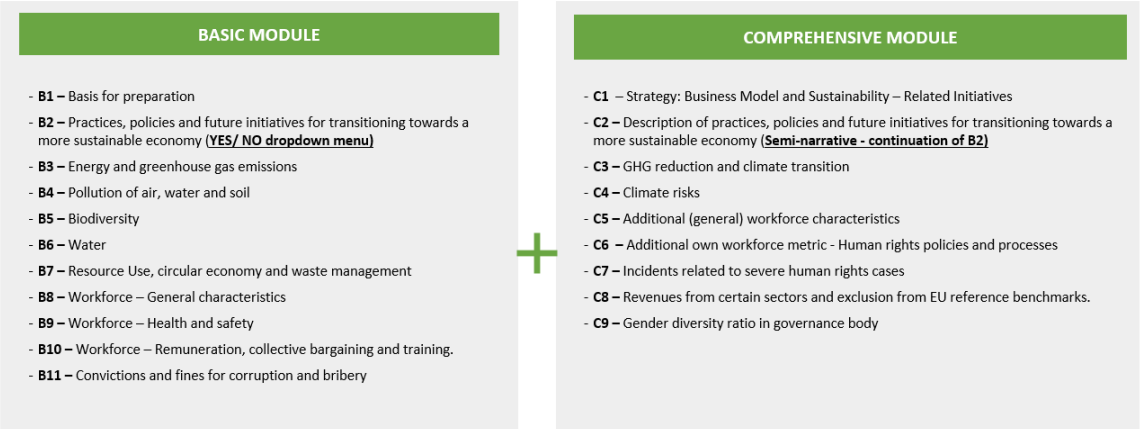
BC29. *Deletion of the Narrative-Policies, Actions and Targets (PAT) module.* The public consultation, field tests, and comment letters, all underlined the complexity of this module (for both prepares and users), who both requested for substantial simplifications. In particular, **SME business associations** in the public consultation indicated a preference for prioritising the Basic Module and BP Module over the Narrative PAT Module. SME associations considered materiality and PAT as over-demanding and suggested deleting or postponing the module. Disclosures N2, N3, and N4 were considered complex by **SME business associations.** The comments included: i) the complexity of the materiality process and selection/engagement with stakeholders; ii) the need for guidance, examples, templates and tools to help SMEs; (iii) since the materiality process is a considerable cost of preparation for SMEs, they suggested using sector-guidance instead of closed-ended questions. Similar comments were reiterated in the comment letters by a variety of respondent categories. Some preparers asked to remove this module from the VSME. Similar views were also voiced through the field tests. The field tests also indicated that for preparers, this module presents some operational challenges, with materiality being the largest challenge. Overall, disclosures N2 and N3 were perceived to be of great difficulty. The main reason is that SMEs tend to be less equipped and would need the help of consultants. N1 and N4, appeared to be disclosures of low difficulty, similarly to N5. With regard to **users (banking associations and large undertakings)**, concerns were raised regarding disclosures N2 ('Material sustainability matters'), and N4 ('Key stakeholders'). Many public consultation user respondents found the narrative nature of this module problematic, as it made it difficult to obtain necessary reliable and comparable information used for reporting and making comparisons across respondents over time; they considered a more quantitative approach as preferrable (e.g. moving to a checklist of 'yes/no' questions). For N3 ('Management of material sustainability matters') banking associations proposed a specific reformulation of it into a semi-narrative disclosure. On the other hand, N1 ('Strategy: business model and sustainability') and N4 appeared to have lower relevance compared to N5 for field- test users. For all these reasons, the Narrative-PAT module was deleted and disclosures N1, N3 and N5 ('Governance: responsibilities in relation to sustainability matters') were reallocated to the Basic and Comprehensive Modules in a simplified semi-narrative format.

BC30. *Removal of the materiality analysis from the VSME*. The most recurring comments indicated the following concerns: (i) the materiality analysis and the list of material matters are considered too complex; (ii) there is a need for guidance, examples, charts, templates and tools to help SMEs; (iii) the materiality analysis is useful but heavy for SMEs, as it is time consuming and very costly; and (iv) there is a suggestion to use pre-defined sector-guidance materiality instead. Preparers indicated challenges in terms of implementation and cost. Other stakeholders had also expressed concerns on materiality. As for in the field test, both preparers and users expressed concerns about materiality. Banks/investors highlighted concerns associated with the materiality analysis, acknowledging the complexity of this analysis for SMEs, hence questioning the reliability of the results. As such, they indicated a general preference for replacing the materiality analysis with a pre-defined list of sustainability matters by sector. The complexity of the materiality principle was further confirmed by the CBA analysis. Business association preparers indicated that materiality remains difficult. Based on these elements, the materiality analysis has been deleted from the entire Standard. In the Comprehensive Module (previously named Business Partners Module), materiality has been replaced wherever possible by an 'if applicable' principle (refer to BC 76), as already used in the Basic Module.

BC31. *Additional disclosures required by financial institutions and not included in the VSME*. During the public consultation, banks identified a list of additional datapoints. In July 2024, the EFRAG SRB agreed to tentatively explore adding those disclosures in a new advanced module called the Additional Financial Institutions (AFI) module subject to the EFRAG Secretariat's testing of the relevance of the new module with banks. In September 2024, the EFRAG Secretariat organised a workshop with the banking associations that participated in the public consultation (European and national associations). The outcome was that four datapoints were confirmed as needed by banking associations: 1) radioactive waste, 2) the female to male ratio at management level, 3) exclusion from EU reference benchmarks, and 4) GHG intensity. These datapoints were ultimately reallocated to the Basic and Comprehensive Modules, as they supplemented existing disclosures in those two modules. In addition, four other datapoints suggested by some of the banking respondents during the public consultation were ultimately deemed not necessary by the majority of the banking associations in the workshop. As a result, EFRAG SR TEG and the SRB decided to not include these datapoints: 1) energy production, 2) emissions of the vehicle fleet, 3) number of employees with disabilities (protected categories), and 4) water intensity. Finally, during the public consultation, the Platform on Sustainable Finance noted its ongoing work to develop a streamlined EU Taxonomy for non-listed SMEs and recommended the inclusion of a placeholder in VSME. This would create a link and offer in VSME a single point of entry for all the sustainability related data requests, including those stemming from this future streamlined EU Taxonomy. EFRAG SR TEG and the SRB supported adding this placeholder as a possible content of the AFI Module. At the date of approval and of issuance of VSME, the streamlined EU taxonomy has not yet been finalised. Pending clarity on its content, the placeholder has been removed from VSME. The accompanying letter to the VSME suggests to the EC that the placeholder or link to the EU simplified taxonomy SME tool be eventually inserted in the Standard once the content of the simplified taxonomy itself is finalised by the Platform on Sustainable Finance.

BC32. Hence the AFI module was considered no longer needed and deleted entirely.

BC33. *The final modular structure of the VSME*. The following diagram shows the overall structural changes that have been made to the VSME following the public consultation, including the additional datapoints suggested by banks during the public consultation:



BC34. Public consultation results by disclosure have been integrated in detail in the text below (refer to disclosures BC88 to BC194, which are related to disclosures B1 to C9).

Cost Benefit analysis

BC35. The key takeaway from the CBA results on the VSME, following the revisions undertaken as a result of the public consultation is a reduction of reporting costs for preparers compared to the VSME ED. This is because of the following changes that have been implemented on the revised VSME:

(a) changes to the module structure;

(b) streamlining, removing of narrative disclosures, and elimination of references to international guidelines;

(c) removal of the materiality analysis;

(d) inclusion of additional data points to account for requests from financial institutions.

(e) sensitivity analysis on analytical parameters suggesting that net impacts are neutral to positive following the first year of implementation; and

(f) in the central scenario, net impacts becoming positive from the third year of implementation of the VSME.

BC36. On the basis of the public consultation, the field-test results and preliminary cost-benefit analysis, in July 2024 the EFRAG SRB and SR TEG agreed on the orientations both at structural (as described above) and disclosure level of metrics, as described in the sections for the Basic and Comprehensive Modules below. The EFRAG Secretariat implemented the agreed changes in the revised VSME after the public consultation that was discussed as follows: six meetings of the SR TEG between September and October 2024 and three meetings of the SRB between October and November 2024. The specific list of meetings along with the specific discussions, is listed in Annex 3. The revised VSME after the public consultation was also discussed in the workshops with preparers and users, i.e. with European and national banking associations (16 September 2024) and with European and national SMEs' representatives (23 September 2024). The outcomes of the workshops has been an integral part of EFRAG SRB's redeliberation and due process and, as such, they are published in Annex 16.

Scope of the VSME

BC37. Paragraph 2 of the VSME explains that this is a voluntary Standard and applies to undertakings whose securities are not admitted to trading on a regulated market in the European Union (i.e. non-listed). Article 3 of Directive 2013/34/EU (the Accounting Directive) defines and distinguishes three categories of small and medium-sized undertakings based on their balance sheet total, net turnover and average number of employees during the financial year, as follows:

(a) micro if it does not exceed two of the following thresholds: €450,000 in balance sheet total, €900,000 in net turnover, or an average of 10 employees;

(b) small if it does not exceed two of the following thresholds: €5 million in balance sheet total, €10 million in net turnover, or an average of 50 employees.

(c) medium if it does not exceed two of the following thresholds: €25 million in balance sheet total, €50 million in net turnover, or an average of 250 employees.

BC38. The balance sheet and net revenue criteria indicated above have been adjusted by the EC's Delegated Act amending Directive 2013/34/EU as regards the adjustments of the size criteria for micro-, small-, medium-sized with implementation as of January 2024 (and reporting 2025). Hence the text in paragraph 2 of this Standard has been adjusted accordingly. Additionally, based on Article 3, paragraph 10 of the [Directive 2013/34/EU (the accounting directive)], if an undertaking exceeds two of the three criteria for medium-sized undertakings set out in BC37, for two consecutive financial years, it shall then and only then be considered a large undertaking. The same applies conversely: if a large undertaking falls within the criteria set out in BC37 for two consecutive financial years, it shall then be considered an SME.

BC39. Micro, small and medium companies (as defined above) are the vast majority of companies in Europe. They are in total 25.8[6] million with the following breakdown:

(a) micro = 24.0 million companies (93.3% of total EU companies)

(b) small = 1.5 million companies (5.7% of total EU companies)

(c) medium = 206.400 companies (0.8% of total EU companies).

BC40. In this document 'non-listed SMEs' is used to identify the undertakings in the scope of the VSME, including micro-undertakings.

Useful references in the CSRD

BC41. The following references in the CSRD provide background:

[6] Annual Report on European SMEs 2023/2024 published by the European Commission. (Katsinis, A., Lagüera-González, J., Di Bella, L., Odenthal, L., Hell, M., Lozar, B., Annual Report on European SMEs 2023/2024, Publications Office of the European Union, Luxemburg, 2024, doi:10.2826/355464)

(a) **Art 29b4** indicates that standards for listed SMEs, small non-complex banks and captive (re)insurances (ESRS LSME) will legally cap the information which ESRS can require large undertakings to obtain from SMEs in their value chains;

(b) **Recital 21** indicates that small and medium-sized undertakings that are not listed on a regulated market in the Union should also have the possibility of choosing to use the simplified ESRS LSME on a voluntary basis.

(c) **Recital 21** also indicates that such standard will therefore help to protect and enhance the access of smaller undertakings whose securities are admitted to trading on a regulated market in the Union to financial capital and avoid discrimination against such undertakings on the part of financial market participants;

(d) **Recital 22** says that Member States should be free to assess the impact of their national transposition measures on small and medium-sized undertakings, to ensure that they are not disproportionately affected, with specific attention to be given to micro-undertakings and to avoid an unnecessary administrative preparatory cost. Member States *should consider introducing measures to support small and medium-sized undertakings in applying the sustainability reporting standards*.

BC42. With reference to Art. 29(b)(4) above, the VSME does not have a legal role in setting the cap under the CSRD, according to the interpretation of the CSRD as confirmed to EFRAG by the representatives of the European Commission who are observers in EFRAG's due process procedure. The VSME is expected to form the basis for lenders, investors and corporate clients of non-listed SMEs, when defining sustainability data requests for SMEs. Assuming that the VSME can replace a substantial part of existing ESG data requests for SMEs, the Standard is expected to set a de facto limit to the current multiple ESG data requests that SMEs are facing. Current EFRAG considerations are detailed in the section on trickle-down effects in Annex 8.

One or two different reporting standards for SMEs

BC43. With reference to Recital 21 above, EFRAG considered whether the non-listed SME should also apply the ESRS LSME, resulting in a single standard for SMEs.

BC44. EFRAG was requested by several stakeholders to develop a separate standard consisting of minimum voluntary disclosures adapted to the characteristics and capacities of non-listed SMEs, because a standard for listed SMEs would be too complex to apply for them.

BC45. In particular, the outreach conducted with the banking sector reflected the need to cover micro undertakings in the scope of the VSME. EFRAG SR TEG and the SRB considered that the level of simplification and proportionality of a voluntary standard suited for use by micro and small undertakings would be irreconcilable with the minimum disclosures needed by investors and covered in the ESRS LSME. The aim is to avoid discrimination against listed SMEs on the part of financial market participants (see Recital 21 indicates that small and medium-sized undertakings that are not listed on a regulated market in the Union should also have the possibility of choosing to use the simplified ESRS LSME on a voluntary basis.).

Simplified language and consistency with ESRS Set 1

BC46. Paragraphs 3 and 4 of the VSME explain that consistency with the European Sustainability Reporting Standards ('ESRS') for large undertakings has been carefully considered. EFRAG has sought to pursue a consistent set of standards belonging to the ESRS literature. This will facilitate the understanding of the requirements by users and preparers. The same list of sustainability matters (Appendix B of the VSME which replicates AR 16 in ESRS Set 1) is used in the VSME, LSME and ESRS Set 1.

BC47. Although the VSME has been designed with a highly simplified structure and language, maintaining the consistency between this Standard and the ESRS was a key methodological element.

BC48. The VSME has not been conceived as a simplification of ESRS Set 1. Rather, it has been designed based on the frequently observed data requests from lenders, investors and corporate clients of SMEs. The VSME also uses a more simplified language than the LSME to prioritise proportionality, however coherence has been preserved between VSME and ESRS LSME (and ESRS Set 1), in terms of structure, sustainability matters and key defined terms.

BC49. The language simplification in the VSME ED (particularly in the Basic Module) aimed at clarifying defined terms in line with the terminology of ESRS Set 1. Additionally, following the public consultation, both preparer and user respondents requested further language simplifications and deeper explanations within the guidance. For this reason, the SRB and SR TEG have requested that the EFRAG Secretariat add further guidance and further simplify the Standard. Part of these additional language simplifications are related to the 'if applicable' principle. The wording 'if applicable' at the beginning of a datapoint has now been replaced by disclosing the specific criteria for the applicability, i.e. explanations for when this disclosure requirement is 'applicable' for the reporting undertaking. This principle is further explained in the section 'Principles for the preparation of the sustainability report' below. Additionally, for certain disclosures, semi-narrative, 'yes/no' disclosures were specifically provided for certain social datapoints that SMEs previously perceived as too complex to disclose on.

Trickle-down effect and value chain cap

BC50. This section presents the assessment of EFRAG SR TEG and the EFRAG SRB about the role that the VSME would play in allowing a satisfactory coverage of the corresponding datapoints in ESRS for large undertakings that have to report on their value chain. This assessment has been confirmed by specific questions in the public consultation.

BC51. Under the provisions of the CSRD (Art. 29(b)(4)), the ESRS Set 1 for large undertakings shall not specify disclosures that would require large undertakings to obtain information from SMEs in their value chain that exceeds the information to be disclosed pursuant to ESRS that EFRAG is developing for listed SMEs (LSME ESRS). EFRAG's work on the VSME identifies this legal requirement as 'value chain cap'. Some stakeholder requested the use of VSME as value chain cap, however this does not correspond to the legal content of the CSRD.

BC52. At the date of the issuance of VSME, EFRAG has not yet issued its technical advice on ESRS LSME.

BC53. While the vast majority of SMEs that are part of the value chain of large undertakings is not in the scope of the ESRS LSME, from a legal perspective the standard-setting process must follow the limitation introduced by legislators in the CSRD (i.e. the ESRS LSME, and not the VSME, is legally setting the value chain cap).

BC54. During the development of VSME the value chain cap and the need for proportionality were extensively debated to appropriately balance expectations of SME preparers and users of SME information. Part of the discussions focused on the so-called 'trickledown effect' (i.e. the reporting cost of preparation for non-listed SMEs derive from reporting obligations of their counterparties that are large undertakings and applying ESRS Set 1).

BC55. The table in Annex 8 provides a detailed analysis of ESRS Set 1 datapoints with a value chain dimension (see the value chain map in the EFRAG IG 2 Value Chain Implementation Guidance) with reference to the 'trickledown effect' under two perspectives:

(a) Perspective 1, focuses on the potential cost of preparation for SME suppliers due to data requests for ESRS reporting from Set 1 preparers. This perspective looks at what the corresponding datapoints are in the VSME and how proportionate they are. This perspective covers the trickle-down effect and takes account of the Set 1 provisions and guidance regarding the preparation of information related to value chain (particularly, in relation to the collection of data and the use of secondary data such as proxies, statistics and estimates).

(b) Perspective 2 focuses on the correspondence between the value chain datapoints in Set 1 and those in the VSME. This perspective looks at whether and to what extent there could be potential (additional) trickle-down effects on SMEs derived from data not covered by the VSME.

BC56. As a reminder, the guiding principle for VSME was simplification, while meeting users' needs. VSME is sector agnostic. Specific sectorial perspectives, as well as supply chain management policies or labels, data platforms developed by certain groups of undertakings ('specific arrangements'), may introduce specific requirements that are not covered by the analysis presented in Annex 8.

BC57. EFRG SR TEG and the EFRAG SRB concluded the following:

(a) While the ESRS cannot result in large undertakings having to request disclosures that are not included in the ESRS LSME, the VSME is intended to play a key role in supporting SMEs, when they prepare the information needed by large undertakings for ESRS reporting, as well as for other obligations including for business purposes.

(b) Therefore, the VSME Modules (Basic and Comprehensive) include simplified disclosures that generally correspond to the reasonable expectations of ESRS Set 1 preparers (i.e. large undertakings that prepare their sustainability statement under the ESRS). As a consequence, non-listed SMEs that apply the VSME will in general be able to meet the data requests defined in ESRS Set 1 except for specific cases.

(c) These cases correspond to disclosures that could trigger additional data requests from large undertakings, either due to their ESRS reporting obligations or for other obligations and business purposes. These disclosures, are not included in the VSME, due to their excessive complexity for non-listed SMEs in general. They are principally of a sectorial nature (GHG removals, microplastics, substances of concern/high concern, resource inflows), and are mainly needed for management or specific arrangement purposes.

Structure of the VSME

BC58. As a result of the structural changes previously described, the Standard is composed of two modules: the Basic Module and the former Business Partners Module, now renamed 'Comprehensive Module'. The change of name was requested in the public consultation to indicate that business partners may request more comprehensive information beyond what is covered via the Basic Module.

BC59. Paragraph 5 of the VSME explains that the Standard consists of 2 modules:

(a) *Basic Module:* This Module is the target content for micro-undertakings and constitutes a minimum requirement for other SME. Following the public consultation, both preparers and users agreed on the importance of this Module. As a result of the public consultation, it was decided at the SRB to keep this Module with a highly simplified language as an entry level module for non-listed SMEs. Following the public consultation, the language of this Module was further simplified. All the disclosures have to be reported on. Compared to ESRS Set 1, the concept of materiality was removed from this Module and replaced with the concept of 'applicability' as the materiality analysis requirement was considered too complex for non-listed SMEs. This is consistent with the feedback EFRAG received during the public consultation. In general, when the undertaking's circumstances are different from those that would trigger disclosure of that specific datapoint, no information for the specific datapoint has to be provided.

(b) *Comprehensive Module (former Business Partners Module)*: SMEs are expected to use this Module to cover the more comprehensive ESG requests from business partners on top of the Basic Module. The Module includes the metrics required by financial market participants (SFDR PAI Table 1, Pillar 3, Benchmark regulation) as well as other metrics relevant for business counterparts. The assumption largely confirmed in public consultation, is that the EU SF datapoints can satisfy the data needs of both banks or corporates as SFDR PAI are considered proxies to manage the sustainability profile of SMEs clients (banks/investors) and suppliers (corporates). As in the case of the Basic Module, metrics are to be reported 'if applicable'. This was an important change stemming from the public consultation since the materiality analysis was removed from the VSME.

BC60. EFRAG SR TEG and the SRB considered a modular approach to be a logical and practical way to address the complexity of dealing with a broad and diversified class of undertakings (from less than 10 employees to 250 employees). It also assists in meeting two objectives: (i – primary objective) to satisfy a substantial part of the data demands from business partners and (ii – secondary objective) to provide a very simplified approach for entrepreneurs to embark on the sustainability journey. This was confirmed in the public consultation as respondents indicated that the VSME may cover up to 80% of the information requested by business partners (i.e. banks, investors, and large undertakings). It is important to note that specific sectorial information could not be covered by the VSME, as this Standard is sector-agnostic.

BC61. There is also a third way of using VSME: SMEs may choose to adopt the Basic Module only or to complement it with the Comprehensive Module, depending on the maturity of their sustainability practices and the data demands they are subjected to. The adoption of the modular approach allows for the definition of a path from the Basic Module to more sophisticated reporting.

BC62. The two Modules have been defined on the basis of:

(a) feedback from EFRAG SR TEG and the SRB collected in the internal consultation during summer 2023 and the written consultation of the EFRAG VSME Community and SME Expert Working Group (details in Annex 4 and Annex 5 of this Basis for Conclusions);

(b) in-depth analysis of ESG questionnaires of business partners;

(c) outcome of outreach events (detailed information in Annex 5 of this Basis for Conclusions);

(d) content of a working document prepared by Cluster 8 of the EFRAG Project Task Force ESRS (PTF-ESRS). The PTF developed the Exposure Drafts for the ESRS Set 1 before the completion of EFRAG's reform, but the Cluster 8 working document was not approved by the EFRAG PTF-ESRS as Set 1 was the priority. EFRAG SR TEG and the SRB considered that the research performed by Cluster 8 was instrumental to speed up the process of developing the VSME[7]; and

(e) content of ESRS Set 1 that was considered as a 'cap', i.e. in general a datapoint not being in Set 1 is not included. However, as a result of the public consultation, certain disclosures were introduced in order to satisfy the data demands from business partners and to simplify reporting for preparers. These are:

i. B1 paragraph 24(e)(vii) on geolocation since geolocation data requires more precise location information than the NUTS system in ESRS Set 1, which, at its most narrow level (NUTS 3) identifies only small regions. In terms of decimal degrees of coordinates, NUTS 3 corresponds to coordinates with one decimal place. Coordinates with five decimal places, on the other hand, allow for the identification of, for example, individual trees on a map, thus providing much more essential information for the purposes of the Standard. Most geolocation tools and platforms handle coordinates with up to eight decimal places. The more decimal places, the more accurate and specific the location is, which is the objective of geolocation. Google Maps, for example, at its most basic form, handles coordinates with six decimal places (and 14 decimal places at its most advanced form). Therefore, for the VSME it has been decided to ask for coordinates with five decimal places, which will give companies leeway (to use the most rudimentary tools for the identification of coordinates, while still providing accurate information) and will allow for the use of most tools, platforms or information systems for the treatment of geolocation data by financial institutions, consultants or other stakeholders in a later phase. The need for more accurate and precise geolocation information in the VSME thus prevents the alignment with the NUTS system. For more details, please refer to BC90 below; and

ii. B7 paragraph 38 (c) on annual mass-flow, which was inserted to simplify the datapoints on recycled and recyclable content in products and packaging (refer to BC126 below for details).

BC63. The EFRAG Secretariat analysed 12 examples of ESG questionnaires, which included two national central banks, four national federations, one national credit information provider, one national bank, one rating agency, and three mixed banks and supply chain (international initiatives) questionnaires. These questionnaires cover around 26 000 SMEs and are part of initiatives that comprise approximately 700 banks and 450 companies in the value chain. Please note that some of these questionnaires have an international scope. In addition, the EFRAG Secretariat also analysed a questionnaire from one ESG rating agency that is used by more than 100 000 companies.

BC64. On this basis the EFRAG Secretariat has identified the relevant recurrences of DRs in the VSME in the existing questionnaires. In addition, the public consultation tested which disclosures were considered feasible for preparers and a 'must have' for the users. The table on the next page summarises those elements.

Datapoint in the VSME	Number of questionnaires in which it is asked	Public consultation results (supported/ not supported)	Additional information
Basic Module			
Disclosure B3 – Energy and greenhouse gas emissions	12	Supported	Simplifications requested plus additional datapoint on

[7] Appendix 1 – Issue Paper 03.01 SR TEG 17 November 2022

Datapoint in the VSME	Number of questionnaires in which it is asked	Public consultation results (supported/ not supported)	Additional information
			energy intensity requested
Disclosure B4 – Pollution of air, water and soil	7	Supported	'If applicable' clarified. Reference to EMAS removed.
Disclosure B5 – Biodiversity	4	Supported	Not modified (added guidance)
Disclosure B6 – Water	9	Supported	Not modified
Disclosure B7 – Resource use, circular economy and waste management	9	Supported	Simplification by introducing the concept of mass flows plus semi-narrative option given to describe circularity principles.
Disclosure B8 – Workforce – General Characteristics	8	Supported	Additional datapoint on the employee turnover rate requested with a threshold.
Disclosure B9 – Workforce – Health and safety	3	Supported	Not modified
Disclosure B10 – Workforce – Remuneration, collective bargaining, and training Point (b) percentage gap in pay between its female and male employees	7	Supported	Reformulation of adequate wages. Threshold adjusted to Pay Transparency Directive for gender pay gap.
~~Disclosure B11 – Workers in the value chain, affected communities, consumers and end-users~~	-	Not supported	Disclosure removed. However, the key aspects have been kept within B2 (practices/ policies and future initiatives)
Disclosure B11~~2~~ – Convictions and fines for corruption and bribery	4	Supported by banks, not by SMEs	Not modified
Narrative-PAT module			**Not supported: materiality and comparability of narrative information**
~~Disclosure N1 – Strategy: business model and sustainability related initiatives~~	10	Partially supported	Moved from PAT to Comprehensive Module
~~Disclosure N2 – Material sustainability matters~~	Not applicable	Not supported	Seen as too complex by preparers, and not comparable and reliable enough for users
~~Disclosure N3 - Management of material sustainability matters~~ ~~Par 60. Actions taken in the reporting period to improve its energy efficiency and to reduce its greenhouse gas emissions~~	7	Partially supported	Seen as complex by preparers and essential for users both banks and large undertakings. Banks suggested reformulation as seminarrative. The
~~Disclosure N3 - Management of material sustainability matters~~	3		

Datapoint in the VSME	Number of questionnaires in which it is asked	Public consultation results (supported/ not supported)	Additional information
~~Par 61. Policies, actions and targets in relation to (i) workers in the value chain; and/or (ii) consumers and end-users; and/or (iii) affected communities~~			integration of this disclosure in B2 was welcomed by both prepares and users in the post-consultation workshops.
~~Disclosure N3 - Management of material sustainability matters~~ ~~Par 62. Actions taken to address breaches in procedures and standards of anticorruption and anti-bribery.~~	8		
~~Disclosure N4 – Key stakeholders~~	7	Not supported	Seen as complex and not essential.
~~Disclosure N5 – Governance: responsibilities in relation to sustainability matters~~	7	Partially supported	Preparers said that for most SMEs the disclosure is not applicable, but feasible. Essential for banks.
Comprehensive module			
Disclosure C1 – Strategy: business model and sustainability related initiatives	10	Partially supported	Moved from PAT to Comprehensive Module
Disclosure C2 – Description of practices, policies and future initiatives towards a more sustainable economy	N/A	N/A	N/A
Disclosure C3 – GHG reduction and climate transition	7	Content supported	Request to merge former BP4 and BP3. Former BP4 simplified.
	7	Content supported	
Disclosure C4– Climate risks	9	Content supported	Seen as too complex by SMEs, but essential for users. Revised disclosure with simplification, appreciated by both stakeholder groups in post-consultation workshops
~~Disclosure BP6 – Hazardous waste and radioactive waste ratio~~	4	Partially supported	Not considered relevant/ applicable by SMEs, and considered essential by users. Integrated into B7.
Disclosure C5 – Workforce (General) Additional characteristics	N/A	N/A	Additional datapoints requested by users in the public consultation included as may datapoints.
Disclosure C6: Human rights policies and processes	6 (former BP7)	Partially supported	Two disclosures merged together. Simplified substantially (drop-down, Yes/No menu). **Simplifications welcomed by stakeholders** in post consultation workshops.
	5 (former BP8)	Supported	

Datapoint in the VSME	Number of questionnaires in which it is asked	Public consultation results (supported/ not supported)	Additional information
Disclosure C7 – Violations of OECD Guidelines for Multinational Enterprises or the UN Guiding Principles	3	Supported	Simplified substantially (drop-down, Yes/No menu). Simplifications welcomed by stakeholders in post consultation workshops. Additional datapoint for workers in the value chain, affected communities and consumers/end-users following SR TEG and public consultations.
C8 – Revenues from certain sectors and exclusion from EU reference benchmarks	5	Supported	Seen as essential by users
C9 – Gender diversity ratio in the governance body	6	Partially supported	Seen as essential by users and as not always applicable/ relevant by preparers.
~~Disclosure BP10 – Work-life balance~~	1	Not supported	Removed, not relevant for users
~~Disclosure BP11 – Number of apprentices~~	3	Not supported	Removed, not relevant for users

BC65. While in outreaches, all categories of business partners recognised the three modules of the VSME ED as relevant, the public consultation highlighted that the Narrative-PAT Module would be of limited use for business partners and would be too difficult to prepare for preparers. The main complexity of the Module was linked to the materiality analysis that was considered not feasible for preparers and not reliable for users. In addition, banks confirmed that the consolidation of the information in the Narrative Module would be too complex, given its qualitative and less structured nature in the context of the very large number of SME clients in their banking book. On the basis of the public consultation feedback, EFRAG SR TEG and the EFRAG SRB have deleted the Narrative-PAT Module and reallocated the narrative disclosure considered essential by users (former N1, N3 and N5) to the Basic and Comprehensive Modules. The feedback also confirmed that the same modules would serve the different categories of Business Partners as all of them consider confirmed the same disclosures as essential, thus confirming the assumption tested in this consultation.

BC66. Paragraph 5 of the VSME refers to paragraph 24, which illustrates the available options for the preparation of a sustainability report, adopting one or more of the two modules of the VSME. Once chosen, the undertaking shall comply with a module in its entirety, i.e. including the information in each disclosure that is applicable to the undertaking's specific circumstances to avoid cherry picking and promoting comparability. To ensure flexibility, the undertaking may however include selected disclosures from either of the remaining modules and/or entity-specific or sector-specific disclosures (see paragraph 10 of the VSME) to support the provision of relevant, faithful, comparable, understandable and verifiable information.

BC67. Paragraph 6 of the VSME explains that the Basic Module is a prerequisite for the Comprehensive Module. The flexibility described in BC 66 is assumed to lower entry barriers for preparers and would allow for the meeting of users' needs to the maximum extent possible.

BC68. Paragraph 7 refers to Appendix A 'Defined Terms', which provides a glossary for the terms used. This glossary has mostly the same definitions as ESRS Set 1 to align the concepts and ensure conceptual coherence. For some terms, however, small changes to Set 1 have been introduced and those simplifications are mapped in the Annex 7 of this document. Finally, definitions to help SMEs such as definitions for 'governance', 'business Conduct' and 'gross emissions' have been introduced.

Principles for the preparation of the sustainability report (Basic Module, Comprehensive Module)

Entity-specific component

BC69. Paragraph 10 of the VSME refers to the inclusion of additional entity-specific information. 'Depending on the type of activities carried out by the undertaking, the inclusion of additional information (metrics and/or narrative disclosures) not covered in this [draft] Standard is appropriate in order to disclose sustainability issues that are common in the undertaking's sector (i.e. typically encountered by businesses or entities operating within a specific industry or field) or that are specific to the undertaking, as this supports the preparation of *relevant, faithful, comparable, understandable and verifiable information*. Appendix B provides a list of possible sustainability issues.'

BC70. This component was not significantly changed following the public consultation. The inclusion of the entity-specific component was extensively discussed by EFRAG SR TEG and the SRB. Some initially supported this exclusion to avoid increasing the costs of preparation with the related judgement that the entity-specific component entails. Others supported such inclusion only on a voluntary basis. Finally, EFRAG SR TEG and the SRB agreed to include the entity-specific component given its importance particularly to add the sector-specific element. Therefore, the VSME refers to 'issues that are common in the undertaking's sector'. This approach was confirmed by the public consultation.

BC71. As a result of the public consultation, once the standard is released by the European Commission, EFRAG may also develop a set of SME guidance of sustainability issues per sector. EFRAG could cover this as part of the ongoing multi-annual sector programme. Indeed, the stakeholder's engagement and public consultation have shown that corporate clients may require additional specific data for certain sectors and therefore already signal that this dimension to SMEs may be useful.

BC72. This is relevant to both the Basic Module and in the Comprehensive Module. For the latter, an entity-specific consideration related to Scope 3 GHG emissions has been introduced, especially as indirect emissions are particularly relevant to certain sectors. This approach was confirmed during the public consultation. GHG scope 3 emission is not a requirement for VSME unless the undertaking decides considering the sector, to report under the Comprehensive module.

BC73. Following the public consultation, an additional paragraph has been added, which clarifies that for any of the metrics of the Standard, the reporting undertaking may provide additional qualitative information to complement disclosure's metrics: *'The undertaking may complement the metrics from the Basic and Comprehensive modules with additional* qualitative *and/or quantitative information, where appropriate, in accordance with paragraph 10 above.'* This was reviewed and welcomed by EFRAG SR TEG and the SRB.

Comparative information

BC74. Following the public consultation, SR TEG and the SRB, decided to move the paragraph on comparative information to the principles part of the Standard. This was done to ensure that this principle on comparability is applied throughout the standard and not merely to the Basic Module. The inclusion of comparative information adds to the relevance and comparability of the information across periods. However, for simplification purposes, such a disclosure containing comparative information would only be provided from the second year of reporting. This principle is now in paragraph 12 of the VSME.

If applicable principle

BC75. Paragraph 13 indicates that the disclosures of the Standard are to be reported only 'if applicable' to the undertaking's circumstances. This important simplification was introduced following feedback during the standard-setting process. The reason is that the performance of a materiality analysis would be too complex for micro-undertakings given the judgement and sophistication required in contrast to their average complexity and capabilities. This is to guide micro-undertakings and other SMEs in assessing and filtering whether the disclosure requirement applies to their circumstances or not.

BC76. During the public consultation, most respondents agreed with the 'if applicable' principle, stating this was a useful approach to replacing materiality. Various respondents asked to clarify the meaning of 'if applicable' within the Standard. It was also requested to extend the 'if applicable' principle to other modules of the Standard and not solely to the Basic Module.

BC77. Following these comments, SR TEG and the SRB agreed to extend the 'if applicable' principle to the Comprehensive Module (as the materiality analysis is removed) and to clarify in paragraph 13 of the VSME that omitting an 'if applicable' disclosure, when considered not applicable, is a principle applicable to both the Basic and Comprehensive Modules.

Inclusion of subsidiaries in the reported data

BC78. This paragraph recommends that the undertaking prepares its sustainability report on a consolidated basis (i.e., including the information of its subsidiaries), where relevant.

BC79. In the public consultation, most respondents across the three categories (preparers, users and others) agreed with the proposal to report on a consolidated basis. However, SME associations demanded more flexibility for preparers when choosing whether to include subsidiaries.

BC80. In addition, as a result of the public consultation, SR TEG and the SRB agreed to add a second paragraph to this principle, exempting SMEs from reporting if their parent undertaking includes the subsidiary/subsidiaries in their consolidated report.

Timing and location of the sustainability report

BC81. Paragraph 16 ensures that the undertaking has the option of publishing its sustainability report either as a separate section of the management report or as a different document. This is to reflect the different legal regimes in European Member States.

BC82. In the public consultation, respondents were specifically asked whether they agreed with the timing and location principle of the ED. SMEs (preparers) asked for more flexibility as a report based on a yearly basis may add significant costs to preparation for SMEs. At the same time, the majority of users confirmed that the sustainability report shall be prepared on an annual basis (in alignment with the Pillar 3 framework).

BC83. Following these comments, the SRB and SR TEG have clarified the timing and location of the sustainability report (paragraph 16). Reporting undertakings are now requested to report on an annual basis, if their business partners request them to do so. However, it has also been specified that if the data does not change from the previous reporting period, the reporting undertaking may refer to the previous reporting period and mention so within the disclosure. Additionally, as a result of the clarification of the objectives of this Standard in BC4, with the primary objective being the ability to respond to a business counterparty's requests, paragraph 17 of the VSME specifies that the reporting undertaking may decide to make the report available to the public.

Cross references to EMAS

BC84. In the public consultation, respondents indicated that the Eco-Management and Audit Scheme (EMAS) is too complex for SMEs and should therefore not be referenced. During multiple SR TEG meetings, the inclusion of EMAS references was discussed, and diverging opinions emerged. Some SR TEG and SRB members supported the mention of EMAS, but SME representatives were strongly against it on the grounds of EMAS being too complex and not widely used by SMEs. The references to EMAS in paragraph 18 in relation to incorporation by reference as well as in other disclosures were therefore removed. Moreover, the reason for rejecting this suggestion is that VSME is a demand driven tool and users will need to identify the VSME information as a coherent set of disclosures. Integrating it with other reports would risk obscuring the information requested by counterparties in the VSME. In addition, there is full flexibility as to where to locate VSME report, i.e. as an attachment to the management report, when prepared, or to the financial statements, or in a separate document. Nothing prevents a company from attaching the VSME report to another report. Finally, there is provision for incorporation by reference in paragraph 18, which allows items from another report to be incorporated in VSME thus avoiding double reporting. While exploring the possible integration of EMAS and VSME disclosures is out of the current mandate received by EFRAG, it is an element that the EC could potentially explore in the future.

Classified and sensitive information, and information on intellectual property, know-how or results of innovation

BC85. Some consider that for SMEs the issue of sensitive information may be proportionally more important compared to large undertakings given that the latter have more means to invest in innovative technology, products and solutions. For small start-ups, intellectual property may even be a pervasive competitive advantage.

BC86. During the public consultation, there was a request to improve and clarify the definition of ‘sensitive information’ and to allow for more flexibility. Following this comment, the EFRAG Secretariat initially proposed to leave the current phrasing unchanged. However, during an SR TEG discussion it was suggested to delete the two conditions (a and b) of former paragraph 16 of the ED arguing that these two former conditions are appropriate for compulsory reporting but not for voluntary reporting. This change was tested and welcomed by both banking and SME associations in the post-consultation workshops. Following this, this principle has been updated as follows: ‘When the provision of the disclosures in this [draft] Standard would require disclosing classified or sensitive information, the undertaking may omit such information. If the undertaking decides to omit such information, it shall simply state that is the case under disclosure B 1 (see paragraph 24)’. This has been reiterated in the Basic Module, disclosure B1 – Basis for preparation, in paragraph 24(b).

Coherence and linkages with disclosures in financial statements

BC87. Following discussions held at SR TEG, it was decided to expand the scope of this principle to the entire Standard. This principle in the ED was previously only applicable to the Narrative-PAT and Business Partners Modules of the ED. The content did not change from the ED. The decision was taken at SR TEG level and approved by the SRB based on the need to expand the scope of this principle to the entire Standard.

Basic module

BC88.

Disclosure	Paragraph reference	‘If applicable’/ always to be reported on/ may disclosure
B1 – Basis for Preparation	24	**Always to be reported on**
	25	**If applicable**

B2 - Practices, policies and future initiatives for transitioning towards a more sustainable economy	26, 27, 28	**If applicable**
B3 – Energy and greenhouse gas emissions	29	**Always to be reported, breakdown if available**
	30, 31	**Always to be reported on**
B4 – Pollution of air, water and soil	32	**If applicable**
B5 – Biodiversity	33	**If applicable**
	34	**May disclosure**
B6 – Water	35	**Always to be reported on**
	36	**If applicable**
B7 – Resource use, circular economy and waste management	37, 38 (c)	**If applicable**
	38 (a)(b)	**Always to be reported on**
B8 – Workforce – General characteristics	39 (a), 39 (b)	**Always to be reported on**
	39 (c)	**If applicable**
	40	**To be reported on when above the threshold**
B9 – Workforce – Health and safety	41	**Always to be reported on**
B10 – Workforce – Remuneration, collective bargaining and training	42 (a), 42 (c), 42(d)	**Always to be reported on**
	42 (b)	**To be reported on when above the threshold**
B11 – Convictions and fines for corruption and bribery	43	**If applicable**

Basic Module – General information

B1 – Basis for preparation

BC89. This disclosure has been complemented with additional metrics following the public consultation. The previous datapoints already included in the VSME ED as part of this disclosure have been kept. B1 (paragraph 24) continues to ask for the modules that the undertaking is reporting on. The Basic Module remains the entry level and the pre-requisite for all reporting undertakings.

BC90. With regard to the additional datapoints, a total of eight new metrics have been added to B1 because they were requested by users in the public consultations. The additional metrics are the following: 1) the undertaking's legal form, 2) the NACE sector classification code(s), 3) size of balance sheet (in euro), 4) turnover (in euro), 5) number of employees in full time equivalents (FTEs) or headcount, 6) country of primary operations and location of significant asset(s), 7) geolocation of sites owned, leased or managed, and 8) ESG certificates (if any). SR TEG and the SRB decided to add the geolocation datapoint directly in B1 as a way of covering banks' requests for geolocation data in disclosures B5 – Biodiversity and disclosure C4 – Climate risks. By requesting geolocation directly in B1, a double disclosure scenario is avoided. For those additional datapoints, specific guidance has been added, including a table to help preparers structure their disclosure of information. This table was tested in the post-consultation workshops with users and preparers was well supported. The SRB discussed the geolocation as it may be a sensitive datapoint but concluded that, considering the primary function of the VSME of a bilateral exchange of information and considering the clause on sensitive information whereby the undertaking may omit this datapoint, it agreed to keep it as important for the users.

BC91. Additional guidance to support the preparation of this disclosure can be found in paragraphs 68 to 77 of the VSME.

B2 – Practices, policies and future initiatives for transitioning towards a more sustainable economy

BC92. This disclosure has changed significantly following the public consultation. During the public consultation, users/banks requested to expand the scope of former B2 to cover policies and future initiatives beside practices.

BC93. This request was accompanied with user concerns over the Narrative-PAT Module, which was found to be overly complex and lacking comparability given its purely narrative nature. Despite these general concerns with the Narrative-PAT Module, former disclosures N3 (Management of material sustainability matters) and N5 (Governance: responsibilities in relation to sustainability matters) were considered essential by users and feasible by most preparers. Hence, users/banks recommended relocating those two disclosures (N3 and N5) in B2 in a simplified, non-purely narrative format.

BC94. EFRAG SR TEG approved the recommendation to incorporate former N3 and N5 into B2. Banking associations and SME representatives supported the revised disclosure B2 as well as the corresponding table during post-consultation workshops in September 2024.

BC95. The EFRAG SRB subsequently discussed whether having a semi-narrative descriptive component in the Basic Module was appropriate. Some SRB members raised concerns about the potential costs for preparation that semi-narrative disclosures may have on SMEs. Disclosure B2 was ultimately approved by the EFRAG SRB under the condition that the descriptive components be moved to the Comprehensive Module (see C2 – Description of practices, policies and future initiatives for transitioning towards a more sustainable economy).

BC96. As a result, the final version of B2 requires that undertakings state whether they have practices, policies or future initiatives in place and whether they are supported by targets. Undertakings may refer to the list of sustainability issues in Appendix B, which reflects the ten sustainability matters found in ESRS Set 1 and may use the table in the guidance, which includes 'yes/no' questions, to fulfil disclosure B2. On 'current practices', B2 retains the original wording.

BC97. The disclosure of current practices, along with current polices, future initiatives and targets, aims to help business partners assess SMEs' level of maturity and engagement with sustainability matters. The term 'practices' was introduced as a simplification, recognising that SMEs often operate with informal practices or future initiatives rather than formalised policies.

BC98. Additional guidance related to value chain workers, affected communities and end consumers was created for B2 to illustrate that this disclosure covers the SFDR PAI 11 from Table 1 in relation to the lack of processes and compliance mechanisms to monitor compliance with UNGP and OECD MNE. It was important to make such connection and avoid duplication as a minority of EFRAG SRB members considered that C6 was to be modified to include the aforementioned groups of affected stakeholders.

BC99. The EFRAG Secretariat will develop guidance for SMEs on the list of possible actions/policies for SMEs covering the ten sustainability issues and provide relevant examples of impacts on workers in the value chain and affected communities. Additionally, the guidance will include a list of sustainability matters per sector.

BC100. Additional guidance to support the preparation of this disclosure can be found in paragraphs 78 to 80 of the VSME.

Basic Module – Environmental metrics

BC101. The VSME has been developed as an independent standard, developed specifically for the complexity and needs of non-listed SMEs and not as a simplification of the corresponding disclosure requirements in ESRS Set 1. However, consistency with ESRS concepts has been maintained to the maximum extent possible without compromising on simplification, including language.

B3 – Energy and greenhouse gas emissions

BC102. Energy and greenhouse gas emission disclosure requirements are essential in a sustainability report, given the relevance of climate change and the strong link between energy use and emissions. This is present in all 12 of the current questionnaires analysed (refer to BC64) and was confirmed by the public consultation and the field tests.

BC103. This disclosure also corresponds to SFDR PAI indicators, which were confirmed as essential elements to consider during the public consultation and field test. In addition, during the public consultation, users (banks) indicated the relevance of this datapoint from a Pillar 2 perspective according to 23(a)(vi) of EBA/CP/2024/02. The information on energy consumption required in paragraph 29 was guided by the SFDR PAI indicator 5 from Table 1 and indicator 5 from Table 2 (Annex 1).

BC104. Total energy consumption is understood as final energy consumption by the undertaking, i.e. the energy entering organisational boundaries. As with ESRS E1, if the company converts one energy type into another, the energy form to be considered is the one that has entered the boundaries of the company. For example, if an SME uses a gas boiler to produce hot water, the energy consumption is that of gas rather than hot water, which is the final energy carrier.

BC105. The main challenge for energy was to balance meaningful disclosures, including relevant breakdowns on the different types of energy used and the related cost of preparation. Therefore, detailed breakdowns were previously requested in addition to total energy, such as by fossil fuel energy types (e.g. gasoline, diesel, coal) and electricity per utility bills further split between renewable and non-renewable electricity. Other forms of energy (e.g. biomass solid fuels) were decided to be reported in total, given that these were expected to be relatively minor portions of the overall consumption of energy by SMEs.

BC106. The table with the energy consumption breakdown is the result of public consultation requests from preparers to reformulate requirements, allowing for a clearer split between non-renewable and renewable energy sources. Users and SR TEG members supported the reporting in such tabular format.

BC107. During the public consultation, preparers suggested including additional datapoints on the energy performance certificates of buildings and on vehicle emission standards. However, users recommended their deletion on the basis that energy performance certificates are only needed for buildings used as collateral for a loan and requested bilaterally in the mortgage files. SR TEG agreed on removing such datapoints from the Standard as they were not meaningful to banks.

BC108. The initial ‘if available’ condition was replaced with ‘if the undertaking can obtain the necessary information’.

BC109. The information on GHG emissions required in paragraph 30 was guided by SFDR PAI indicator 1 (Table 1 of Annex 1). In this context, it was considered that Scope 1 and location-based Scope 2 (in line with the GHG Protocol and ISO 14064-1) should be minimum requirements. Market-based Scope 2 figures are provided on a voluntary basis (‘may’).

BC110. The information on GHG intensity required in paragraph 31 was guided by the SFDR PAI indicator 3 (Table 1 of Annex 1). During the public consultation, users confirmed the need for this requirement. SR TEG further recommended the inclusion of the footnote referring to the automated calculation of the GHG intensity ratio through the future online tool that will probably be developed after the publication of the VSME Standard, given that both the numerator (GHG emissions) and denominator (turnover) are provided by the undertaking through the VSME Standard.

BC111. After the public consultation and upon a suggestion by users, the guidance has been further improved to clarify reporting on renewable and non-renewable energy sources. In addition to that, the inclusion of a summary of methodological information from the GHG Protocol, including examples of tools developed by private and public initiatives to help undertakings in developing their GHG emissions inventory, was the result of a suggestion by SR TEG. The SRB additionally suggested to provide more flexibility to reporting organisations in the choice of reporting frameworks to be used, which resulted in referencing ISO 14064-1 (without requiring certification) as an alternative.

BC112. Additional guidance to support the preparation of this disclosure can be found in paragraphs 81 to 109 of the VSME.

B4 – Pollution of air, water and soil

BC113. The information on pollutant emissions required in paragraph 32 is aligned with the SFDR PAI indicator 8 from Table 1 as well as indicators 1, 2 and 3 from Table 2 (Annex 1), as per sector-agnostic ESRS. This disclosure is included in seven of the twelve questionnaires analysed (refer to BC64). The disclosure on pollution is limited to quantitative information on emissions into air, water and soil, including the type of pollutant. These requirements were framed as applicable only to those undertakings already reporting on pollution emissions and allow for a direct reference or link to pollution information that is already published by the undertaking.

BC114. Initially, under this disclosure the undertaking was called to report on its pollutants only if this was already required by existing laws, such as the IED or E-PRTR (as per sector-agnostic ESRS) or other frameworks, such as Eco-Management and Audit Scheme (EMAS). After the public consultation, SR TEG agreed to remove from the main text any reference to or examples of specific pieces of legislation or Environmental Management Systems (EMS) such as EMAS and rather to mention and explain them in the guidance, including additional examples of EMS (i.e. ISO), to avoid the sole focus on EMAS. This was in response to concerns raised by preparers that such references could potentially lead to double reporting due to unclear instructions. Specifically, regarding EMAS, SR TEG concluded that EMAS is overall too complex for SMEs and that it should therefore not be the sole focus of reporting. Additionally, the voluntary qualifier was included in correspondence with the EMS reference to address a recommendation by preparers. SR TEG further suggested better accounting for the local nature of pollution impacts by including reporting according to ‘other national regulations’ in addition to the generic qualifier ‘law’. Finally, it was noted by users during the public consultation that the original ‘if applicable’ condition was unclear, which led to a rephrasing of the requirement compared to the VSME ED to make the applicability condition more explicit by moving it to the first part of the disclosure.

BC115. The guidance, initially only providing an example of table for reporting and featuring information on the IED, the E-PRTR and EMAS, was updated to the new amendments (IED 2.0 and IEPT) and was further enhanced based on public consultation feedback. The new elements provided are a clarification on reporting for undertakings in shared offices as well as examples of air, water and soil pollutants and their occurrences. In this case SR TEG noted that a full list of pollutants would only overwhelm preparers and users and, hence, agreed to only list the main ones per each environmental media, as per content in the main pieces of EU law.

BC116. Additional guidance to support the preparation of this disclosure can be found in paragraphs 110 to 133 of the VSME.

B5 – Biodiversity

BC117. The disclosure on biodiversity has been changed only marginally compared to the VSME ED. In fact, the field test and public consultation widely confirmed that this disclosure is essential for users. In addition, the disclosure is included in four of the twelve analysed questionnaires (refer to BC64). The introductory paragraph that was present in the VSME ED was deleted as no disclosure requirements were attached to it and was therefore perceived as unclear by preparers. For the rest, the disclosure has been limited to quantitative metrics related to land use of the sites in which the undertaking operates and that are located in or near biodiversity sensitive areas. Land use metrics are used as proxies of the undertaking's biodiversity impact. Separate metrics per each site are required. These metrics have to be reported only if applicable, i.e. if the undertaking has impacts on biodiversity or is potentially exposed to them, e.g. by having operations in or near biodiversity sensitive areas. Ambiguity existed on how to assess the proximity to such areas. During the public consultation, preparers and users raised the issue of the definition of 'near' biodiversity sensitive area. Hence, to simplify the definition of 'near', it was clarified in the 'Defined terms' (Appendix A) that it refers to areas inside, overlapping with (partially included) or adjacent to such a biodiversity sensitive area. Land-use footprint metrics are aligned with the reporting metrics used in EMAS[8]. Consistent reporting of land-use metrics over time will also allow the evaluation of the undertaking's land-use change. The requirement corresponds to the SFDR PAI indicator 7 (Table 1 of Annex 1).

BC118. Guidance has been further simplified to support the preparation of this disclosure. Paragraph 135 of the VSME has been introduced to provide tools that can help to identify protected areas and biodiversity sensitive areas. The reference to EMAS has been replaced in the guidance with summarised information on land use from the EMAS user guide to increase understandability for SMEs by avoiding language that is too technical and external references (requiring separate searches by SMEs), as requested in the public consultation and agreed by SR TEG.

BC119. Additional guidance to support the preparation of this disclosure can be found in paragraphs 134 to 141 of the VSME.

B6 – Water

BC120. Initially, this requirement was part of disclosure requirement B7 (relating to the circular economy aspect), but it was eventually decided to present it as a stand-alone element of disclosure. In terms of selected metrics, the requirements to disclose water withdrawal and water consumption were included to be consistent with the sector-agnostic ESRS and were found in nine of the twelve analysed questionnaires (refer to BC64). In addition, during the public consultation, users (banks) highlighted the relevance of this disclosure from a Pillar 2 perspective according to 23(a)(v) of EBA/CP/2024/02. An SR TEG discussion took place on the use of different terms, namely 'water use' instead of 'water withdrawal' and 'water consumption', the latter eventually chosen as the most understandable term for SMEs. It was concluded that the term 'water use' lacks definition in major corporate water reporting frameworks, such as the sector-agnostic ESRS, GRI, CEO Water Mandate, Water Footprint Network, CDP, WRI, IPIECA and SASB. Additionally, introducing new terminology is not desirable even if 'water use' or 'water consumption' may be understood as equivalent to the concept of 'water withdrawal'. 'Water use' can also be understood as the accounting of the multiple water flows within an undertaking – yet another new concept. Therefore, the definition of 'water withdrawal' in the sector-agnostic ESRS was used. The disclosure on 'water consumption' was retained given its importance despite the fact that its applicability may vary among undertakings. This applies specifically in connection to production processes. The major change to the VSME coming from the public consultation consists in the replacement of the 'if applicable' expression with the actual conditions of applicability for SMEs. Water intensity was also considered for inclusion as an additional advanced datapoint to the Basic Module; however, after a workshop with users and consultation with SR TEG it was deemed not relevant and hence removed from the draft.

[8] EMAS Regulation Annex IV

BC121. Specific guidance was introduced to clarify the concepts of water consumption, water withdrawal and water discharge. A specific sub-section detailing water withdrawal in areas of high-water stress was incorporated with guidance on how to identify these areas. Following the public consultation, the applicability of the disclosure requirement on water consumption as opposed to that of water withdrawal was specified, including calculation guidance in the context of shared offices. A scheme on the use of water utility bills was also added to support the determination of water consumption.

BC122. Additional guidance to support the preparation of this disclosure can be found in paragraphs 142 to 158 of the VSME.

B7 – Resource use, circular economy, and waste management

BC123. The information on circular economy and waste management required in paragraphs 37 and 38 (a)(b) is aligned with the requirements in the sector-agnostic ESRS, paragraph 38(c), and is based on EMAS, and the coverage of hazardous and radioactive waste is in line with the SFDR PAI indicator 9 (Table 1 of Annex 1). The latter information was previously addressed under the former disclosure BP6, which has now been merged into this disclosure. This disclosure was requested in nine of the twelve questionnaires analysed (refer to BC64).

BC124. This disclosure was initially mainly narrative, reflecting the fact that generic disclosures on resource use management, waste management and application of circular economy principles are narrative in nature. However, some quantitative disclosures have been added given their relevance to users. Consequently, a disclosure on the recycled and recyclable content of goods and materials (and their packaging) was added and limited to specified sectors (manufacturing, construction and/or packaging processes) to reduce preparation costs. For all undertakings, the total annual waste generation (and breakdown by type) and the total annual waste diverted to recycling or reuse were included. The breakdown between ‘non-hazardous’ and ‘hazardous’ waste enhances transparency. After the public consultation, this disclosure was moderately adapted as per the changes described below.

BC125. Following the public consultation, it was confirmed at SR TEG that paragraph 37 of the VSME was an initial essential element of this disclosure, allowing SMEs to provide additional information on circularity principles. Nevertheless, it required some refinement as it was deemed too vague, which led to the current reformulation that focuses on the application or not of circular economy principles as well as on a description of this application.

BC126. Respondents to the public consultation also noted that the original datapoints on recycled and recyclable content in products and packaging were only applicable to certain undertakings, which was also confirmed at SR TEG (e.g. recycled content being feasible to obtain for undertakings producing their own products). To simplify these requirements, they were then replaced with one datapoint from EMAS on the annual mass flow of relevant materials used. This datapoint was further reformulated as a result of discussions at SR TEG to reflect the sectors that use mass flows within the scope of this sub-paragraph and to place an emphasis on significant material flows.

BC127. The previous disclosure BP6 on radioactive waste was merged with this disclosure after users confirmed its importance in the public consultation. Preparers also confirmed its feasibility. SR TEG proposed to make the requirement on radioactive waste a specification of hazardous waste. For this reason, a clarification was added in the guidance rather than in the main text.

BC128. After the public consultation, guidance on circular economy principles (based on definitions of the Ellen MacArthur Foundation, with key principles from the European Commission and on how to present information concerning generated waste), was complemented with further indications and explanations of the terms mass flow and hazardous waste (for which pictograms were also included). Concerning waste directed to recycling or reuse, since preparers noted some lack of clarify in the formulation of this requirement, guidance was hence provided to specify which type or recycling or reuse is expected. As for units of weight for waste generation and waste recycling or use, respondents to the public consultation noted that the prior reference to volumes was inconsistent with SFDR and requested further guidance. It was then allowed to use both weight and volume in the guidance.

BC129. The SRB further recommended removing paragraph 38 of the VSME from undertakings generating only household waste (e.g. a pizza restaurant, an office) by introducing this flexibility into the guidance. This was done to reduce the potential costs of preparation for non-listed SMEs.

BC130. Additional guidance to support the preparation of this disclosure can be found in paragraphs 159 to 174 of the VSME.

Basic Module – Social metrics

B8 – Workforce – General characteristics

BC131. This disclosure requirement is limited to the total number of employees (by headcount or full-time equivalent) broken down by type of employment contract, gender and country. The public consultation raised concerns regarding the country breakdown datapoint, with numerous requests for clarification. Therefore, a specific reference to the country of the employment contract was added to clarify what country breakdown referred to. Given that the breakdown by country applies to undertakings that operate in more than one country, this is considered an 'if applicable' type of disclosure given that micro- undertakings are often based exclusively in one country and would not fulfil this breakdown. The types of contracts are limited to permanent and temporary. The guidance contains suggested tables to present the requested information on employee characteristics. The analysis of current business partners questionnaires (see BC64) showed that these are frequent data requirements, as they were included in eight of the twelve questionnaires analysed.

BC132. Feedback from the public consultation also contained many requests from users and others to include an additional datapoint on the employee turnover rate in the disclosure requirement. The post-consultation workshop with banking associations in September (2024) confirmed the relevance of this additional datapoint. After receiving further input from SME associations in a separate workshop in September (2024), EFRAG SR TEG approved the new datapoint with a threshold of 50-employees. The guidance was adapted accordingly and can be found from paragraphs 175 to 183 of the VSME.

B9 – Workforce – Health and safety

BC133. The disclosure requirement on health and safety is limited to information on the number and rate of recordable work-related accidents as well as the number of fatalities resulting from work-related injuries and work-related ill health (SFDR PAI datapoints in ESRS S1-14 (b) and (c)). The analysis of current business partners' questionnaires (see BC64) includes this information as this disclosure was found in three out of the twelve questionnaires analysed.

BC134. One EFRAG SR TEG member expressed reservations on the inclusion of commuting accidents as part of the disclosure requirement as the disclosure may differ based on national law. The guidance clarifies that accidents while travelling (outside of the SME's responsibility) are classified as work-related or not based on the applicable national legislation, which may vary across countries. A specific question was added to the public consultation in relation to commuting accidents to be work-related accidents. Guidance on the relevant formula and a numerical example was provided. The source of this disclosure is ESRS S1-14, which is an SFDR datapoint. It is based on the requirements from Article 29(b) of the CSRD together with the ILO Convention and OECD Guidelines.

BC135. EFRAG SR TEG and the EFRAG SRB concluded that the metrics on health and safety are mature within the reporting of undertakings, given the current requirements (Regulation (EC) No 1338/2008 on Community statistics on public health and health and safety at work and Framework Directive 89/391/EEC on measure to encourage improvements in the safety and health of workers at work).

BC136. Feedback from the public consultation included suggestions to add an additional paragraph addressing health and safety for non-employees. However, in September 2024, EFRAG SR TEG decided not to include this additional datapoint on non-employees.

BC137. Additional guidance has been included to support the preparation of this disclosure in paragraphs 184 to 191 of the VSME.

B10 – Workforce – Remuneration, collective bargaining, and training

BC138. The analysis of current questionnaires (see BC64) highlighted that more than half included disclosure requirements on remuneration, collective bargaining and training. Therefore, these aspects have been included in the ED.

BC139. On remuneration, the initial disclosure required the ratio of entry-level wage to minimum wage to address adequate wages. However, feedback from the public consultation indicated that this metric was unclear, prompting several stakeholders to request clarification. In response, a proposal was presented to EFRAG SR TEG to modify the datapoint to 'whether the employees receive a pay that is above the minimum wage set by law or through a collective bargaining agreement'. SR TEG members approved this revision with the condition that the following specification is included 'equal or above the applicable minimum wage for the country it reports in'. Post-consultation workshops with banking associations and SME representatives in September (2024) confirmed the relevance of the updated datapoint. The guidance was adapted accordingly.

BC140. The gender pay gap between female and male employees metric was considered most pertinent for the largest companies in scope, leading to a threshold of 150 employees set to ensure appropriate representation. Additionally, the information required by this datapoint aligns with an SFDR PAI (Table I, indicator #12). Stemming from the public consultation and following SR TEG discussions and post-consultation workshops, it was agreed to seek further alignment with the Pay Transparency Directive[9], which will require undertakings with at least 100 employees to report on the gender pay gap starting from 7 June 2031.

BC141. Whilst the nature or scope of collective bargaining agreements may vary across countries, the definition for collective bargaining in ESRS S1 covers the main types of agreements in the Member States of the European Union and is applicable to the VSME context. Therefore, EFRAG SR TEG and the EFRAG SRB agreed to include the percentage of employees covered by collective bargaining agreements. Freedom of association and collective bargaining are fundamental rights enshrined in the international and European human rights instruments referenced in the CSRD, including in UN UDHR Article 23, the EU Charter of Fundamental Rights Article 12 and the ILO Convention 87. This disclosure demonstrates the extent to which these rights have been exercised to determine the working conditions of the employees of an SME.

BC142. The datapoint on training is consistent with Article 29b 2 (b) (i) of the CSRD. Education, training and lifelong training is also defined in Principle 1 of the European Pillar of Social Rights. The public consultation indicated that the concept of informal training lacked clarity. To address this, EFRAG SR TEG agreed to simplify the disclosure by limiting it to the average number of annual training hours per employee and disaggregated by gender.

BC143. Additional guidance to support the preparation of this disclosure is available in paragraphs 192 to 205 of the VSME.

Basic Module – Governance metrics

B11 – Convictions and fines for corruption and bribery

BC144. This disclosure remains unchanged from the ED. The analysis of current questionnaires highlighted that four of the twelve questionnaires included similar disclosures. One EFRAG SR TEG member disagreed with the inclusion of this datapoint, as it would be a form of self-incrimination, and he considered that there are no tools available for SMEs to deal with corruption and bribery. However, other members considered the argument of self-incrimination not valid after a court of law reaches a guilty verdict. In addition, they considered that it would be important for the transparency as a way to fight against corruption and bribery to keep this datapoint. They also considered that this is an SFDR PAI datapoint. A specific question was included in the consultation on this disclosure.

[9] Directive (EU) 2023/970, Article 9.3 and 9.4

BC145. During the public consultation it surfaced that for the majority of the preparers the disclosure was feasible, but could possibly pose confidentiality issues. This confidentiality concern led some prepares to state that they would prefer to delete the disclosure despite it being feasible to disclose on. Banks and large undertakings confirmed that this disclosure is essential. To address the confidentiality issue that was also stressed by SMEs representatives during the workshop with SME representatives after the consultation, it was clarified that the primary purpose of VSME is the provision of data to a counterparty and making the VSME report public is up to the discretion of the reporting SME.

BC146. Based on the outcome of the public consultation, it was decided to leave the content of this disclosure the same as in the ED.

BC147. Additional guidance has been included to support the preparation of this disclosure in paragraphs 206 to 209 of the VSME.

Basic Module: deleted disclosure from the ED

Former Social Metric Disclosure B11 – Workers in the value chain, affected communities, consumers and end-users

BC148. The initial voluntary disclosure was removed from the VSME after the public consultation emphasised the challenge this datapoint presented for preparers. Additionally, the workshop with banking associations and SME representatives in September (2024) further confirmed that this deletion was appropriate. Nonetheless, the sustainability matters in ESRS Set 1 AR 16, including those originally covered under B11 have been integrated into the revised disclosure titled 'B2 – Practices, policies and future initiatives for transitioning towards a more sustainable economy' as discussed and approved by EFRAG SR TEG.

Narrative-Policies, Actions and Targets (PAT) Module

BC149. As explained in the introduction, the Narrative-PAT Module has been deleted from the VSME as a result of the public consultation feedback. Former disclosure N1 – Strategy: business model and sustainability – related initiatives, has been moved to disclosure C1 – Strategy: business model and sustainability – related initiatives (Comprehensive Module). Former disclosures N3 – Management of material sustainability matters, and N5 – Governance: responsibilities in relation to sustainability matters has been simplified, reformulated and included within B2 – Practices, policies and future initiatives for transitioning towards a more sustainable economy and C2 – Description of practices, policies and future initiatives for transitioning towards a more sustainable economy.

Comprehensive Module

BC150.

Disclosure	Paragraph reference	'If applicable'/ always to be reported on / may disclose
C1 – Strategy: Business Model and Sustainability – Related Initiatives	47 (a) (b) (c)	**Always to be reported on**
	47 (d)	**If applicable**
C2 – Description of practices, policies and future initiatives for transitioning towards a more sustainable economy	48	**If applicable**
	49	**If applicable + may disclosure**
C3 – GHG reduction targets and climate transition	54, 56	**If applicable**
	55	**If applicable + may disclosure**

C4 – Climate risks	57	**If applicable**
	58	**May disclosure**
C5– Workforce (General) Additional characteristics	59, 60	**May disclosure + threshold included**
C6 – Additional own workforce information - Human rights policies and processes	61 (a), 61(c)	**Always to be reported on**
	61(b)	**If applicable**
C7 – Severe negative human rights incidents	62(a)	**Always to be reported on**
	62(b)(c)	**If applicable**
C8 – Revenues from certain sectors and exclusion from EU reference benchmarks	63	**If applicable**
	64	**Always to be reported on**
C9 – Gender diversity ratio in governance body	65	**If applicable**

BC151. Paragraph 44 explains that the disclosures in this module have been included on the expectation that they reflect the data requests from lenders, investors and corporates to their SMEs clients and suppliers that are additional to the ones included in the Basic Module. This assumption has been confirmed during the public consultation.

BC152. As a starting point the SFDR PAI Table 1, the Benchmark Regulation and EBA Pillar 3 datapoints were considered for this Module. SFDR PAI in Table 2 were excluded for simplification reasons. While these indicators derive from the reporting obligations of investors, they have been considered valid as a reference with which to report relevant information on sustainability matters to all users. The outreach meetings (please refer to Annex 5) allowed for the identification of the same datapoints in the Comprehensive Module that could be added and others that could be removed (i.e. GHG and energy intensity or exclusions from benchmark alignment).

BC153. Some stakeholders requested additional data points, such as taxonomy eligibility and alignment. However, due to the complexity of such disclosures for SMEs and the lack of existing adapted simplified tools or methodologies, EFRAG SR TEG and the SRB decided to exclude the reference to an EU simplified taxonomy (see point on taxonomy) Please note that the EU Platform on Sustainable Finance is currently investigating an adapted methodology for SMEs[10].

BC154. In the public consultation, corporates (as clients of non-listed SMEs) confirmed that their needs correspond to the datapoints needed by financial market participants (SFDR PAI, Pillar 3), as this allows them to manage sustainability in their supply chain. The same is true for lenders, as the information is also used to assess the sustainability of SMEs when managing the lending book.

[10] European Commission, SMEs Relief Package, September 2023, page 16: 'In particular, simplified approaches, developed together with the Platform on Sustainable Finance, should allow non-listed SMEs to benefit from the use of the taxonomy'.

BC155. Moreover, Appendix C (VSME) – dedicated to financial market participants that are users of the information produced using this Standard – helps users to visualise which disclosure requirements are SFDR, Benchmark Regulation or EBA Pillar 3 datapoints. Where possible, consistent definitions with Set 1 were kept as only a minimum level of language simplification was achieved (refer to Annex 7).

BC156. As explained in the introduction, the concept of materiality previously used in the ED for this Module has now been replaced with the 'if applicable' principle. This was done following the public consultation and is considered as a major simplification (see the point on materiality in the introduction).

BC157. The analysis below explains the changes that have been applied to this Module, both structurally and in terms of content.

Comprehensive Module – General information

C1 – Strategy: Business Model and Sustainability – Related Initiatives

BC158. This disclosure is new, it has been added following the public consultation. It is found in ten of the twelve questionnaires that have been analysed (see BC64). As described in the introduction, the Narrative-PAT Module was not supported in the public consultation (users did not find it useful as it was not comparable, and SMEs found it too complex). However, former disclosure N1 (Strategy: business model and sustainability-related initiatives) was mostly supported as perceived feasible by preparers and needed by users. Hence, SR TEG decided to keep this disclosure within the Standard. The SRB discussed whether the relocation in B1 – Basis for preparation would not result in excessive costs of preparation for SMEs. It finally decided to relocate this disclosure to the Comprehensive Module rather than the Basic Module.

BC159. While the disclosure was relocated, the content of former N1 remains the same as in the VSME ED, ensuring a meaningful description of the undertaking's business model and of the key elements of its strategy. However, contrary to ESRS Set 1, which refers to elements of the undertaking's strategy that relate to or impact sustainability matters, its business model and its value chain, the VSME refers in general to strategy. It was considered too complex for SMEs to specify the sustainability angle of its strategy. By describing its main products and/or services, markets and business relationships, the undertaking would already provide important information on the sustainability profile to their business partners.

BC160. Additional guidance to support the preparation of this disclosure can be found in paragraph 212 of the VSME.

C2 – Description of practices, policies and future initiatives for transitioning towards a more sustainable economy

BC161. This disclosure is new, and it has been added following the public consultation. As described in the introduction and in the explanations provided under disclosure C2 – Practices, Policies and future initiatives for transitioning to a more sustainable economy, the SRB decided to keep elements of both former N3 – Management of material sustainability matters and former N5 – Governance responsibilities in relation to sustainability matters since they were considered important for users and feasible for preparers. C2 contains the narrative elements that complement the disclosure under B2 on practices, policies and future initiatives in place. This semi-narrative description is provided when the undertaking choses to use the Comprehensive Module. As a simplification, the undertaking may use the table in the guidance (paragraph 213 in the VSME) to describe practices and policies, whether there are targets associated and whether the senior level is in charge. The SRB considered that those elements would be better placed in the Comprehensive Module rather than in the Basic Module, which is the entry-level module.

Comprehensive Module – Environmental Metrics

Consideration when reporting on GHG emissions under B3 (Basic Module)

BC162. The VSME excludes the requirement to report absolute Scope 3 emissions under the Basic Module (B3 – Energy and greenhouse gas emissions) given the complexity and lack of free available tools to SMEs. However, upon the recommendation of EFRAG SR TEG and the SRB, an entity-specific consideration related to GHG Scope 3 emissions was included in this module to encourage more advanced SMEs, or those in sectors where indirect emissions may be more relevant, to disclose such information. The public consultation confirmed the essential nature of Scope 3 emissions, while acknowledging the complexity for SMEs. After an initial consideration to limit Scope 3 emissions to high climate impact sectors, SR TEG members decided to keep the content of this disclosure as per the VSME ED.

BC163. In the guidance, methodological instructions were added and, as per SR TEG and the SRB's suggestions, sectors with the highest likelihood of having significant Scope 3 emissions were indicated.

BC164. The GHG protocol Scope 3 emission categories were deemed potentially too complex for SMEs, especially those that are smaller or lack experience in the reporting process. The EFRAG SRB accepted that incorporating Scope 1 and Scope 2 emissions could pose a significant challenge for those in the intended scope of this Standard, in considering their scale, resources, and maturity in reporting. Banks also indicated in outreaches that, in the absence of tailored methodologies for SMEs, they prefer to rely on proxies and indirect calculation to reduce additional preparatory costs for smaller clients. Therefore, Scope 3 was introduced as an element to be considered by undertakings as an additional entity-specific element for more experienced SMEs (in the Comprehensive Module). In its guidance, the VSME indicates the type of organisation for which Scope 3 emissions are likely to be significant. However, due to the diverse nature of SMEs and the challenges related to Scope 3, undertakings are advised to refer to the GHG Protocol and calculation guidance.

BC165. Additional guidance to support the preparation of this disclosure can be found in paragraphs 214 and 215 of the VSME.

C3 – GHG reduction targets and climate transition

BC166. Following the public consultation, SR TEG agreed with merging the former disclosures BP3 (GHG emissions reduction target) and BP4 (Transition plan for climate change mitigation), and the title was adapted accordingly. In addition, this disclosure was requested in seven of the twelve questionnaires analysed (see BC64), and in the public consultation, users (banks) highlighted the relevance of this disclosure for ESG risk management purposes according to 35(a) in EBA/CP/2024/02 with regard to portfolio alignment.

BC167. This disclosure provides guidance for undertakings opting to enhance their Basic Module B3 reporting. The EFRAG SRB agreed to include Scope 3 GHG emission reduction targets when they do exist, in line with the consideration when reporting on GHG emissions under B3 (Basic Module) in contrast to the initial recommendation by EFRAG SR TEG. Following the public consultation, paragraph 54 was enhanced and refined to align with the sector-agnostic ESRS on absolute value; make the requirements applicable to SMEs that have already set targets and are dependent on their activities; require more precise information on targets (target year, base year, units, etc.), in addition to the split by scope, to guide SMEs in their reporting; and require information on the actions connected to emission reduction, given their importance in establishing an emission reduction trajectory.

BC168. The datapoints on the transition plan are aligned with the Climate Benchmark Regulation (see Annex 7). In addition, in the public consultation users (banks) highlighted the relevance of this datapoint for ESG risk management according to 23(a)(ix) and 72(e) of EBA/CP/2024/02. Compared to the VSME ED, it was decided after the public consultation, following users' requests, that the disclosure requirements in the transition plan should only be applicable to high climate impact sectors. In response to a request to address the complexity of transition plan requirements, these were made voluntary. Users and other respondents to the public consultation deemed it important to extend the requirement to cases in which undertakings do not have a transition plan in place yet to allow them to indicate if and when the adoption would happen. Additionally, a connection was created between transition plans and their contribution to GHG emission reduction. Preparers also recommended to make this disclosure more proportionate by removing the reference to the Paris Agreement.

BC169. A simplified explanation of the role of the transition plan for climate change mitigation, along with the characteristics to create a credible transition pathway, has been provided in the guidance. To enhance simplicity, this disclosure requirement does not consider potential locked-in GHG emissions and the reference to the Taxonomy Regulation.

BC170. The guidance supporting the preparation of this disclosure was strengthened (with additional material from SBTi for SMEs) on target-setting and target characteristics to ensure credibility. The guidance now also includes a simple explanation of the emission reduction challenges and the steps that undertakings can take to achieve them, with a few practical examples, as per a request by field-test respondents. In addition, after the publication of the VSME by the European Commission, EFRAG will work on an IG.

BC171. Additional guidance to support the preparation of this disclosure can be found in paragraphs 216 to 227 of the VSME.

C4 – Climate risks

BC172. This disclosure requirement was originally created as per the EBA Pillar 3 ESG requirements on information regarding physical risks of banks' clients for risk management purposes (see Annex 7 for details) and in alignment with the disclosure of anticipated financial impacts from material physical risks outlined in ESRS Set 1. This disclosure was also requested in nine of the twelve questionnaires analysed (refer to BC64), and in the public consultation, users (banks) highlighted the relevance of this disclosure from a Pillar 2 perspective according to 23(a)(i)(iii) (vi), (72)(g)(h), (31)(a), EBA/CP/2024/02. After the public consultation, the disclosure was redrafted to respond to concerns of preparers and users, which both deemed monetary information to be challenging to report. While users recommended replacing the related requirements with geolocation information, preparers advocated for a predominantly narrative type of disclosure, leaving to the users the role of assessing their own clients' risks. SR TEG eventually opted for the latter option, agreeing with the EFRAG Secretariat on the fact that the VSME is devised to raise awareness in managing environmental risks (among others) and that, by providing only geolocation information, SMEs would remain passive in assessing those risks. The current datapoints under paragraph 57 are the result of a proposal by SR TEG, which highlighted that the information of this disclosure should also be related to the change management of the SMEs themselves and that, therefore, a more approachable methodology should be provided. SR TEG agreed to add a datapoint to allow SMEs the possibility to describe their climate-related hazards and transition events. In addition, SR TEG also suggested to use the term 'exposure and sensitivity' instead of 'vulnerability' in order to be aligned with the sector-agnostic ESRS. The SRB supported the approach and the decisions to change the title from 'Physical risks from climate change' to 'Climate risks'. Finally, two additional datapoints stemming from the public consultation, namely on insurance coverage and building energy performance, were eventually removed at SR TEG as the first one exceeding Set 1 and the second one was not fundamental to users.

BC173. Guidance in paragraphs 228 through 230 of the VME offers definitions and examples of climate change-related physical risks. Upon SR TEG's request, further guidance was provided on the terms 'climate-related hazards', 'climate-related transition events', and 'gross climate-related risks'.

Comprehensive Module – Social Metrics

C5 – Workforce (General) Additional characteristics

BC174. This disclosure requirement was introduced following feedback from the public consultation.

BC175. During the consultation, users requested the inclusion of the percentage of female-to-male staff in managerial roles. The relevance of this datapoint was later confirmed in the workshop with banking associations in September (2024) and approved by EFRAG SR TEG with the condition that it be voluntary and that a 50-employee threshold be applied.

BC176. Another request from the public consultation was to include the percentage of non-employees. However, some SR TEG members expressed concerns about the complexity of this datapoint for the Basic Module. As a result, it was moved to the Comprehensive Module as a voluntary disclosure. EFRAG SR TEG approved this adjustment with the condition of clarifying the terminology, opting for 'number of self-employed without personnel that are working for the undertaking', and temporary workers provided by undertakings primarily engaged in 'employment activities' instead of 'non-employees'. The EFRAG SRB approved the disclosure with the additional guidance on factors or aspects that the SMEs should consider when deciding to disclose this 'may' datapoint.

BC177. The two datapoints outlined above reference ESRS Set 1 and were adapted to align with the specific scope and requirements of SMEs.

BC178. Additional guidance to support the preparation of this disclosure can be found in paragraphs 231 to 236 of the VSME.

C6 – Additional own workforce information - Human rights policies and processes

BC179. This disclosure was elaborated based on the previous 'BP 7 – Alignment with internationally recognised instruments' and 'BP 8 – Processes to monitor compliance and mechanisms to address violations'; both SDFR PAI metrics from Table 1 (reference 10 for violations and reference 11 for lack of processes and compliance mechanisms to monitor compliance with UNGP and OECD MNE). This disclosure was requested in six of the twelve questionnaires analysed (refer to BC64). Feedback from the public consultation respondents and field-test participants, including preparers, users and others, indicated that the complexity of these disclosures was excessive for SMEs. As a result, the disclosures were streamlined into a simplified format that was user-friendly and made the translation of the datapoint into information that could be easily aggregated for its users. The new formulation includes a question on whether a code of conduct or human rights policy exists for the undertaking's own workforce, followed by a non-exhaustive list of human rights topics that such a code of conduct or a human rights policy can address; the human rights included are anchored in the SFDR PAIs in order to facilitate the connection with the sustainable finance regulation. It also contains a question about the existence of a complaints handling mechanism for the undertaking's own workforce. This proposal was approved at SR TEG and received strong support in the post-consultation workshops with banking associations and SME representatives held in September (2024).

BC180. Some SRB members raised concerns regarding the scope of the disclosure and requested to expand the contents of C6 to workers in the value chain, affected communities, and consumers and end users, while others refuted such modifications. Differing views among EFRAG SRB members resulted in a proposal from the EFRAG Secretariat to keep C6 unchanged while inserting additional guidance related to value chain workers, affected communities and end consumers for B2. The proposal was endorsed by the EFRAG SRB.

BC181. Additional guidance to support the preparation of this disclosure can be found in paragraph 237 of the VSME.

C7 – Severe human rights incidents

BC182. Following a process similar to that for developing 'C6 – Human rights policies and processes', this disclosure requirement was adapted from the previous 'BP 9 – Violations of OECD Guidelines for Multinational Enterprises or the UN Guiding Principles (including the principles and rights set out in the 8 fundamental conventions of the ILO Declaration and the International Bill of Human Rights)'. This disclosure was requested in three of the twelve questionnaires analysed (refer to BC64). Feedback from the public consultation and field test coming from preparers, users and others highlighted that the disclosure's complexity was disproportionate for SMEs. Consequently, the text was streamlined into a simplified format comprising a question on the existence of confirmed human rights incidents along with a list of relevant human rights topics. This proposal was approved by EFRAG SR TEG and received strong support from banking associations and SME representatives alike during workshops held in September (2024). Additionally, the disclosure includes a question on human rights incidents involving other affected stakeholder groups, namely workers in the value chain, affected communities and consumers and end users that was inserted as part of SR TEG approval process under the formulation of 'if the undertaking is aware of confirmed incidents' in order to make it proportionate to the resources that a SME has.

BC183. Additional guidance to support the preparation of this disclosure can be found in paragraph 238 of the VSME.

Comprehensive Module – Governance Metrics

C8 – Revenues from certain sectors and exclusion from EU reference benchmarks

BC184. This datapoint requires the undertaking to disclose whether they are active and the related revenues from certain sectors. When comparing this disclosure with ESRS Set 1, the taxonomy part of it was explicitly excluded from the methodological approach in the Comprehensive Module (Annex 7). In addition, this disclosure was requested in five of the twelve questionnaires analysed (refer to BC64).

BC185. The sectors have been identified as carrying sustainability risks according to defined criteria based on certain legislation applicable to financial institutions. Therefore, lenders and investors require this information along with large undertakings, which also confirmed this datapoint during the public consultation.

BC186. During the public consultation, banks requested to include an additional datapoint for the exclusion from EU reference benchmarks. This additional datapoint was further confirmed during the post-consultation workshop. It was then agreed at SR TEG and the SRB to include this additional datapoint in the Standard within C8 – Revenues from certain sectors and exclusion from EU reference benchmarks.

BC187. Additional guidance to support the preparation of this disclosure is in paragraphs 239 to 241 of the VSME.

C9 – Gender diversity ratio in governance body

BC188. This disclosure remains unchanged from the ED and was requested in six of the twelve questionnaires analysed (refer to BC64). This datapoint was subject to significant debate, with those disagreeing with this datapoint arguing that SMEs are mostly family businesses and thus have a limited choice on gender diversity. Others noted that there is no legal binding requirement in the existing sustainability acquis that requests SMEs to disclose their gender diversity ratio in governance bodies, as SMEs are not in the scope of Directive (EU) 2022/2381 to improve the gender balance among directors of listed companies and related measures. Those that disagreed argued that, as for larger companies, female family members could take part in the governance bodies of these businesses. In addition, they consider that transparency on important matters such as gender diversity and inclusion are important for users. Finally, it was agreed to include this datapoint in this Module, it being an SFDR datapoint subject to consultation.

BC189. When drafting the datapoint, two possible alternatives for the calculation of the metric have been considered. The SFDR uses the metric of number of female members to male members. The more generally used and simpler formula is the number of female members (or male members) to the total number of members of the governance bodies. EFRAG adopted the first one to be aligned with the SFDR and the sector-agnostic standards as adopted by the European Commission on 31 July 2023.

BC190. During the public consultation the same aforementioned issues were transmitted by SME associations, which asked to delete this disclosure as family-owned undertakings cannot apply it. Despite this, banks deemed this datapoint as essential (SFDR datapoint). The need for this disclosure was reiterated during the banking associations workshop: however, the banks asked to clarify that if the SME does not have a governance body in place, it does not have to report on this disclosure. This disclosure remained an issue for SME associations but was decided to be kept given that it was an SFDR datapoint.

BC191. Additional guidance to support the preparation of this disclosure is available in paragraphs 242 to 244 of the VSME. This guidance remains unchanged in the VSME.

Comprehensive Module deleted disclosures from the ED

Former Environmental Disclosure BP6 – Hazardous waste and radioactive waste ratio

BC192. SR TEG and the SRB agreed to include the elements of this disclosure within disclosure B7 – Resource use, circular economy and waste management. During the public consultation, it surfaced that hazardous waste, and specifically radioactive waste, was not relevant/ applicable for prepares, while it was confirmed to be essential for banks and large undertakings. To streamline the Standard and reduce redundancies, it was decided to only request information on hazardous waste (which included radioactive waste) within disclosure B7. At SR TEG, it was agreed to make radioactive waste explicit in the guidance to ensure alignment with SFDR PAI datapoints. Former disclosure BP6 was seen as redundant and was decided to be deleted.

Former Social Metric Disclosure BP10 – Work-life balance

BC193. SR TEG approved the deletion of the initial disclosure following feedback from the public consultation, which emphasised the datapoint's limited relevance. This decision was further supported during workshops held with banking associations and with SME representatives in September (2024).

Former Social Metric Disclosure BP11 – Number of apprentices

BC194. SR TEG approved the deletion of the initial disclosure after the public consultation underscored its lack of relevance. The decision was also validated by feedback received during workshops held with banking associations and held with SME representatives in September (2024).

Appendix A: Defined Terms

BC195. Concerning the Defined Terms, EFRAG Secretariat has introduced the terms that were not defined in the text of the VSME ED and where possible, i.e. compatibly with the need to simplify the language and increase understandability, the definitions have been aligned to the ones already present in ESRS Delegated Act Set 1. Some definitions, which are not defined in ESRS Set 1, have been introduced following explicit requests by EFRAG SR TEG and SRB members. This is explained in the third column "Aligned with ESRS Delegated Act Set 1" of the table below, which illustrates which definitions are fully aligned with Set 1 and which deviate from it.

Defined term	Definition	Aligned with ESRS Delegated Act Set 1
Accident prevention	Accident prevention refers to the policies and initiatives to prevent workplace accidents and ensure the safety and well-being of employees. This not only includes measures to reduce physical risks but also involves fostering a safe and inclusive work environment free from discrimination and harassment.	Not aligned, but inserted following feedback from the public consultation
Actions	Actions refer to (i) actions and actions plans (including transition plans) that are undertaken to ensure that the undertaking delivers against targets set and through which the undertaking seeks to address material impacts, risks and opportunities; and (ii) decisions to support these with financial, human or technological resources.	Fully aligned
Affected communities	People or group(s) living or working in the same area that have been or may be affected by a reporting undertaking's operations or through its upstream and downstream value chain. Affected communities can range from those living adjacent to the undertaking's operations (local communities) to those living at a distance. Affected communities include actually and potentially affected indigenous peoples.	Fully aligned
Biodiversity-sensitive Area	Biodiversity-sensitive areas include: Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas ('KBAs'), as well as other protected areas, as referred to in Appendix D of Annex II to Commission Delegated Regulation (EU) 2021/2139.	Fully aligned
Business Conduct	The following matters are collectively referred to as 'business conduct or business conduct matters': (a) business ethics and corporate culture, including anti-corruption and anti-bribery, the protection of whistleblowers, and animal welfare; (b) the management of relationships with suppliers, including payment practices,	Fully aligned

Defined term	Definition	Aligned with ESRS Delegated Act Set 1
	especially with regard to late payment to small and medium-sized undertakings. (c) activities and commitments of the undertaking related to exerting its political influence, including its lobbying activities.	
Child Labour	Work that deprives children of their childhood, potential, and dignity and harms their physical and mental development. It includes work that is mentally, physically, socially, or morally dangerous and/or interferes with their schooling (by preventing them from the opportunity to attend school).	Aligned with Set 1, but shortened for simplification
Collective bargaining	All negotiations which take place between an employer, a group of employers or one or more employers' organisations, on the one hand, and one or more trade unions or, in their absence, the representatives of the workers duly elected and authorised by them in accordance with national laws and regulations, on the other, for: i) determining working conditions and terms of employment; and/or ii) regulating relations between employers and workers; and/or regulating relations between employers or their organisations and a workers' organisation or workers' organisations.	Fully aligned
Corruption	Abuse of entrusted power for private gain, which can be instigated by individuals or organisations. It includes practices such as facilitation payments, fraud, extortion, collusion, and money laundering. It also includes an offer or receipt of any gift, loan, fee, reward, or other advantage to or from any person as an inducement to do something that is dishonest, illegal, or a breach of trust in the conduct of the undertaking's business. This can include cash or in-kind benefits, such as free goods, gifts, and holidays, or special personal services provided for the purpose of an improper advantage, or that can result in moral pressure to receive such an advantage.	Fully aligned
Consumers	Individuals who acquire, consume or use goods and services for personal use, either for themselves or for others, and not for resale, commercial or trade, business, craft or profession purposes.	Fully aligned
Classified information	EU classified information as defined in Council Decision of 23 September 2013 on the security rules for protecting EU classified information (2013/488/EU) or classified by one of the Member States and marked as per Appendix B of that Council decision. EU classified information means any information designated by a EU security classification, of	Aligned with Set 1, but second paragraph added to further clarify the definition

Defined term	Definition	Aligned with ESRS Delegated Act Set 1
	which the unauthorised disclosure could cause varying degrees of prejudice to the interests of the European Union or of one or more of the Member States. Classified information may be classified according to four levels: top secret, secret, confidential, restricted (based on the definition from the Council Decision).	
Circular economy principles	The European circular economy principles are usability; reusability; repairability; disassembly; remanufacturing or refurbishment; recycling; recirculation by the biological cycle; other potential optimisation of product and material use.	Fully aligned
Climate-change adaptation	The process of adjustment to actual and expected climate change and its impacts.	Fully aligned
Climate-related physical risks	Risks resulting from climate change that can be event-driven (acute) or from longer-term shifts (chronic) in climate patterns. Acute physical risks arise from particular hazards, especially weather-related events such as storms, floods, fires or heatwaves. Chronic physical risks arise from longer-term changes in the climate, such as temperature changes, and their effects on rising sea levels, reduced water availability, biodiversity loss and changes in land and soil productivity.	Fully aligned
Direct GHG emissions (Scope 1)	Direct GHG emissions from sources that are owned or controlled by the undertaking.	Fully aligned
Discrimination	Discrimination can occur directly or indirectly. Direct discrimination occurs when an individual is treated less favourably by comparison to how others, who are in a similar situation. Indirect discrimination occurs when an apparently neutral rule disadvantages a person or a group sharing the same characteristics.	Fully aligned
Employee	An individual who is in an employment relationship with the undertaking according to national law or practice.	Fully aligned
End-users	Individuals who ultimately use or are intended to ultimately use a particular product or service.	Fully aligned
Forced Labour	All work or service which is exacted from any person under the threat of penalty and for which the person has not offered himself or herself voluntarily according to the ILO Forced Labour Convention, 1930 (No.29). The term encompasses all situations in which persons are coerced by any means to perform work.	Not aligned, but inserted following feedback from the public consultation
Grievance mechanism	Any routinized, state-based or non-state-based, judicial or non-judicial processes through which stakeholders can raise grievances and seek	Fully aligned

Defined term	Definition	Aligned with ESRS Delegated Act Set 1
	remedy. Examples of state-based judicial and non-judicial grievance mechanisms include courts, labour tribunals, national human rights institutions, National Contact Points under the OECD Guidelines for Multinational Enterprises, ombudsperson offices, consumer protection agencies, regulatory oversight bodies, and government-run complaints offices. Non-state-based grievance mechanisms include those administered by the undertaking, either alone or together with stakeholders, such as operational-level grievance mechanisms and collective bargaining, including the mechanisms established by collective bargaining. They also include mechanisms administered by industry associations, international organisations, civil society organisations, or multi-stakeholder groups. Operational-level grievance mechanisms are administered by the organisation either alone or in collaboration with other parties and are directly accessible by the organisation's stakeholders. They allow for grievances to be identified and addressed early and directly, thereby preventing both harm and grievances from escalating. They also provide important feedback on the effectiveness of the organisation's due diligence from those who are directly affected. According to UN Guiding Principle 31, effective grievance mechanisms are legitimate, accessible, predictable, equitable, transparent, rights-compatible, and a source of continuous learning. In addition to these criteria, effective operational-level grievance mechanisms are also based on engagement and dialogue. It can be more difficult for the organisation to assess the effectiveness of grievance mechanisms that it participates in compared to those it has established itself.	
Greenhouse Gases (GHG)	For the purposes of this Standard, GHGs are the six gases listed in the Kyoto Protocol: carbon dioxide (CO_2); methane (CH_4); nitrous oxide (N_2O); Nitrogen trifluoride (NF_3); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs); and sulphur hexafluoride (SF_6).	Fully aligned
Governance	The governance is the system of rules, practices and processes by which a company is directed and controlled.	Not aligned, but inserted following a request from an EFRAG SRB member
Gross greenhouse gas (GHG) emissions	Gross greenhouse gas (GHG) emissions are total GHG emissions released by the undertaking into the atmosphere, without considering any deductions for carbon removals or other adjustments.	Not aligned, but inserted following feedback from the public consultation

Defined term	Definition	Aligned with ESRS Delegated Act Set 1
Hazardous waste	Waste which displays one or more of the hazardous properties listed in Annex III of Directive 2008/98/EC of the European Parliament and of the Council on waste.	Fully aligned
Human trafficking	The recruitment, transportation, transfer, harbouring or reception of persons, including the exchange or transfer of control over those persons, by means of the threat or use of force or other forms of coercion, of abduction, of fraud, of deception, of the abuse of power or of a position of vulnerability or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation.	Not aligned but inserted following feedback from the public consultation.
Incident	A legal action or complaint registered with the undertaking or competent authorities through a formal process, or an instance of non-compliance identified by the undertaking through established procedures. Established procedures to identify instances of non-compliance can include management system audits, formal monitoring programs, or grievance mechanisms.	Fully aligned
Indirect GHG emissions (Scope 2)	Indirect emissions are a consequence of the operations of the undertaking but occur at sources owned or controlled by another company. Scope 2 GHG emissions are indirect emissions from the generation of purchased or acquired electricity, steam and heat, or cooling consumed by the undertaking.	Fully aligned
Impact	Impact refers to the effect an organisation has or could have on the economy, environment, and people, including effects on their human rights, as a result of the organization's activities or business relationships. The impacts can be actual or potential, negative or positive, short-term or long-term, intended or unintended, direct or indirect, and reversible or irreversible. These impacts indicate the organization's contribution, negative or positive, to sustainable development. The impacts on the economy, environment, and people are interrelated. The organization's impacts on the environment refer to the impacts on living organisms and non-living elements, including air, land, water, and ecosystems. An organization can have an impact on the environment through, for example, its use of energy, land, water, and other natural resources. The organization's impacts on people refer to the impacts on individuals and groups, such as communities, vulnerable groups, or society. This includes the impacts the organization has on people's human rights. An organization can have	Not aligned, but inserted following feedback from the public consultation

Defined term	Definition	Aligned with ESRS Delegated Act Set 1
	an impact on people through, for example, its employment practices (e.g. the wages it pays to employees), its supply chain (e.g. the working conditions of workers of suppliers), and its products and services (e.g. their safety or accessibility).	
Land-use	The human use of a specific area for a certain purpose (such as residential; agriculture; recreation; industrial, etc.). Influenced by land cover (grass, asphalt, trees, bare ground, water, etc). Land-use change refers to a change in the use or management of land by humans, which may lead to a change in land cover.	Simplified version (land cover made explicit)
Location-based Scope 2 emissions	Emissions from electricity, heat, steam and cooling purchased or acquired and consumed by the reporting company, calculated using the location-based 'allocating' method, which allocates generator emissions to end-users. They reflect the average emissions intensity of grids on which the energy consumption occurs and uses mostly grid-average emission factor data. Typical sources of Scope 2 emissions relate to any equipment that consumes electricity (electrical engines, lights, buildings, etc.), heat (heating in industrial processes, buildings, etc.), steam (industrial processes) and cooling (industrial processes, buildings, etc.).	Not present in Set 1 but added following the public consultation.
Nature-oriented area	A "nature-oriented area" is an area dedicated primarily to nature preservation or restoration. They can be located on-site and include elements like roof, façade, water drainages designed, to promote biodiversity. Nature-oriented areas can also be located outside the organisation site provided that the area is owned or (co-)managed by the organisation and is primarily dedicated to promoting biodiversity. (Adapted from: Source: EMAS regulation)	Not present in Set 1 but requested by an SR TEG member
Near (Biodiversity Sensitive Area)	Near, in the context of B5 – Biodiversity, shall refer to an area that is (partially) overlapping or adjacent to a biodiversity sensitive area.	Not present in Set 1 but added following the public consultation.
Own workforce/own workers	Employees who are in an employment relationship with the undertaking ('employees') and non-employees who are either individual contractors supplying labour to the undertaking ('self-employed people') or people provided by undertakings primarily engaged in 'employment activities' (NACE Code N78).	Fully aligned

Defined term	Definition	Aligned with ESRS Delegated Act Set 1
Pay	The ordinary basic or minimum wage or salary and any other remuneration, whether in cash or in kind which the worker receives directly or indirectly ('complementary or variable components'), in respect of his/her employment from his/her employer. 'Pay level' means gross annual pay and the corresponding gross hourly pay. 'Median pay level' means the pay of the employee that would have half of the employees earn more and half less than they do.	Fully aligned
Policy	A set or framework of general objectives and management principles that the undertaking uses for decision-making. A policy implements the undertaking's strategy or management decisions related to a sustainability issue. Each policy is under the responsibility of defined person(s), specifies its perimeter of application, and includes one or more objectives (linked when applicable to measurable targets). A policy is implemented through actions or action plans. For example, undertakings with less resources may have few (or no) policies formalised in written documents, but this does not necessarily mean they do not have policies. If the undertaking has not yet formalised a policy but has implemented actions or defined targets through which the undertaking seeks to address sustainability topics and subtopics, it shall disclose them.	Partially aligned. Additional examples added.
Radioactive waste	Any radioactive material in gaseous, liquid, or solid form, for which no further use is foreseen, as per Article 3(7) of Council Directive 2011/70/Euratom11.	Not present in Set 1 but added following the public consultation.
Recordable work-related accident/ Recordable work-related injury or ill health	A work-related accident is an event that leads to physical or mental harm therefore to injury or ill health. It happens whilst engaged in an occupational activity or during the time spent at work. Recordable means diagnosed by a physician or other licensed health care professionals. Work-related injury or ill health can result in any of the following: death, days away from work, restricted work or transfer to another job, medical treatment beyond first aid or loss of consciousness. Injuries that do not require medical treatment beyond first aid are generally not recordable.	First definition is adapted from Set 1 definition of "work-related incidents" Second definition is aligned with Set 1, but shortened and adapted for simplification

[11] Council Directive 2011/70/Euratom of 19 July 2011 establishing a Community framework for the responsible and safe management of spent fuel and radioactive waste.

Defined term	Definition	Aligned with ESRS Delegated Act Set 1
Recycling	Any recovery operation by which waste materials are reprocessed into products, materials or substances whether for the original or other purposes. It includes the reprocessing of organic material but does not include energy recovery and the reprocessing into materials that are to be used as fuels or for backfilling operations.	Fully aligned
Renewable Energy	Energy from renewable non-fossil sources, namely wind, solar (solar thermal and solar photovoltaic) and geothermal energy, ambient energy, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogas[12].	Fully aligned
Sealed area	A sealed area means any area where the original soil has been covered (such as roads) making it impermeable. This non-permeability can create environmental impacts. (Source: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02009R1221-20230712)	Not present in Set 1, but requested by an SR TEG member
Sensitive information	Sensitive information as defined in Regulation (EU) 2021/697 of the European Parliament and of the Council of 29 April 2021 establishing the European Defence Fund. The definition provided in the same Council of 29 April 2021: Sensitive information means information and data, including classified information, that is to be protected from unauthorised access or disclosure because of obligations laid down in Union or national law or in order to safeguard the privacy or security of a natural or legal person.	Aligned with Set 1, but second paragraph added to further clarify the definition
Site	The location of one or more physical installations. If there is more than one physical installation from the same or different owners or operators and certain infrastructure and facilities are shared, the entire area where the physical installation are located may constitute a site.	Fully aligned
Targets	Measurable, outcome-oriented and time-bound goals that the SME aims to achieve in relation to material sustainability topics and subtopics. They may be set voluntarily by the SME or derive from legal requirements on the undertaking.	Fully aligned

[12] Article 2(1) Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (OJ L 328, 21.12.2018, p. 82).

Defined term	Definition	Aligned with ESRS Delegated Act Set 1
Time horizons	When preparing its sustainability report, the undertaking shall adopt the following time horizons: for the short-term time horizon, one year; for the medium-term time horizon, from two to five years; and for the long-term time horizon, more than five years.	Not present in Set 1 (to be defined by the large undertakings) but added following the public consultation.
Training	Initiatives put in place by the undertaking aimed at the maintenance and/or improvement of skills and knowledge of its own workers. It can include different methodologies, such as on-site training, and online training.	Fully aligned
Value Chain	The full range of activities, resources and relationships related to the undertaking's business model and the external environment in which it operates. A value chain encompasses the activities, resources and relationships the undertaking uses and relies on to create its products or services from conception to delivery, consumption and end-of- life. Relevant activities, resources and relationships include: a) those in the undertaking's own operations, such as human resources; b) those along its supply, marketing and distribution channels, such as materials and service sourcing and product and service sale and delivery; and c) the financing, geographical, geopolitical and regulatory environments in which the undertaking operates. Value chain includes actors upstream and downstream from the undertaking. Actors upstream from the undertaking (e.g. suppliers) provide products or services that are used in the development of the undertaking's products or services. Entities downstream from the undertaking (e.g., distributors, customers) receive products or services from the undertaking.	Aligned – deleted 'ESRS use the term "value chain" in the singular, although it is recognised that undertakings may have multiple value chains'
Wage	Gross wage, excluding variable components such as overtime and incentive pay, and excluding allowances unless they are guaranteed.	Fully aligned
Water consumption	The amount of water drawn into the boundaries of the undertaking (or facility) and not discharged back to the water environment or a third party over the course of the reporting period.	Fully aligned
Water withdrawal	The sum of all water drawn into the boundaries of the undertaking from all sources for any use over the course of the reporting period.	Fully aligned

Defined term	Definition	Aligned with ESRS Delegated Act Set 1
Worker in the value chain	An individual performing work in the value chain of the undertaking, regardless of the existence or nature of any contractual relationship with the undertaking. In the ESRS, the scope of workers in the value chain include all workers in the undertaking's upstream and downstream value chain who are or can be materially impacted by the undertaking. This includes impacts that are connected to the undertaking's own operations, and value chain, including through its products or services, as well as through its business relationships. This includes all workers who are not in the scope of 'Own Workforce' ('Own Workforce' includes people who are in an employment relationship with the undertaking ('employees') and non-employees who are either individual contractors supplying labour to the undertaking ('self-employed people') or people provided by undertakings primarily engaged in employment activities. (NACE Code N78).	Fully aligned

Annex 1: VSME Exposure Draft (ED) January 2024

Objective of this [draft] Standard and to which undertakings it applies

1. The objective of this voluntary [draft] Standard is to support micro-, small- and medium-sized undertakings in:

   (a) contributing to a more sustainable and inclusive economy;

   (b) improving the management of the sustainability issues they face, i.e., environmental and social challenges such as pollution, workforce health and safety. This will support their competitive growth and enhance their resilience in the short-, medium- and long-term;

   (c) providing information that will help satisfy data demand from lenders/credit providers and investors, therefore helping undertakings in their access to finance;

   (d) providing information that will help satisfy the data demand needs of large undertakings requesting sustainability information from their suppliers.

2. This [draft] Standard is voluntary and applies to undertakings whose securities are not admitted to trading on a regulated market in the European Union (not listed). [Article 3 of Directive 2013/34/EU] defines and distinguishes three categories of small and medium-sized undertakings based on their balance sheet total, their net turnover and their average number of ***employees*** during the financial year.

   (a) An undertaking is micro if it does not exceed two of the following thresholds:

      i. €350,000 in balance sheet total,

      ii. €700,000 in net turnover, and

      iii. 10 employees.

   (b) An undertaking is small if it does not exceed two of the following thresholds:

      i. €4 million in balance sheet total,

      ii. €8 million in net turnover, or

      iii. an average of 50 employees.

   (c) An undertaking is medium if it does not exceed two of the following thresholds:

      i. €20 million in balance sheet total,

      ii. €40 million in net turnover, and

      iii. 250 employees.

3. These undertakings fall outside the scope of the Corporate Social Reporting Directive (CSRD) but are encouraged to use this [draft] Standard to prepare and share with whomever such sustainability information may concern. This [draft] Standard covers the same sustainability issues as the European Sustainability Reporting Standards (ESRS) for large undertakings. However, it is based upon the key concept of proportionality and therefore takes into account micro-, small- and medium-sized undertakings' fundamental characteristics. Micro undertakings are welcome to use only certain parts of this [draft] Standard as highlighted in paragraph 5 (a).

4. Consistency with ESRS for large undertakings has been carefully considered in the preparation of this [draft] Standard, while defining proportionate requirements. This [draft] Standard has no legal authority, unlike the ESRS for large undertakings. It provides undertakings that are outside the scope of the CSRD (see paragraph 2) with a voluntary tool for sustainability reporting.

Modules that constitute this [draft] Standard

5. This [draft] Standard includes three modules that the undertaking can use as the basis for preparation of its sustainability report:

   (a) **Basic Module**: Disclosures B 1, B 2 and Basic Metrics (B 3 – B 12). This module is the target approach for micro-undertakings and constitutes a minimum requirement for other undertakings. Materiality analysis is not required, but disclosures B 3-B 12 are to be provided when they are applicable to the undertaking's specific circumstances.

   (b) **Narrative-Policies, Actions and Targets (PAT) Module**: This module defines narrative disclosures (N1 – N5) in relation to Policies, Actions and Targets (PAT), which are to be reported in addition to disclosures B 1-B 12 if the undertaking has them in place. This module is suggested to undertakings that have formalised and implemented the PAT. Materiality analysis is required in order to disclose which of the sustainability matters in Appendix B are relevant for the undertaking's business and organisation (see Principles of Materiality below).

   (c) **Business Partners (BP) Module**: This module sets datapoints to be reported in addition to disclosures B 1-B 12, which are likely to be included in data requests from lenders, investors and corporate clients of the undertaking. Materiality analysis is required in order to disclose which of the sustainability matters in Appendix B are relevant for the undertaking's business and organisation (see Principles of Materiality below). If the undertaking prepares also the Narrative (PAT) Module, the material matters are disclosed only once.

   Paragraph 21 below illustrates the available options for the preparation of a sustainability report using this [draft] Standard by adopting one or more of these modules. Once chosen, a module shall be complied with in its entirety (with flexibility allowed under paragraph 19), providing information in each disclosure that is applicable to the undertaking's specific circumstances or it is considered relevant to the undertaking's business and organisation.

6. Applying the Basic Module is a prerequisite for applying the Narrative-PAT and/or the Business Partners Modules.

7. Appendix A *Defined terms* includes the definitions of the terms used in this [draft] Standard. Throughout VSME ED, the terms that are defined in the glossary of definitions (Appendix A) are put in ***bold italic***, except when a defined term is used more than once in the same paragraph.

Principles for the preparation of the sustainability report (Basic Module, Narrative-PAT Module, Business Partners Module)

8. This section incudes principles that shall be applied when the undertaking prepares its sustainability report using any of the three modules described above.

Complying with this Standard

9. This [draft] Standard sets requirements that allow the undertaking to provide relevant information on:

   (a) how its business has had and is likely to have a negative impact on people or on the environment; and

   (b) which and how environmental and social issues have affected or are likely to affect its financial position, performance and cash flows.

10. The sustainability report shall provide information that is relevant, faithful, comparable, understandable and verifiable.

11. Depending on the type of activities carried out by the undertaking, the inclusion of additional information (metrics and/or narrative disclosures) not covered in this [draft] Standard is appropriate in order to disclose issues that are common in the undertaking's sector, as this supports the preparation of relevant, faithful, comparable, understandable and verifiable information.

Preparation on a consolidated basis

12. If the undertaking is a parent company of a group, it is recommended that it prepares its sustainability report on a consolidated basis, including the information of its subsidiaries.

Timing and location of the sustainability report

13. The sustainability report shall be prepared on an annual basis. It shall be available for issuance at the same time as the financial statements if they are prepared.

14. The undertaking may present its sustainability report in a separate section of the management report if the latter is required by applicable law and regulations or if the management report is prepared voluntarily. Otherwise, the undertaking may present its sustainability report in a different document.

15. To avoid publishing the same information twice, the undertaking may refer in its sustainability report to disclosures published in other documents that can be accessed at the same time as the sustainability report.

Classified and sensitive information and information on intellectual property, know-how or results of innovation

16. When the provision of the disclosures in this [draft] Standard would require disclosing classified or ***sensitive information***, the undertaking may omit such information, even if it is considered material. The undertaking may omit such classified or sensitive information if:

    (a) the information has commercial value because it is secret; and

    (b) its publication will likely negatively affect the financial performance or position of the undertaking.

    If the undertaking decides to omit such information, it shall simply state that is the case under Disclosure B 1 (see paragraph 21).

Basic Module

17. The undertaking shall report on its environmental, social and ***business conduct*** issues using the B 1-B 12 disclosures below. Comparative information in respect of the previous year shall be included in the report except for metrics being disclosed for the first time. The inclusion of comparative information shall begin the second year of reporting and continue henceforth.

18. Disclosures B 1-B 12 are to be reported, and no materiality analysis is needed. Certain disclosures only apply to specific circumstances. In particular, the following instructions specify that, in these circumstances, the information is to be reported only if considered 'applicable' by the undertaking. When one of these disclosures is omitted, it is assumed to be not applicable.

19. The undertaking may complement the metrics from B 3 to B 12 with additional qualitative and/or quantitative information, where appropriate, in accordance with paragraph 11 above. The undertaking that wants to provide more comprehensive information may also integrate the metrics required from B 3 to B 12 with disclosures, selecting them from the Narrative-PAT Module and/or from the Business Partners Module.

20. Instructions supporting the preparation of metrics B 3-B 12 are available in the Basic Module guidance, which is found on pages 19 through 34 of this [draft] Standard.

Disclosure B 1 – Basis for preparation

21. The undertaking shall disclose:

    (a) which of the following options it has selected in the preparation of its sustainability report using this [draft] Standard:

        i. OPTION A: Basic Module (only);

        ii. OPTION B: Basic Module and Narrative-PAT Module;

        iii. OPTION C: Basic Module and Business Partners Module; or

        iv. OPTION D: Basic Module, Narrative-PAT Module and Business Partner Module;

    (b) whether the sustainability report has been prepared on a consolidated basis (i.e., the report includes information of the undertaking and its subsidiaries) or on an individual basis (i.e., the report is limited only to the information of the undertaking); and

    (c) the list of the subsidiaries, including their registered address[1] covered in the consolidated sustainability report.

Disclosure B 2 – Practices for transitioning towards a more sustainable economy

22. The undertaking may briefly describe specific practices for transitioning towards a more sustainable economy in case it has them in place. Such practices include what the undertaking does to reduce its negative impacts and to enhance its positive impacts on people and on the environment in order to contribute to a more sustainable economy. Practices in this context shall not include philanthropic activities (e.g., donations) but rather, for instance, initiatives to improve working conditions and equal treatment in the workplace, sustainability ***training*** for the undertaking's workforce, collaboration with universities related to sustainability projects, efforts to reduce the undertaking's water and electricity consumption or to prevent pollution, and initiatives to improve product safety.This disclosure does not apply when the undertaking prepares its sustainability report using the Narrative-PAT Module.

[1] The registered address is the official address of the undertaking. Providing the registered address is a legal requirement, and it is available on public record.

Basic metrics – Environment

B 3 – Energy and greenhouse gas emissions

23. The undertaking shall report on its impacts on climate by disclosing its energy usage and greenhouse gas emissions as requested in the following paragraphs.

24. The undertaking shall disclose its total energy consumption in MWh, with a breakdown between:

    (a) fossil fuels; and

    (b) electricity as reflected in utility billings, along with a breakdown between renewable and non-renewable sources if available.

25. The undertaking shall disclose its estimated ***gross greenhouse gas (GHG) emissions*** in tons of CO2 equivalents (tCO2eq) considering the content of the GHG Protocol Corporate Standard, including:

    (a) the Scope 1 GHG emissions in tCO_2eq (from owned or controlled sources); and

    (b) the location-based Scope 2 emissions in tCO_2eq (i.e., emissions from the generation of purchased energy).

B 4 – Pollution of air, water and soil

26. The undertaking shall disclose, if applicable, the pollutants (with respective amounts) it emits to air, water and soil in its own operations, that it is required by law to report to competent authorities (e.g. under the Industrial Emissions Directive and the European Pollutant Release and Transfer Register) or that it already reports according to an Environmental Management System such as Eco-Management and Audit Scheme (EMAS). If this information is already publicly available, the undertaking may alternatively refer to the document where it is reported, for example, by providing the relevant URL link or embedding a hyperlink.

B 5 – Biodiversity

27. The undertaking shall disclose, if applicable, metrics related to its impacts on ***biodiversity***, ecosystems and ***land-use*** as requested in the following paragraphs.

28. The undertaking shall disclose the number and area (in hectares) of sites that it owns, has leased, or manages in or near ***biodiversity*** sensitive areas.

29. The undertaking may disclose metrics related to ***land-use*** such as:

    (a) total use of land;

    (b) total ***sealed area***;

    (c) total ***nature-oriented area*** on-site; and

    (d) total ***nature-oriented area*** off-site.

B 6 – Water

30. The undertaking shall disclose its total ***water withdrawal***, i.e., the amount of water drawn into the boundaries of the organisation (or facility); in addition, the undertaking shall separately present the amount of water withdrawn at sites located in areas of high water - stress.

31. If applicable, the undertaking shall disclose its ***water consumption***, calculated as the difference between its ***water withdrawal*** and water discharge from its production processes.

B 7 – Resource use, circular economy and waste management

32. The undertaking shall disclose how it manages resource use, its waste management practices and whether it applies ***circular economy principles***.

33. The disclosure shall include:

    (a) if the undertaking operates manufacturing, construction and/or packaging processes: the recycled content in the products (goods and materials) and their packaging produced by the undertaking;

    (b) if the undertaking operates manufacturing, construction and/or packaging processes: rates of recyclable content in the products and their packaging produced by the undertaking;

    (c) the total annual generation of waste in units of weight (preferably) or volume broken down by type (non-hazardous and hazardous); and

    (d) the total annual waste diverted to ***recycling*** or reuse expressed in units of weight (e.g., kg or tonnes).

Basic metrics – Social matters

B 8 – Workforce – General characteristics

34. The undertaking shall disclose the total number of ***employees*** in full-time equivalents or provide a headcount of such employees broken down by:

    (a) type of employment contract (temporary or permanent);

    (b) gender; and

    (c) country if applicable.

B 9 – Workforce – Health and safety

35. The undertaking shall disclose the following information regarding its ***employees:***

    (a) the number and rate of ***recordable work-related*** accident; and

    (b) the number of fatalities as a result of work-related injuries and work-related ill health.

B 10 – Workforce – Remuneration, collective bargaining and training

36. The undertaking shall disclose:

    (a) when a significant proportion of ***employees*** are compensated based on ***wages*** subject to minimum wage rules, the relevant ratio of the entry level wage to the minimum wage;

    (b) the percentage gap in ***pay*** between its female and male ***employees***. The undertaking may omit this disclosure when its head count is below 150 employees;

    (c) the percentage of ***employees*** covered by collective bargaining agreements; and

    (d) the average number of annual ***training*** hours per ***employee***, broken down by gender, that are related to the development of skills and competences, whether acquired through formal or informal forms of capacity-building.

B 11 – Workers in the value chain, affected communities, consumers and end-users

37. The undertaking may disclose whether it has a process in place for identifying if there are ***value chain*** workers, ***affected communities***, or ***consumers*** and end-users who are affected or are likely to be affected by severe negative impacts in relation to the undertaking's operations (i.e., its products, services and activities). In that case, the undertaking may describe this process. If identified, the undertaking may also describe the types of impacts, including where they arise and the groups that are affected by them.

Basic metrics – Business conduct

B 12 – Convictions and fines for corruption and bribery

38. In case of convictions and fines in the reporting period, the undertaking shall disclose the number of convictions and the total amount of fines incurred for the violation of anti-corruption and anti-bribery laws.

Principles for the preparation of the sustainability report (Narrative-PAT, Business Partners)

39. This section includes principles that shall be applied when the undertaking prepares its sustainability report using the Narrative-PAT Module and/or the Business Partners Module.

Time horizons

40. When preparing its sustainability report, the undertaking shall adopt the following time horizons:

(a) for the short-term time horizon, one year;

(b) for the medium-term time horizon, from two to five years; and

(c) for the long-term time horizon, more than five years.

Coherence and linkages with disclosures in financial statements

41. When the undertaking also prepares financial statements and other regulatory reports, the information provided in its sustainability report following this [draft] Standard:

(a) shall be coherent with what is reported in the financial statements for the same period; and

(b) may be presented in a way that facilitates the understanding of the linkages that exist with the information reported in financial statements, for example, by using appropriate cross-references.

Principles of materiality to be applied in the preparation of Narrative-PAT and Business Partners Modules

42. Issues connected to environmental, social and/or ***business conduct*** aspects identified in this context are referred to as sustainability matters. This section explains how to identify sustainability matters that are 'material', meaning 'relevant', and therefore to be reported.

43. Materiality refers to the significance to the undertaking of both a sustainability matter and information about the sustainability matter. Materiality analysis is the process of identifying sustainability matters that undertakings should report on. The undertaking is encouraged to use the list contained in Appendix B *List of sustainability matters* of this [draft] Standard as guidance for the identification of its material sustainability matters. The materiality analysis does not apply to an undertaking that decides to only apply the Basic Module.

44. As part of its materiality analysis, the undertaking will assess impacts that it has or is likely to have on people and the environment as well as financial risks and opportunities that derive or may derive from sustainability matters. Identifying which sustainability matters are material is a necessary step particularly when minimising or avoiding negative impacts. At the same time, it can help the undertaking to improve its products or services or to develop new ones that address environmental or social challenges. Understanding financial risks allows the undertaking to reduce operational costs and avoid fines, litigations and reputational damages.

45. When assessing whether a sustainability matter is to be reported on because it is material to the undertaking, two dimensions have to be considered, namely impact materiality and financial materiality. This is what is generally referred to as double materiality analysis.

Impact materiality

46. From the impact perspective, a sustainability matter is to be reported on when it gives rise to material impacts. This includes:

    (a) actual or potential impacts on people or on the environment over the short, medium, and long-term time horizons. An impact is actual when it is already happening, whereas an impact is potential when it is likely to happen; and

    (b) impacts connected to the undertaking's own business operations, products and services as well as through its business relationships, such as those that arise from the operations of suppliers.

47. To determine if an actual negative impact is material, the undertaking has to consider the severity of the impact in question on people and the environment severity is based on:

    (a) scale, i.e., how grave the harm caused to people or to the environment is (e.g., a minor injury at work without days lost is placed lower on the scale than a fatality at work; inadequate industrial waste disposal leading to soil pollution within a local facility is placed lower on the scale than a leak of harmful chemicals in a river leading to severe damage of ecosystem and wildlife);

    (b) scope, i.e., how widespread the harm caused to people or to the environment is (e.g., the number of people affected or the size of contaminated land); and

    (c) the irremediable character of the impact, that is, whether and to what extent it is possible to remediate the harm caused to people or to the environment (e.g., cleaning up the contaminated land, issuing compensations and/or indemnities for affected people).

48. The consideration of scale, scope and irremediability is meant to guide undertakings when analysing the severity of its impacts. The undertaking, however, is not expected to report on details related to each of these three aspects.

49. For potential impacts, the undertaking has to consider both severity and likelihood of occurrence. In the case of a potential negative impact on human rights, the severity of the impact takes precedence over its probability.

50. Quantitative measures of impacts yield the most objective evidence that can be collected to assess their materiality. However, quantitative data is not always available or may be costly to produce. Qualitative analysis can be sufficient for the undertaking to reasonably conclude whether a matter is material or not.

Financial materiality

51. From a financial perspective, a sustainability matter is material if it pertains to financial risks that could be reasonably expected to have material financial effects materially influencing the undertaking's financial position, financial performance, cash flows, access to finance or cost of capital over short-, medium- or long-term time horizons. In addition to the undertaking's business operations, matters related to the undertaking's business relationships with other companies should also be considered.

52. Material impacts generated by the undertaking generally constitute a source of financial risk. However, the undertaking shall also consider risks that are not related to its material impacts.

53. Like risks, financial opportunities related to a sustainability matter may generate financial effects. Reporting on financial opportunities is optional when preparing a sustainability report under this [draft] Standard.

54. Dependencies on natural and social resources may trigger financial risks in two ways:

    (a) they may influence the undertaking's ability to continue to use or obtain the resources needed in its business processes as well as the quality and pricing of those resources; and

    (b) they may affect the undertaking's ability to rely on business relationships on acceptable terms.

55. To determine whether a financial risk is material, the undertaking shall assess the probability, the nature and the potential magnitude of the financial effects on the undertaking.

Stakeholders and their relevance to the materiality analysis process

56. Stakeholders are those individuals or groups of people who can exercise influence over the undertaking and/or be affected by the activities of the undertaking. There are two main groups of stakeholders:

    (a) affected stakeholders, i.e., individuals or groups of people whose interests are or could be – positively or negatively – affected by the undertaking's activities and its business relationships; and

    (b) users of the sustainability report, including investors, lenders, business partners, social partners and civil society organisations.

57. Some stakeholders may belong to both groups defined in paragraph 56. An undertaking may engage with stakeholders in its materiality analysis to find out which sustainability matters are the most important to them. In many cases, micro undertakings will only consider the views of their most relevant stakeholders among those mentioned in paragraph 56.

Narrative – Policies, Actions and Targets (PAT) Module

Disclosure N 1 – Strategy: business model and sustainability – related initiatives

58. The undertaking shall disclose the key elements of its strategy and its business model, including:

(a) a description of significant groups of products and/or services offered;

(b) a description of significant market(s) the undertaking operates in (B2B, wholesale, retail, countries);

(c) a description of main business relationships (such as key suppliers, customers distribution channels and ***consumers***); and

(d) if applicable, a description of the key elements of its strategy that relate to or affect sustainability matters.

Disclosure N 2 – Material sustainability matters

59. The undertaking shall disclose the material sustainability matters resulting from its materiality analysis (see paragraphs 42 through 57), including a brief description of each sustainability matter (listed in accordance with paragraph 43) and of:

(a) how each matter has an impact on people or the environment;

(b) its actual and potential effects on the undertaking's present or future financial position and performance; and

(c) its actual and potential effects on the undertaking's activities and strategy.

Disclosure N 3 – Management of material sustainability matters

60. The undertaking shall disclose how it manages its material sustainability matters, including:

(a) whether it has adopted policies or ***actions*** to *(i)* prevent, *(ii)* mitigate and/or *(iii)* remediate actual or potential negative impacts and/or to *(iv)* address financial risks. If applicable, the undertaking may refer to the [due diligence] or risk management processes implemented;

(b) if it has policies in place, it shall describe:

i. the objective(s) of the ***policy*** and which material sustainability matters it addresses;

ii. the scope of the ***policy*** in terms of activities, ***value chain*** and countries where the undertaking is active;

iii. if applicable, affected stakeholder groups addressed by the ***policy***;

iv. if applicable, a reference to third-party standards or initiatives that the undertaking commits to respect through the implementation of the ***policy***; and

v. the ***targets*** the undertaking uses to monitor the implementation of the ***policy*** and the progress achieved;

(c) if it has put ***actions*** in place, it shall describe:

i. the list of key ***actions*** taken in the reporting year and of the actions planned for the future;

ii. the scope of those ***actions*** (i.e., whether they also address actors in the ***value chain***, whether they are implemented in different location and geographies or which affected stakeholder groups they address);

iii. the time horizon under which the undertaking intends to complete each key action; and

iv. the ***targets*** the undertaking uses to monitor the ***actions*** implemented and the progress achieved.

61. Where material, the undertaking shall disclose the ***actions*** taken in the reporting period to improve its energy efficiency and to reduce its greenhouse gas emissions as well as the related possible implications in terms of financial risks and, if applicable, opportunities.

62. When the undertaking considers that negative impacts are material in relation to *(i)* workers in the ***value chain***, *(ii)* ***consumers*** and ***end-users*** and/or *(iii)* ***affected communities***, it may disclose:

(a) the policies that it has adopted to manage those material impacts as well as the associated material risks;

(b) the ***actions*** it has taken on material impacts, its approach to managing material risks, and the effectiveness of those actions; and

(c) the ***targets*** related to managing material negative impacts and managing material risks.

63. These disclosures are limited to the description of the policies, ***actions*** and ***targets*** that the undertaking has put in place.

64. Where material, the undertaking shall disclose whether it has the following in place to support the prevention of ***incidents*** of ***corruption*** or bribery:

(a) separation of duties; and/or

(b) ***training*** for its ***employees;*** and

(c) any ***actions*** taken to address breaches in procedures and standards of anti-corruption and anti-bribery.

Disclosure N 4 – Key stakeholders

65. If the undertaking engages with stakeholders, it may disclose:

(a) the categories of key stakeholders being considered (the undertaking can use categories such as investors, lending banks/creditors, business partners, trade unions, NGOs, etc.); and

(b) a brief description of the engagement activities.

Disclosure N 5 – Governance: responsibilities in relation to sustainability matters

66. The undertaking shall describe its ***governance*** and responsibilities in relation to sustainability matters. If applicable, this disclosure shall cover roles and responsibilities of the highest governance body or of the individual(s) in charge of managing sustainability matters within the undertaking.

Business Partners Module

67. This module provides additional datapoints in relation to the information that is generally needed by the undertaking's business partners, investors and lenders. They are expected to address data requests that the undertaking receives or is likely to receive from lenders, investors and corporate clients, which require sustainability data from their suppliers. In relation to the information needs of financial market participants, these additional datapoints reflect their respective obligations under relevant laws and regulations. They are also relevant for business partners when they assess the sustainability profile of the undertaking as supplier or potential supplier.

List of material matters

68. In this module, the materiality analysis described in paragraphs 42 through 57 is required. The undertaking shall disclose the material sustainability matters resulting from its materiality analysis based on the list provided in Appendix B: *List of sustainability matters*.

Entity-specific consideration when reporting on GHG emissions under B 3 (Basic Module)

69. Depending on the type of activities carried out by the undertaking, a quantification of its Scope 3 GHG emissions can yield relevant information (see paragraph 11 of this [draft] Standard) on the undertaking's ***value chain*** impacts on climate change.

70. Scope 3 emissions are ***indirect GHG emissions*** (other than Scope 2) that derive from an undertaking's ***value chain***. They include the activities that are upstream of the undertaking's operations (e.g., purchased goods and services, purchased capital goods, transportation of purchased goods, etc.) and activities that are downstream of the undertaking's operations (e.g., transport and distribution of the undertaking's products, use of sold products, investments, etc). If the undertaking decides to provide this metric, it should refer to the 15 types of Scope 3 GHG emissions identified by the GHG Protocol Corporate Standard and detailed by the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. When it reports on Scope 3 GHG emissions, the undertaking includes significant Scope 3 categories (as per the Corporate Value Chain (Scope 3) Accounting and Reporting Standard) based on its own assessment of relevant Scope 3 categories. Undertakings can find further guidance on specific calculation methods for each category in the GHG Protocol "Technical guidance for Calculating Scope 3 Emissions".

71. When reporting its Scope 1 and Scope 2 emissions, if the undertaking discloses entity-specific information on its Scope 3 emissions, it shall present it together with the information required under "B 3 – Energy and greenhouse gas emissions."

Disclosures in the Business Partners Module

72. The text below provides the list of disclosures from BP1 to BP 11 to be considered and reported upon if they are applicable or if they are considered relevant to the undertaking's business and organisation, following the materiality analysis performed by the undertaking in line with paragraphs from 42 to 57. When not reported upon, a disclosure shall be assumed to be 'not material' for the undertaking.

73. Instructions to support the preparation of disclosures form BP 1- BP 11 are available in the Business Partners Module guidance on pages 35 through 38 of this [draft] Standard.

Disclosure BP 1 – Revenues from certain sectors

74. The undertaking shall include a statement indicating if it is active in one or more of the following sectors while disclosing its related revenues:

    (a) controversial weapons such as anti-personnel mines, cluster munitions, chemical weapons and biological weapons; and/or

(b) the cultivation and production of tobacco; and/or

(c) fossil fuel (coal, oil and gas) sector (i.e., the undertaking derives revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and the Council 17), including a disaggregation of revenues derived from coal, from oil and from gas); and/or

(d) chemicals production, as its activities fall under Division 20.2 of Annex I to Regulation (EC) No 1893/2006[2].

Disclosure BP 2 – Gender diversity ratio in governance body

75. If the undertaking has a ***governance*** body in place, the undertaking shall disclose the related gender diversity ratio.

Disclosure BP 3 – GHG emissions reduction target

76. If the undertaking has set GHG emission reduction ***targets***, it shall provide its GHG emission reduction targets for:

(a) scope 1 emissions; and

(b) scope 2 emissions.

77. This disclosure includes Scope 3 emissions, only when they are disclosed under paragraph 71 above and the undertaking has set GHG emission reduction targets for Scope 3 emissions.

Disclosure BP 4 – Transition plan for climate change mitigation

78. The undertaking shall provide information about its transition plan for climate change mitigation with an explanation of how GHG emission reduction ***targets*** are compatible with the limiting of global warming to 1.5°C in line with the Paris Agreement. This disclosure is applicable only if the undertaking has adopted such a transition plan.

Disclosure BP 5 – Physical risks from climate change

79. The undertaking shall disclose the anticipated financial effects that physical risks from climate change may have on the company. This disclosure is applicable only if the undertaking is exposed to material physical risks. In particular, it shall disclose:

(a) the monetary amount and the percentage of the undertaking's total assets that can be subjected to material physical risks over the short-, medium- and long-term before considering ***climate change adaptation actions*** disaggregated by acute and chronic physical risk;

(b) the proportion of assets at material physical risk addressed by the ***climate change adaptation actions***;

(c) the location of the significant assets affected by material physical risks;

(d) the monetary amount and proportion (percentage) of net revenue from its business activities at material physical risk over the short-, medium- and long-term; and

(e) the breakdown of the undertaking's carrying value of its real estate assets by energy efficiency classes.

[2] "Manufacture of pesticides and other agrochemical products" listed in Division 20.2 of Annex I Regulation EC 1893/2006.

Disclosure BP 6 – Hazardous waste and/or radioactive waste ratio

80. If the undertaking generates hazardous and/or radioactive waste, the undertaking shall disclose the total amount of ***hazardous waste*** and/or radioactive waste generated (radioactive waste is defined in Article 3(7) of Council Directive 2011/70/Euratom).

Disclosure BP 7 – Alignment with internationally recognised instruments

81. The undertaking shall disclose whether its policies pertaining to its ***own workforce*** are aligned with relevant internationally recognised instruments, including the UN Guiding Principles on Business and Human Rights.

Disclosure BP 8 – Processes to monitor compliance and mechanisms to address violations

82. The undertaking shall disclose whether it has processes in place to monitor compliance with the OECD Guidelines for Multinational Enterprises and with the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the International Bill of Human Rights and the eight fundamental conventions identified in the ILO Declaration or grievance/complaints handling mechanisms, to address violations of the above standards with regard to its ***own workforce***.

Disclosure BP 9 – Violations of OECD Guidelines for Multinational Enterprises or the UN Guiding Principles (including the principles and rights set out in the eight fundamental conventions of the ILO Declaration and the International Bill of Human Rights)

83. The undertaking shall disclose whether there have been any violations of the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work or the OECD Guidelines for Multinational Enterprises with regard to its ***own workforce*** during the reporting year.

Disclosure BP 10 – Work-life balance

84. The undertaking shall disclose the percentage of its ***employees:***

(a) who are entitled to take family-related leave with a breakdown by gender; and

(b) who took family-related leave with a breakdown by gender.

Family-related leave includes maternity, paternity, parental and carers' leave.

Disclosure BP 11 – Number of apprentices

85. If applicable, the undertaking shall disclose the number of apprentices in the reporting period.

Basic Module: Guidance

86. This guidance is intended to support the preparation of the Metrics in the Basic Module.

Environmental Metrics

Metric B 3 – Energy and greenhouse gas emissions

Impacts on climate: energy usage and greenhouse gas emissions

87. Under paragraphs 24 and 25, the undertaking reports on its climate impacts, providing information about its energy use and greenhouse gas emissions. This guidance for disclosure B 3 does not constitute an additional datapoint to the disclosures described in paragraphs 24 (on energy consumption) and 25 (on GHG emissions) but rather an overarching objective of the Basic disclosure B 3.

88. Climate impacts are significantly driven by energy consumption. Therefore, it is relevant to disclose both the quantity as well as the type – e.g., fossil fuels such as coal, oil, and gas versus ***renewable energy*** – and mix of energy consumed. Examples of energy disclosures are total energy consumption broken down by fossil fuels and electricity. Other breakdowns may be reported such as consumption of purchased or self-generated electricity from renewable sources. This information may be provided in the following format:

	202(x) Energy consumption (MWh)
Fossil fuels	486
Electricity	10

89. Undertakings are to report their energy consumption in terms of final energy, which is understood as the amount of energy delivered to the undertaking, for example, the Megawatt-Hours (MWh) of electricity purchased from a utility, steam received from a nearby industrial plant or diesel purchased at petrol stations.

90. In case the undertaking purchases fossil or renewable fuels such as natural gas, oil or biomass to generate electricity, heat or cooling for its own consumption, it has to avoid double counting. Therefore, the undertaking accounts for the energy content of the purchased fuel only as fuel consumption, but it does not account for or report on its electricity and heat consumption yet again. In case of electricity generation from renewable energies such as solar or wind – and where no fuel use in necessary – the undertaking accounts for the amount of electricity generated and consumed as electricity consumption.

91. As for greenhouse gas emissions arising from the undertaking's activities, this requirement builds on the definitions and rules of the GHG Protocol, the leading accounting standard for GHG emissions. Under paragraph 25, undertakings are to report on their Scope 1 and Scope 2 emissions. Scope 1 GHG emissions cover direct emissions from owned or controlled sources. Scope 2 emissions are ***indirect GHG emissions*** resulting from the activities of the reporting company (as they derive from the undertaking's consumed energy) which, however, occur at sources owned or controlled by another company. Further guidance is provided in the sections below on how to calculate Scope 1 and 2 emissions.

92. Scope 1 and 2 emissions may be reported in the following format.

	202(x) GHG emissions (tCO_2e)
Scope 1	45
Scope 2	6
Total	51

Scope 1 emissions calculation guidance

93. Typical Scope 1 emissions include CO2 (as well as CH4 and N2O) emissions associated with fuel combustion (for example, in boilers, furnaces, vehicles, etc.) and fugitive emissions from air conditioning and industrial processes.

94. Emissions associated with combustion can be calculated by the expression

$$Emissions_{GHG,Fuel} = Activity\ Data_{Fuel} * EF_{GHG,Fuel} * GWP_{GHG}$$

where the value assigned to '$Emissions_{GHG}$' corresponds to the emissions of CO2, CH4 or N2O resulting from the combustion of the Fuel in tCO2e.

'$Activity\ Data_{Fuel}$' corresponds to the quantity of fuel consumed. Though typically expressed in energy units, it can also be expressed in volume (m^3 or l) or mass (tonnes or kg.).

'$EF_{GHG,Fuel}$' corresponds to the specific combustion Emission Factor (EF) used for the fuel. The units of the EF need to be consistent with the units of the activity data.

'GWP_{GHG}' corresponds to the Global Warming Potential of the GHG (CO2, CH4 or N2O). The activity data can be determined using fuel purchase receipts and purchase records or through direct measurement at the combustion device. The fuel quantities can be measured in different forms (typically mass or volume), and care needs to be taken to make sure that the activity data and the EF are expressed using the same units. It is not uncommon for emission factors of fuels to be expressed in terms of energy (Lower Calorific Value), in which case the further step of converting the volume or mass of the fuel to its energy content is needed (see the example below). This way, the expression above can take different forms, namely

$$Emissions_{GHG,Fuel} = Activity\ Data_{Fuel} * EF_{GHG,Fuel} * GWP_{GHG}$$

$$Emissions_{GHG,Fuel} = [Volume * CalorificValue]_{Fuel} * EF_{GHG,Fuel} * GWP_{GHG}$$

95. CO2 emission factors are either derived through analysis of the carbon and heat content of the fuel (not likely to be needed for SME undertakings) or through the use of published emission factors for the most common fuels. EFs for CH4 and N2O will depend on the type of combustion technology and will vary with it. In most cases, CH4 and N2O emissions are within the measurement error of CO2 and can be neglected. Sometimes the emission factor can already take into account the GWP of the GHG. In that case the parameter GWP_{GHG} does not need to be considered.

96. For the GWP, use the most recent values published by the Intergovernmental Panel on Climate Change (IPCC) based on a 100-year time horizon to calculate tCO2eq emissions of non-CO2 gases. The current list features the IPCC's 6th Assessment Report, Chapter 7SM[3].

[3] Smith, C., Z.R.J. Nicholls, K. Armour, W. Collins, P. Forster, M. Meinshausen, M.D. Palmer, and M. Watanabe, 2021: The Earth's Energy Budget, Climate Feedbacks, and Climate Sensitivity Supplementary Material. In Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the

97. The following table provides a list of non-exhaustive sources of emission factors for fuels. Undertakings may also refer to authoritative national sources that may be more relevant to the particulars of their situation.

Documentation Sources:

Data	*Documentation Source*
Activity data	fuel purchase receipts, purchase records, or through direct measurement at the combustion device.
Emissions Factors (EF):	
Fuel	ADEME – Bilan Carbonne *https://base-empreinte.ademe.fr/* IPCC – Emissions Factor Database *https://www.ipcc-nggip.iges.or.jp/EFDB/find_ef.php?reset=* IPCC – Guidelines for National Greenhouse Gas Inventories *Microsoft Word - V2_Ch2_Stationary_Combustion_Final.doc (iges.or.jp)*
Global Warming Potential (GWP)	IPCC – Global Warming Potential p. 16 *https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_Chapter07_SM.pdf*

You can find more guidance and tools on how to act and report on climate by visiting https://smeclimatehub.org/.

Example

98. Company A burns Nr. 4 fuel oil in an industrial boiler. For its financial accounting, it keeps track of its costs, and for GHG accounting purposes, it keeps track of volumes (m^3) as reflected in their fuel receipts. From the receipts, it determines the annual volumes of fuel oil bought, and it keeps track as well of the fuel oil inventory on the first calendar day of the year. In 2023 it purchased 100 m^3 of fuel oil. Based on its records, on 1 January 2023 it had 2.5 m^3 in its reservoirs, and on 1 January 2024 it had 1 m^3. Thus, it determines (through purchase and measurement of inventory) that during 2023 it consumed 101.5 m^3 of fuel oil.

Using the IPCC list of emissions factors (Table 2.3, page 2.18), it estimates its emission factor to be a fifty-fifty blend of diesel oil and residual oil as 75.75 t CO2/TJ and by using published statistics on energy determined that its net calorific value of the fuel is 0.03921 TJ/m^3. Given that the CO_2 GWP equal one, its CO_2 emission for this specific Scope 1 source is:

$$101.5\ m^3 * 0.03921\ TJ/m^3 * 75.75\ t\ CO_2/TJ * 1 = 301.5\ t\ CO_2$$

For completeness of this example, the CH_4 and N_2O emissions are also calculated. Checking the IPCC list of emission factors, these are respectively 3 kg of CH_4/TJ and 0.6 kg of N_2O/TJ, thus the emissions will be:

Intergovernmental Panel on Climate Change [Masson-Delmotte, V., P. Zhai, A. Pirani, S.L. Connors, C. Péan, S. Berger, N. Caud, Y. Chen, L. Goldfarb, M.I. Gomis, M. Huang, K. Leitzell, E. Lonnoy, J.B.R. Matthews, T.K. Maycock, T. Waterfield, O. Yelekçi, R. Yu, and B. Zhou (eds.)]. Available on https://www.ipcc.ch/.

CH_4 emissions = 101.5 m^3 * 0.03921 TJ/m^3 * 3 kg CO_2/TJ * 29.8 = 0.36 tCO_2e

N_2O emissions = 101.5 m^3 * 0.03921 TJ/m^3 * 0.6 kg CO_2/TJ * 273 = 0.65 tCO_2e

As mentioned, CH4 and N2O emissions add around 1 tCO2e to the CO2 value of 301.5 tCO2, which amounts to about 0.3% of the total. This could be considered well within an acceptable reporting error and so could not have been calculated and reported.

Global Warming Potentials for CH_4 and N_2O are derived from IPCC's 6th Assessment Report, Chapter 7SM[4].

Guidance for location-based Scope 2 emissions calculation

99. Location-based Scope 2 includes emissions from electricity, heat, steam and cooling purchased or acquired and consumed by the reporting company. It reflects the average emissions intensity of grids on which the energy consumption occurs and uses mostly grid-average emission factor data.

100. Typical sources of Scope 2 emissions relate to any equipment that consumes electricity (electrical engines, lights, buildings, etc.), heat (heating in industrial processes, buildings, etc.), steam (industrial processes) and cooling (industrial processes, buildings, etc.).

101. Emissions associated with the purchase and consumption of electricity, heat, steam and cooling can be calculated by the expression

$$Emissions_{GHG} = Activity\ Data * EF$$

where '$Emissions_{GHG}$' corresponds to the emissions of GHG resulting from the production of electricity, heat, steam or cooling (in the case of combustion of fuels, typically CO_2, CH_4 and N_2O). '$Activity\ Data$' corresponds to the quantity of fuel consumed, typically expressed in energy units (e.g., MWh). And '$EF_{GHG,Energy}$' corresponds to the EF used for the production of energy (electricity, heat, steam or cooling). The emission factors can be grid average factors. The units of the EF need to be consistent with the units of the activity data.

102. A grid average emission factor is an emission factor that characterises all the GHG emissions associated with the quantity of electricity generation produced by facilities located within a specified geographic boundary. These emission factors are usually produced for periods of one year – by averaging emissions and electricity production over a calendar year – and are often produced by the Electricity System Operator (ESO), Transmission System Operators (TSO), the electricity system supervisory body or other competent authorities. There are also grid average emission factors calculated for much shorter periods, e.g., for seconds or minutes.

103. Undertakings may also want to provide their market-based Scope 2 figure. Emission factors for market-based Scope 2 emissions reflect the contractual arrangements of the undertaking with its energy suppliers. Market-based emission factors can be provided by their electricity or heat suppliers as well as supported by their own purchase of Energy Attribute Certificates or Power Purchase Agreements (PPAs) or the use of residual-mix emission factors.

104. Scope 2 accounting methods are explained in more detail in the GHG Protocol Scope 2 Guidance.

[4] Smith, C., Z.R.J. Nicholls, K. Armour, W. Collins, P. Forster, M. Meinshausen, M.D. Palmer, and M. Watanabe, 2021: The Earth's Energy Budget, Climate Feedbacks, and Climate Sensitivity Supplementary Material. In Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [Masson-Delmotte, V., P. Zhai, A. Pirani, S.L. Connors, C. Péan, S. Berger, N. Caud, Y. Chen, L. Goldfarb, M.I. Gomis, M. Huang, K. Leitzell, E. Lonnoy, J.B.R. Matthews, T.K. Maycock, T. Waterfield, O. Yelekçi, R. Yu, and B. Zhou (eds.)]. Available from https://www.ipcc.ch/.

Example

105. Company A occupies an office building of 2000 m^2 in Paris, where it pays the electricity consumed for the central heating and cooling, lighting, computers and other electric equipment such as appliances. With its utility bills, it has estimated that the building consumed 282 MWh of electricity in 2022. By using the emission factor provided by nowtricity.com for France in 2022, it has estimated its Scope 2 emissions for its building electricity consumption to be

$$Emissions_{GHG} = 282\,000\ [kWh] * 73 \left[\frac{g\ CO_2eq}{kWh}\right] = 20.6\ \text{t}\ CO2_2eq$$

106. The following table provides a list of non-exhaustive sources of electricity emission factors. Undertakings may also refer to authoritative national or grid sources that may be more relevant to the particulars of their situation.

Documentation Sources:

Data	*Documentation Source*
Activity data	Purchase receipts or utility bills, contract purchase or firm purchase records
Emissions Factors (EF):	
Europe Grid electricity	Association of Issuing Bodies (AIB) – Residual Mix Grid Emission Factors *https://www.aib-net.org/facts/european-residual-mix* ADEME – Bilant Carbonne *https://base-empreinte.ademe.fr/* JRC – Historical GHG emissions factor for electricity consumption *https://data.jrc.ec.europa.eu/dataset/919df040-0252-4e4e-ad82-c054896e1641#dataaccess* *Life-cycle electricity production emission factors https://www.nowtricity.com/* USEPA GHG emission factors Hub https://www.epa.gov/climateleadership/ghg-emission-factors-hub
North America Grid electricity	Government of Canada https://publications.gc.ca/collections/collection_2023/eccc/En84-294-2023-eng.pdf
Other regions/Global	IEA's Annual GHG emission factors for World countries from electricity and heat generation (2022 data set, paid data set) *https://www.iea.org/data-and-statistics/data-product/emissions-factors-2022#emissions-factors*
Global Warming Potential (GWP)	IPCC – Global Warming Potential (GWP-100) p. 16 *https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_Chapter07_SM.pdf*

107. More guidance and tools on how to act and report on climate can be found at https://smeclimatehub.org/.

Conversion between different energy units

108. Undertakings are to report their energy consumption in terms of final energy, which is understood as the amount of energy delivered to the undertaking, for example, the Megawatt-Hours (MWh) of electricity purchased from the utility steam received from a nearby industrial plant or diesel purchased at petrol stations.

109. Paragraph 24 indicates MWh as the unit of choice for measuring energy consumption. In case of fuel or biomass, a conversion to MWh is necessary for data expressed in other units such as energy content (e.g., kJ, Btu), volume (e.g., litres, m³) or mass (e.g., metric tonnes, short tonnes).

110. For fuel consumption measured by mass (e.g., wood, coal), the undertaking should

(a) obtain the Net Calorific Value (e.g., kJ/metric ton, TJ/Gg) of the fuel (it can be a typical value published by reliable sources, e.g., IPCC, or may be provided by the supplier or attained internally);

(b) convert the Net Calorific Value to MWh/ton, for example,

1 TJ = 1,012 J = 277.78 MWh ; 1 Gg = 10^9 g = 1,000 t

11.9 TJ/Gg = 11.9 * 277.78/1000 t = 3.31 MWh/ton; and

(c) calculate the energy content of the mass, for example,

1,245,345 t * 3.31 MWh/ton = 4,117,111 MWh.

111. For liquid fuel, the undertakings should:

(a) convert volume information to mass, multiplying volume by fuel density, for example,

Diesel = 4,456,000 l; Diesel density = 0.84 kg/l

4,456,000 (l) * 0.84 (kg/l) = 3,743,040 kg = 3,743 t;

(b) calculate the energy content, multiplying mass by Net Calorific Value, for example,

3,743 [t] * 43 [TJ/Gg] = 3,743 t * 43 TJ/(1,000 [t]) = 160.95 [TJ] ; and

c) convert TJ to MWh, for example,

1 TJ = 1,012 J = 277.778 MWh

160.95 [TJ] = 277.78 [MWh/TJ] * 160.95 [TJ] = 44,708 MWh.

Documentation Source:

Data	*Documentation Source*
CDP	CDP Technical Note: Conversion of fuel data to MWh https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/000/477/original/CDP-Conversion-of-fuel-data-to-MWh.pdf?1479755175

Metric B 4 – Pollution of air, water and soil

Guidance on which undertakings need to report on pollution and what pollutants do undertakings need to report on

112. Paragraph 26 establishes that, if applicable, the undertaking shall disclose the pollutants it emits to air, water and soil in its own operations if such information is already required to be reported by law to competent authorities or under an Environmental Management System such as EMAS.

113. The metrics to be disclosed under this paragraph refer to information that the undertaking is already mandated to provide by law. This requirement was conceived to avoid any additional reporting burden on undertakings. In general, this requirement is expected to apply to undertakings that are operators of an industrial installation covered by the Industrial Emissions Directive (IED). The IED applies to some 52,000 installations in Europe, covering activities such as burning fuel in boilers with rated power of more than 50 MW, founding in metal foundries, processing of non-ferrous metals, production of lime, manufacturing of ceramic products by firing, production of plant protection products or biocides, tanning of hides, slaughterhouses, etc. In these cases, the installation already has to report to the competent authority the pollutants released to air, water and soil, and the data is publicly available at the European Pollutant Release and Transfer Register (E-PRTR). Companies that operate in more than one facility do not have to report on their consolidated company-wide emissions under the EPRTR, as they report only at facility level. This [draft] Standard requires the reporting of the total amount of pollutants of all the facilities. Similarly, companies owning but not operating in a facility do not have to report to the E-PRTR but are expected to reflect their facility-owned emissions in their sustainability report.

114. Likewise, if under an EMAS certification an undertaking has been identified as having to monitor and report on the pollutants listed in the E-PRTR, these are in principle relevant aspects for the undertaking to include in its sustainability report.

115. If an undertaking has only one facility or operates in only one facility, and if its pollution data is already publicly available, the undertaking may refer to the document where such information is provided instead of reporting it once again. Likewise, if the undertaking publishes an organisation-wide EMAS report that incorporates pollution data, it can include it in the sustainability report by reference.

116. To report information on pollutants in the sustainability report, the undertaking should indicate the type of pollutant material being reported alongside the amount emitted to air, water and soil in a suitable mass unit (e.g., t or kg).

117. Below can be found an example of how undertakings may present information on their emissions to air, water and soil divided by pollutant type.

Pollutant	Emissions (kg)	Medium of release (air, water, soil)
e.g., Cadmium and compounds	10	Water
Type of pollutant 2		
Type of pollutant 3		

Metric B 5 – Biodiversity

Guidance on how to identify sites in or near biodiversity sensitive areas

118. Paragraph 28 stipulates that the undertaking shall disclose the sites it operates in that are located in or near ***biodiversity sensitive areas***. Biodiversity sensitive areas are defined as such by special nature protection regulation at European or international level. These comprise areas belonging to the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas ('KBAs') as well as other protected areas as referred to in Appendix D of Annex II to Commission Delegated Regulation (EU) 2021/21398.

119. The following table shows how information on sites in or near ***biodiversity sensitive areas*** can be presented. The undertaking may provide information about the location of the plant (e.g., country and site name) without specifying its exact address.

Location	**Area** (hectares)	**Biodiversity sensitive Area**	**Specification** (located in/near biodiversity sensitive areas)
Country – Site 1			
Country – Site 2			
Country – Site 3			
...			

120. For the purposes of this [draft] Standard, the term 'near' should be interpreted as meaning an area that is (partially) overlapping or adjacent to a ***biodiversity sensitive area***.

Documentation Sources:

Data	*Documentation Source*
Natura 2000 Network of protected areas	https://natura2000.eea.europa.eu/
Key Biodiversity Areas – IUCN	https://www.keybiodiversityareas.org/sites/search
UNESCO – World Heritage Centre	https://whc.unesco.org/en/list/

Guidance on how to calculate and report land-use

121. The undertaking may disclose in units of area (e.g., m^2 or ha) on land-use using guidance provided by the EMAS:

(a) its total use of land,

(b) its total ***sealed area***,

(c) its total ***nature-oriented area*** on-site, and

(d) its total ***nature-oriented area*** off-site.

122. The following table shows how information on ***land-use*** may be presented.

Land-use type	**Area** (hectares or m²)		
	Previous year	**Reporting year**	**% change**
Total sealed area			
Total nature-oriented area on-site			
Total nature-oriented area off-site			
Total use of land			

Documentation Sources:

Data	*Documentation Source*
EMAS Guidance	EU Commission Regulation 2018/2026 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018R2026&rid=2

Metric B 6 – Water

Guidance on how to calculate and report on water withdrawals and water consumption

123. ***Water withdrawal*** relates to the amount of water an undertaking draws into its organisational boundaries from any source during the reporting period. In practice, for most undertakings this relates to the amount of water taken from the public water supply network as indicated in the utility bills. However, where applicable, water withdrawal also includes amounts of water taken from other sources such as groundwater from own wells, water taken from rivers or lakes, or water received by other undertakings. Rainwater collected by the undertaking is not considered as water withdrawal.

124. ***Water consumption*** is the amount of water drawn into the boundaries of the undertaking that is not discharged or planned to be discharged back into the water environment or to a third party. This typically relates to water evaporated – e.g., in thermal energy processes like drying or power production – water embedded in products – e.g., in food production – or water for irrigation purposes – e.g., used in agriculture or for watering company premises. Collected rainwater can be considered in the calculation of water consumption, as a separate input from water withdrawal.

125. **Water discharge** means, for example, the amount of water transferred directly to receiving water bodies such as lakes or rivers, the public sewer or to other companies for cascading water use.

126. ***Water consumption*** can therefore be calculated as:

Water consumption = Water [withdrawal + rainwater harvest – discharges]

For undertakings that solely withdraw water from the public water network and discharge it into the sewer, water consumption will be close to zero and can therefore be omitted from the report.

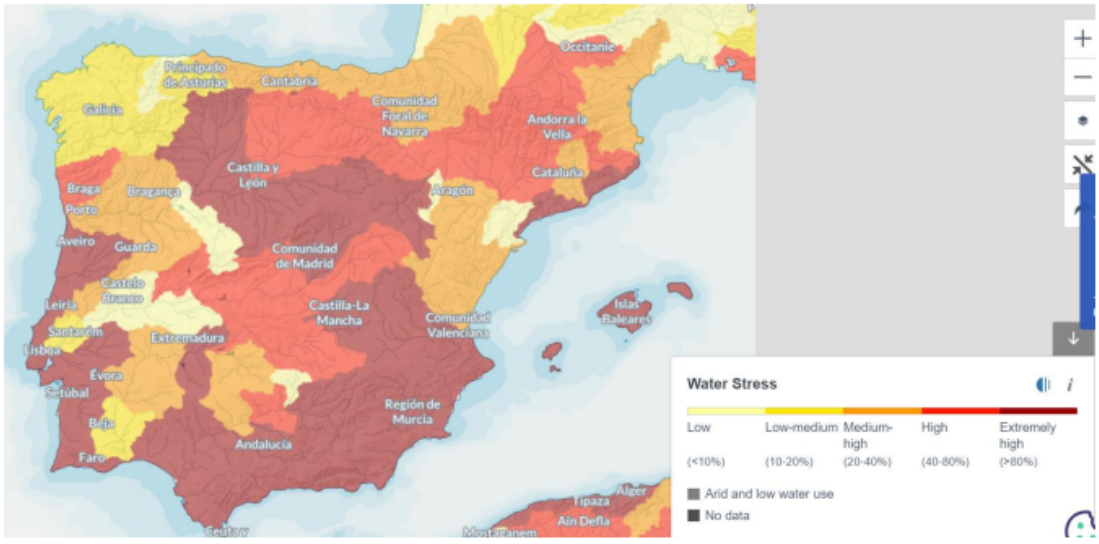
127. The undertaking may provide additional explanatory information to contextualise its water withdrawals or consumption. For example, the undertaking may highlight if rainwater is collected and used as a replacement of tap water or if water is discharged into other parties for cascading use.

128. Below can be found an example of how undertakings may present quantitative information on their withdrawals, discharges and consumption of water divided by site location.

	Water withdrawal E.g., m³	**Water consumption** E.g., m³ (if applicable)
All sites		
Sites in areas with water stress		

Guidance for determining if the undertaking operates in an area of high-water stress

129. To determine if the undertaking operates in an area of high-water stress, you can consult the regional water authorities of the places you operate in to understand their assessment of the water resources for that specific location. Alternatively, you can also consult publicly available and free tools that map out water scarcity globally. One such tool is the WRI's Aqueduct Water Risk Atlas. With the help of this tool, undertakings can consult the water stress baseline set for different river basins globally. By way of illustration, the map below shows the main Iberian river basins and their water stress classification according to the WRI Aqueduct.



130. In this image several water basins in the Iberian Peninsula, along with their water stress classification, can be observed. Most of the southern part of the peninsula sits in an area of significant high-water stress – with the exception of the Guadiana basin (in yellow). Thus, if the undertaking has operations within the Guadalquivir basin (e.g., the Andalucia region, which has a significant high-water stress level), the undertaking would have to disaggregate its ***water consumption*** for that region/water basin. But if its operations take place within the southern

part of the Guadiana river basin (where there is low water stress), then it would not be necessary to disaggregate its water consumption for that region/water basin.

Metric B 7 – Resource use, circular economy and waste management

Guidance on circular economy principles

131. When disclosing information on its products, material use and waste management, the undertaking may provide information in relation to ***circular economy*** principles. Circular economy principles are articulated in the paragraphs below. The key principles outlined by the Ellen Macarthur Foundation are underlined below while the key principles considered by the European Commission are *italicised*.

Eliminate waste and pollution – this can be done through process improvements and also through design considerations at the level of *usability, reusability, repairability, disassembly* and *remanufacturing*.

Circulate products and materials (at their highest value) – *reusability* and ***recycling*** are key for product circulation, but this is enhanced if special consideration is given to circularity at the design phase for issues such as usability, reusability, repairability, remanufacturing and disassembly. Factors such as the incorporation of biomaterials and their *recirculation via the biological cycle* can also be considered, for example, using biodegradable crop covers instead of plastics in agriculture.

Regenerate nature – whenever possible, human activities should seek to regenerate nature and improve or restore key ecological functions (i.e., drainage, habitat provision, thermal regulation, etc.) that may have been lost due to previous human activities.

Guidance on the rate of recycled content in products and packaging

132. When compiling the rate of its recycled content – that is, by adding inputs into the process that have originated from recycled materials – in its products (i.e., its produced goods or materials) and packaging, the undertaking may use as denominator the total weight of recycled materials used in products and packaging (during the reporting period) divided by the total weight of materials in products and packaging (during the reporting period).

Guidance on the rate of recyclable content in products and packaging

133. When compiling the rate of its recyclable content – that is, materials that can be technically recycled – the undertaking may use as denominator the total weight of materials that are recyclable in products and packaging (during the reporting period) divided by the total weight of materials in products and packaging (during the reporting period).

Guidance on how to identify manufacturing and/or packaging processes

134. To identify manufacturing and/or packaging processes, the undertaking may refer to those activities that fall under "Section C – Manufacturing" and Section F "Construction" of Annex I to Regulation (EC) No 1893/2006[5].

Guidance on total waste generation and waste diverted to recycling or reuse

135. When disclosing information on waste, the undertaking may adopt the following tables.

[5] L_2006393EN.01000101.xml (europa.eu).

	Waste generated (e.g., tonnes)		
	Total waste generated, of which:		
		Waste diverted to recycle or reuse	*Waste directed to disposal*
Non-hazardous waste			
Type of waste1			
Type of waste2			
...			
Hazardous waste			
Type of waste1			
...			

136. Examples of ***hazardous wastes*** that small businesses may generate include batteries, used oils, pesticides, mercury-containing equipment and fluorescent lamps.

137. The undertaking may provide further breakdowns specifying further types of non-hazardous and ***hazardous wastes***. In doing so it may consider the list of waste descriptions found in the European Waste Catalogue's social metrics.

Metric B 8 – Workforce – General characteristics

138. Full-time equivalent (FTE) is the number of full-time positions in an undertaking. It can be calculated by dividing an employee's scheduled hours (total effective hours worked in a week) by the employer's hours for a full-time workweek (total hours performed by full-time employees). For example, an employee who works 25 hours every week for a company where the full-time week is 40 hours represents a 0,625 FTE (i.e. 25/ 40 hours).

139. Head count is the total number of people employed by the undertaking at a given time.

Guidance on how to present information about employees' contract types

140. The following table shows how information on ***employees*** may be presented by type of employment contract.

Type of contract	**Number of employees (full-time equivalents or head count)**
Temporary contract	
Permanent contract	
Total employees	

The following table shows how information on ***employees*** may be presented by gender.

Gender	Number of employees (full-time equivalents or head count)
Male	
Female	
Other	
Not reported	
Total employees	

141. In some European Union Member States, it is possible for people to legally register themselves as having a third gender, often neutral, which is to be categorised as "other" in the table above. If the undertaking is disclosing data about ***employees*** where this is not possible, it may explain this and indicate that the "other" category is not applicable. The "not reported" category applies to employees who do not disclose their gender identity.

142. The following table shows how information on employees may be presented by countries.

Country	Number of employees (full-time equivalents or head count)
Country A	
Country B	
Country C	
Country D	
Total employees	

143. Definitions and types of employment contracts may vary depending on the country. If the undertaking has ***employees*** working in more than one country, it shall use the legal definitions stipulated in the national laws of the countries where the employees are based in to calculate country-level data. Such country-level data shall then be added up to calculate total numbers, disregarding differences in national legal definitions.

Metric B 9 – Workforce – Health and safety

Guidance on the rate of recordable work-related accidents

144. In order to calculate the rate of ***recordable work-related*** accidents, the formula below should be used:

$$\frac{Number\ of\ work\ related\ accidents\ in\ the\ reporting\ year}{Total\ number\ of\ hours\ worked\ in\ a\ year\ by\ all\ employees}\ x\ 200{,}000$$

145. Based on the assumption that one full-time worker works 2,000 hours per year, the rate indicates the number of work-related accidents per 100 full-time workers over a yearly timeframe. If the undertaking cannot directly calculate the number of hours worked, it may estimate this on the basis of normal or standard hours of work.

Example

146. Company A reported three work-related accidents in the reporting year. Company A has 40 employees and a total number of 80,000 hours (40 x 2,000) worked in a year.

The rate of ***recordable work-related*** accidents is 3/80,000 x 200,000 = 7.5.

Guidance on number of fatalities resulting from work-related injuries and work-related ill health

147. Work-related injuries and work-related ill health arise from exposure to dangers at work.

148. In case of teleworking, injuries and ill health are work-related if the injury or ill health is directly related to the performance of work rather than the general home environment.

149. In case of injuries and ill health that occur while a person is travelling for work, these are considered work-related if the ***employee*** was performing work activities in the interest of the employer at the time of the injury or ill health. Accidents taking place when travelling, outside of the undertaking's responsibility (i.e., regular commuting to and from work), are subject to the applicable national legislation, which regulates their categorisation as to whether they are considered work-related or not.

150. Mental illness is considered work-related if it has been notified voluntarily by the relevant worker and if an evaluation from a licensed healthcare professional stating that the illness in question is indeed work-related. Health problems resulting from smoking, drug and alcohol abuse, physical inactivity, unhealthy diets, and psychosocial factors not connected to work are not considered work-related.

151. The undertaking may present separately the fatalities resulting from work-related injuries and those resulting from work-related ill health.

Metric B 10 – Workforce – Remuneration, collective bargaining and training

Guidance on remuneration: ratio of entry level to minimum wage

152. 'Significant proportion of employees' refers to the majority of employees in the undertaking without considering interns and apprentices.

153. 'Entry level wage' refers to full-time wage in the lowest employment category. The wages of interns and apprentices shall not be considered when identifying the entry level wage of the undertaking.

154. 'Minimum wages' refer to the minimum compensation of employment per hour, or other unit of time, allowed by law. Depending on the country, the minimum wage might be set directly by law or through collective bargaining agreements. The undertaking shall refer to the applicable minimum wage for the country it reports on (whether set directly by law or through a collective bargaining agreement).

In order to calculate the ratio of entry level wage to minimum wage, the formula below shall be used:

$$Ratio = \frac{\text{Entry level wage}}{\text{Minimum wage}}$$

Guidance on remuneration: percentage gap between female and male employees

155. The metric for the percentage gap between female and male ***employees*** addresses the principle of gender equality, which stipulates equal ***pay*** for equal work. The pay gap is defined as the difference of average pay levels between female and male employees expressed as the percentage of the average pay level of male employees.

156. In order to estimate this metric, all ***employees*** shall be included in the calculation. In addition, there should be two separate average ***pay*** calculations for female and male employees. See the formula below:

$$\frac{(Average\ gross\ hourly\ pay\ level\ of\ male\ employees - average\ gross\ hourly\ pay\ level\ of\ female\ employees)}{Average\ gross\ hourly\ pay\ level\ of\ male\ employees}\ x\ 100$$

157. Depending on the undertaking's remuneration policies, the gross ***pay*** refers to all of the following elements:

(a) base salary, which is the sum of guaranteed, short-term, and non-variable cash compensation;

(b) benefits in cash, which constitute the sum of the base salary and cash allowances, bonuses, commissions, cash profit-sharing, and other forms of variable cash payments;

(c) benefits in kind such as cars, private health insurance, life insurance, and wellness programs; and

(d) direct remuneration, which is the sum of benefits in cash, benefits in kind and the total fair value of all annual long-term incentives.

158. The gross pay is the sum of all the applicable elements listed above.

159. The average gross hourly pay is the weekly/annual gross pay divided by the average hours worked per week/year.

Example

Company A has *X* male ***employees*** and *Y* female employees in total. Male employees' gross hourly pay is €15 and female employees' gross hourly pay is €13.

The average gross hourly pay level of male employees is the sum of all their gross hourly payments divided by the total number of male employees. The average gross hourly pay level of female employees is the sum of all their gross hourly payments divided by the total number of female employees.

The formula used to calculate the percentage pay gap between male and female employees is

$$\frac{15-13}{15} x\ 100 = 13.3\%$$

Guidance on collective bargaining coverage

160. The ***employees*** covered by ***collective bargaining*** agreements are those individuals to whom the undertaking is obliged to apply the agreement. If an employee is covered by more than one collective bargaining agreement, it only needs to be counted once. If none of the employees are covered by a collective bargaining agreement, the percentage is zero.

161. The percentage of ***employees*** covered by ***collective bargaining*** agreements is calculated by using the following formula:

$$\frac{Number\ of\ employees\ covered\ by\ collective\ bargaining\ agreements}{Number\ of\ employees} x\ 100$$

162. The information required by this disclosure requirement may be reported as coverage rates if the ***collective bargaining*** coverage is between 0–19%, 20–39%, 40–59%, 60–79% or 80–100%.

163. This requirement is not aimed at obtaining the percentage of ***employees*** represented by a works council or belonging to trade unions, which can be different. The percentage of employees covered by ***collective bargaining*** agreements can be higher than the percentage of unionised employees when the collective bargaining agreements apply to both union and non-union members.

Business Conduct Metrics

Metric B 12 – Convictions and fines for corruption and bribery

164. ***Corruption*** and bribery fall under the ***business conduct*** sustainability matter.

165. Under paragraph 38, the undertaking shall report on the total number of convictions and the total amount of fines incurred for violating anti-corruption and anti-bribery laws.

Guidance on convictions

166. Convictions for the violation of anti-corruption and anti-bribery laws refer to any verdict of a criminal court against an individual or undertaking in respect of a criminal offence related to ***corruption*** and bribery. For example, where these court decisions are entered in the criminal record of the convicting European Union Member State.

Guidance on fines

167. Fines issued for the violation of anti-corruption and anti-bribery laws refer to mandatory monetary penalties resulting from violations of anti-corruption and anti-bribery laws imposed by a court, commission or other government authority, which are paid to a public treasury.

Business Partners Module: Guidance

168. This guidance is intended to support the preparation of the metrics in the Business Partner Module.

Governance – Business Model Metrics

Disclosure BP 1 – Revenues from certain sectors

169. In accordance with paragraph 74, the undertaking shall declare if it is active in the following sectors, specifying the corresponding revenues:

(a) the manufacturing of controversial weapons such as anti-personnel mines, cluster munitions, chemical weapons and biological weapons (controversial weapons are prohibited by international law because of the indiscriminate harm they can cause to people, including serious bodily harm and death during or past the ending of military conflicts);

(b) the cultivation and production of tobacco;

(c) the fossil fuels (coal, oil and gas) sector (i.e., revenues arising from the exploration, mining, extraction, production, processing, storage, refining or distribution of fossil fuels, including their transportation, storage and trade); and

(d) the production of chemicals, i.e., the activities listed under the Division 20.2 of Annex I to Regulation (EC) No 1893/2006, which involve the manufacturing ". . . of pesticides and other agrochemical products").

170. Criteria regarding those sectors have been stipulated in certain legislation applicable to the financial sector; hence, those sectors have been identified by lenders and investors as carrying sustainability risks.

Disclosure BP 2 – Responsibilities in relation to sustainability matters

171. The ***governance*** body refers to the highest decision-making authority in a company. Depending on the jurisdiction the company is in and its legal entity classification, the governance body can vary in format.

172. The gender diversity ratio of the ***governance*** body is calculated as an average ratio of female to male board members.

$$Gender\ diversity\ ratio = \frac{the\ number\ of\ female\ members}{the\ number\ \ of\ male\ members}$$

Example

173. A certain ***governance*** body is composed of six members, including three women. The gender diversity ratio is one – for every female member there is one male member.

Environmental Metrics

Disclosure BP 3 – GHG emissions reduction target

174. A GHG emission reduction target constitutes a commitment to reduce the undertaking's GHG emissions in a future year as compared to the GHG emissions measured during a base year. Emission reductions may be achieved, for instance, through electrification, renewable electricity, sustainable products development, etc. Removals and avoided emissions do not count as emission reductions. Disclosure BP 3 requires the undertaking to disclose GHG emission reduction ***targets*** for its Scope 1 and Scope 2 emissions.

175. A base year is a preceding year against which the undertaking's current GHG emissions can be measured. In general, the base year should be a recent and representative year of the undertaking's GHG emissions in which there are verifiable data.

176. The target year is the year in the future the undertaking aims to achieve a certain absolute or percentage amount of GHG emission reductions. It should range over a period from one to three years from the base year to a short-term target. Longer term ***targets*** may also be included, for instance, for periods of twenty or thirty years (e.g., 2040 or 2050). Undertakings are encouraged to include target values for the short-term target year of 2030 at the least and, if feasible, for the long-term year of 2050. From 2030 onwards, it is recommended to update the base year and target year for GHG emission reduction targets after every five-year period.

177. To set a target, undertakings should consider the existing scientific evidence on GHG mitigation. The SBTi recommends a cross-sector target in GHG emissions reduction of -42% by the year 2030 and -90% by the year 2050 (base year 2020). Specific pathways also exist by sector and may be considered by undertakings when setting their GHG emission reduction ***targets***.

Disclosure BP 4 – Transition plan for climate change mitigation

178. A climate transition plan is a set of present and future ***actions*** meant to align the undertaking's business model, strategy and operations with the key overarching global goal of limiting global warming to 1.5°C. Underpinned by a GHG reduction target compatible with that goal, the importance of having a transition plan in place lies in the ability of understanding the means by which the undertaking will move towards a low-carbon economy while keeping track of the progress made. A transition plan serves as a mechanism for accountability and transparency prompting undertakings to develop credible pathways for mitigating climate change through their ***actions***.

179. A credible transition plan should *(a)* identify clear responsibilities and roles; *(b)* be integrated in the undertaking's business strategy and financial planning; *(c)* include information on decarbonisation levers and pathways as well as quantifiable indicators that can be monitored throughout predefined timeframes; *(d)* allow for regular reviewing and updating after stakeholder consultations when appropriate; and *(e)* cover the entirety of its own operations and, to the largest possible extent, the ***value chain*** or else provide an explanation as to any limitation.

Disclosure BP 5 – Physical Risks from climate change

180. ***Climate-related physical risks*** arise from the effects that climate change has on the undertaking. They can be classified into acute physical risks, which arise from particular events (such as droughts, floods, extreme precipitations and wildfires), and chronic physical risks, which arise from longer term changes in the climate. Physical risks are a function of climate-related hazards, the exposure of the undertaking's assets and activities to these hazards, and how sensitive the undertaking is to these hazards are. Examples of climate-related hazards are heat waves, increased frequency of extreme weather events, sea level rise, glacial lake outburst flood, and change in precipitation and wind patterns. Climate-related physical risks can be identified and modelled by using climate scenarios that consider high emissions trajectories such as IPCC SSP5-8.5.

Disclosure BP 6 – Hazardous waste and radioactive waste ratio

181. Nuclear waste can be present in a variety of situations, from smoke detectors to sludges to naturally occurring radioactive materials. It can also be present in special equipment used in industry, research facilities and healthcare as well as in other objects.

182. The undertaking may disclose its share of radioactive waste, which is calculated as a percentage of the total amount of ***hazardous waste*** as reported in the Basic Module B 7.

183. Below may be found an example of the radioactive waste ratio calculation:

$$Radioactive\ waste\ ratio = \frac{Radioactive\ waste\ (t)}{Hazardous\ waste\ (t)}\ x\ 100$$

Social Metrics

Disclosure BP 7 – Alignment with internationally recognised instruments

184. The undertaking shall disclose how it manages actual and potential negative impacts on people's human rights. This means that the undertaking shall disclose whether it has policies in place that commits it to respecting human rights, including labour rights, as defined by the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises. Such policies can take many forms, and they have no definitive template or structure. Efforts to implement such policies can include the provision of specific ***training*** on human rights for ***employees*** as well as efforts to map out supply chains in order to proactively identify issues related to child labour or forced labour, particularly in higher risk contexts.

185. Human rights in the workplace include the right to a safe and healthy working environment; the right to freedom of association and the right to ***collective bargaining***; the elimination of discrimination, including the right to equal pay for work of equal value; and the elimination of child labour and forced labour.

186. International instruments such as treaties, conventions, principles, and guidelines constitute the common reference ground upon which the undertaking shall develop policies related to human rights (see the CSRD Article 29 b 2 b). These policies could signal to internal and external stakeholders that an undertaking is taking steps to embed human rights in its business operations and relations.

Disclosure BP 8 – Processes to monitor compliance and mechanisms to address violations

187. A human rights ***policy*** sets out how the undertaking respects human rights by having processes in place to identify, prevent, mitigate and account for how the undertaking addresses its actual or potential adverse human rights impacts. Examples of mechanisms used to report human rights violations include the provision of channels such as ***grievance*** procedures, general complaints and whistleblower complaints through which ***employees*** can raise concerns or file complaints related to human rights, including labour rights.

Disclosure BP 9 – Violations of OECD guidelines by multinational enterprises or the UN Guiding Principles (including the principles and rights set out in the eight fundamental conventions of the ILO Declaration and the International Bill of Human Rights)

188. If applicable, the undertaking shall disclose whether there have been any violations of human rights during the reporting year. The UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises provide a comprehensive overview and list of human rights.

Disclosure BP 10 – Workforce – Work-life balance

189. The undertaking shall disclose separately the percentage of those ***employees:***

(a) who can take family-related leave in the reporting year, with a breakdown by gender, and

(b) who used family-related leave in the reporting year, with a breakdown by gender.

190. To calculate this percentage, the same methodology used for social metrics in the Basic Module should be used for the sake of consistency, which means that ***employees*** can be counted in full-time equivalents or headcount.

191. Family-related leave includes maternity leave, paternity leave, adoption leave, parental leave, dependents' leave and carer's leave. The definition and scope of family-related leave is stipulated in national laws.

Disclosure BP 11 – Number of apprentices

192. The undertaking shall disclose the number of apprentices it has in the reporting period based on the applicable national definitions and schemes of ***apprentices***.

193. The number of apprentices refers to the number of apprentices who work in the undertaking during the reporting year. For example, if the undertaking has a December year end, an apprentice that starts their contract in year x1 and finishes in year x2 should be included in this disclosure in year x1 and year x2.

Appendix A: Defined terms

This appendix is an integral part of this [draft] Standard.

Defined term	Definition
Actions	Actions refer to (i) actions and actions plans (including transition plans) that are undertaken to ensure that the undertaking delivers against targets set and through which the undertaking seeks to address material impacts, risks and opportunities; and (ii) decisions to support these with financial, human or technological resources.
Affected communities	People or group(s) living or working in the same area that have been or may be affected by a reporting undertaking's operations or through its upstream and downstream value chain. Affected communities can range from those living adjacent to the undertaking's operations (local communities) to those living at a distance. Affected communities include actually and potentially affected indigenous peoples.
Apprentice	Apprentice refers to a person who is serving an apprenticeship. Apprenticeships are understood as formal vocational education and training schemes that (a) combine learning in education or training institutions with substantial work-based learning in companies and other workplaces, (b) lead to nationally recognised qualifications, (c) are based on an agreement defining the rights and obligations of the apprentice, of the employer and, where appropriate, the vocational education and training institution, and (d) with the apprentice being paid or otherwise compensation for the work-based component.
Biodiversity	The variability among living organisms from all sources including, inter alia, terrestrial, freshwater, marine and other aquatic ecosystems and the ecological complexes of which they are part.
Biodiversity sensitive Area	Biodiversity sensitive areas include: Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas ('KBAs'), as well as other protected areas, as referred to in Appendix D of Annex II to Commission Delegated Regulation (EU) 2021/2139.
Business Conduct	The following matters are collectively referred to as 'business conduct or business conduct matters': (a) business ethics and corporate culture, including anti-corruption and anti-bribery, the protection of whistleblowers, and animal welfare; (b) the management of relationships with suppliers, including payment practices, especially with regard to late payment to small and medium-sized undertakings. (c) activities and commitments of the undertaking related to exerting its political influence, including its lobbying activities.
Collective bargaining	All negotiations which take place between an employer, a group of employers or one or more employers' organisations, on the one hand, and one or more trade unions or, in their absence, the representatives of the workers duly elected and authorised by them in accordance with national laws and regulations, on the other, for: i) determining working conditions and terms of employment; and/or ii) regulating relations between employers and workers; and/or regulating relations between employers or their organisations and a workers' organisation or workers' organisations.
Corruption	Abuse of entrusted power for private gain, which can be instigated by individuals or organisations. It includes practices such as facilitation payments, fraud, extortion, collusion, and money laundering. It also

Defined term	Definition
	includes an offer or receipt of any gift, loan, fee, reward, or other advantage to or from any person as an inducement to do something that is dishonest, illegal, or a breach of trust in the conduct of the undertaking's business. This can include cash or in-kind benefits, such as free goods, gifts, and holidays, or special personal services provided for the purpose of an improper advantage, or that can result in moral pressure to receive such an advantage.
Consumers	Individuals who acquire, consume or use goods and services for personal use, either for themselves or for others, and not for resale, commercial or trade, business, craft or profession purposes.
Classified information	EU classified information as defined in Council Decision of 23 September 2013 on the security rules for protecting EU classified information (2013/488/EU) or classified by one of the Member States and marked as per Appendix B of that Council decision. EU classified information means any information designated by a EU security classification, of which the unauthorised disclosure could cause varying degrees of prejudice to the interests of the European Union or of one or more of the Member States. Classified information may be classified according to four levels: top secret, secret, confidential, restricted (based on the definition from the Council Decision).
Circular economy principles	The European circular economy principles are usability; reusability; repairability; disassembly; remanufacturing or refurbishment; recycling; recirculation by the biological cycle; other potential optimisation of product and material use.
Climate change adaptation	The process of adjustment to actual and expected climate change and its impacts.
Climate-related physical risks	Risks resulting from climate change that can be event-driven (acute) or from longer-term shifts (chronic) in climate patterns. Acute physical risks arise from particular hazards, especially weather-related events such as storms, floods, fires or heatwaves. Chronic physical risks arise from longer-term changes in the climate, such as temperature changes, and their effects on rising sea levels, reduced water availability, biodiversity loss and changes in land and soil productivity.
Direct GHG emissions (Scope 1)	Direct GHG emissions from sources that are owned or controlled by the undertaking.
Employee	An individual who is in an employment relationship with the undertaking according to national law or practice.
End-users	Individuals who ultimately use or are intended to ultimately use a particular product or service.
Family related leave	Family-related leave include maternity leave, paternity leave, parental leave, and carers' leave that is available under national law or collective agreements. For the purpose of this Standard, these concepts are defined as: (a) maternity leave (also called pregnancy leave): employment-protected leave of absence for employed women directly around the time of childbirth (or, in some countries, adoption); (b) paternity leave: leave from work for fathers or, where and in so far as recognised by national law, for equivalent second parents, on the occasion of the birth or adoption of a child for the purposes of providing care;

Defined term	Definition
	(c) parental leave: leave from work for parents on the grounds of the birth or adoption of a child to take care of that child, as defined by each Member State; (d) carers' leave from work: leave for workers to provide personal care or support to a relative, or a person who lives in the same household, in need of significant care or support for a serious medical reason, as defined by each Member State.
Grievance mechanism	Any routinized, state-based or non-state-based, judicial or non-judicial processes through which stakeholders can raise grievances and seek remedy. Examples of state-based judicial and non-judicial grievance mechanisms include courts, labour tribunals, national human rights institutions, National Contact Points under the OECD Guidelines for Multinational Enterprises, ombudsperson offices, consumer protection agencies, regulatory oversight bodies, and government-run complaints offices. Non-state-based grievance mechanisms include those administered by the undertaking, either alone or together with stakeholders, such as operational-level grievance mechanisms and collective bargaining, including the mechanisms established by collective bargaining. They also include mechanisms administered by industry associations, international organisations, civil society organisations, or multi-stakeholder groups. Operational-level grievance mechanisms are administered by the organisation either alone or in collaboration with other parties and are directly accessible by the organisation's stakeholders. They allow for grievances to be identified and addressed early and directly, thereby preventing both harm and grievances from escalating. They also provide important feedback on the effectiveness of the organisation's due diligence from those who are directly affected. According to UN Guiding Principle 31, effective grievance mechanisms are legitimate, accessible, predictable, equitable, transparent, rights-compatible, and a source of continuous learning. In addition to these criteria, effective operational-level grievance mechanisms are also based on engagement and dialogue. It can be more difficult for the organisation to assess the effectiveness of grievance mechanisms that it participates in compared to those it has established itself.
Greenhouse Gases (GHG)	For the purposes of this Standard, GHGs are the six gases listed in the Kyoto Protocol: carbon dioxide (CO2); methane (CH4); nitrous oxide (N2O); Nitrogen trifluoride (NF3); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs); and sulphur hexafluoride (SF6).
Governance	The governance is the system of rules, practices and processes by which a company is directed and controlled.
Gross greenhouse gas (GHG) emissions	Gross greenhouse gas (GHG) emissions are total emissions before deductions for carbon removals or any other adjustments are made.
Hazardous waste	Waste which displays one or more of the hazardous properties listed in Annex III of Directive 2008/98/EC of the European Parliament and of the Council17 on waste.
Incident	A legal action or complaint registered with the undertaking or competent authorities through a formal process, or an instance of non-compliance identified by the undertaking through established procedures. Established procedures to identify instances of non-compliance can include management system audits, formal monitoring programs, or grievance mechanisms

Defined term	Definition
Indirect GHG emissions (Scope 2)	Indirect emissions are a consequence of the operations of the undertaking but occur at sources owned or controlled by another company. Scope 2 GHG emissions are indirect emissions from the generation of purchased or acquired electricity, steam and heat, or cooling consumed by the undertaking.
Land-use	The human use of a specific area for a certain purpose (such as residential; agriculture; recreation; industrial, etc.). Influenced by land cover (grass, asphalt, trees, bare ground, water, etc). Land-use change refers to a change in the use or management of land by humans, which may lead to a change in land cover.
Nature-oriented area	A "nature-oriented area" is an area dedicated primarily to nature preservation or restoration. They can be located on-site and include elements like roof, façade, water drainages designed, to promote biodiversity. Nature-oriented areas can also be located outside the organisation site provided that the area is owned or (co-)managed by the organisation and is primarily dedicated to promoting biodiversity. (Adapted from EMAS regulation)
Own workforce/own workers	Employees who are in an employment relationship with the undertaking ('employees') and non-employees who are either individual contractors supplying labour to the undertaking ('self-employed people') or people provided by undertakings primarily engaged in 'employment activities' (NACE Code N78).
Pay	The ordinary basic or minimum wage or salary and any other remuneration, whether in cash or in kind which the worker receives directly or indirectly ('complementary or variable components'), in respect of his/her employment from his/her employer. 'Pay level' means gross annual pay and the corresponding gross hourly pay. 'Median pay level' means the pay of the employee that would have half of the employees earn more and half less than they do
Policy	A set or framework of general objectives and management principles that the undertaking uses for decision-making. A policy implements the undertaking's strategy or management decisions related to a material sustainability matter. Each policy is under the responsibility of defined person(s), specifies its perimeter of application, and includes one or more objectives (linked when applicable to measurable targets). A policy is implemented through actions or action plans. For example, undertakings with less resources may have few (or no) policies formalised in written documents, but this does not necessarily mean they do not have policies. If the undertaking has not yet formalised a policy but has implemented actions or defined targets through which the undertaking seeks to address material sustainability topics and subtopics, it may disclose them.
Recordable work-related injury or ill health	Work-related injury or ill health that results in any of the following: death, days away from work, restricted work or transfer to another job, medical treatment beyond first aid, or loss of consciousness; or significant injury or ill health diagnosed by a physician or other licensed healthcare professional, even if it does not result in death, days away from work, restricted work or job transfer, medical treatment beyond first aid, or loss of consciousness. Recordable means diagnosed by a physician or other licensed health care professionals. Injuries that do not require medical

Defined term	Definition
	treatment beyond first aid are generally not recordable.
Recycling	Any recovery operation by which waste materials are reprocessed into products, materials or substances whether for the original or other purposes. It includes the reprocessing of organic material but does not include energy recovery and the reprocessing into materials that are to be used as fuels or for backfilling operations
Renewable Energy	Energy from renewable non-fossil sources, namely wind, solar (solar thermal and solar photovoltaic) and geothermal energy, ambient energy, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogas[6].
Sealed area	A sealed area means any area where the original soil has been covered (such as roads) making it impermeable. This non-permeability can create environmental impacts. (Source: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02009R1221-20230712)
Sensitive information	Sensitive information as defined in Regulation (EU) 2021/697 of the European Parliament and of the Council of 29 April 2021 establishing the European Defence Fund. Sensitive information means information and data, including classified information, that is to be protected from unauthorised access or disclosure because of obligations laid down in Union or national law or in order to safeguard the privacy or security of a natural or legal person.
Targets	Measurable, outcome-oriented and time-bound goals that the SME aims to achieve in relation to material sustainability topics and subtopics. They may be set voluntarily by the SME or derive from legal requirements on the undertaking.
Training	Initiatives put in place by the undertaking aimed at the maintenance and/or improvement of skills and knowledge of its own workers. It can include different methodologies, such as on-site training, and online training.
Value Chain	The full range of activities, resources and relationships related to the undertaking's business model and the external environment in which it operates. A value chain encompasses the activities, resources and relationships the undertaking uses and relies on to create its products or services from conception to delivery, consumption and end-of- life. Relevant activities, resources and relationships include: a) those in the undertaking's own operations, such as human resources; b) those along its supply, marketing and distribution channels, such as materials and service sourcing and product and service sale and delivery; and c) the financing, geographical, geopolitical and regulatory environments in which the undertaking operates. Value chain includes actors upstream and downstream from the undertaking. Actors upstream from the undertaking (e.g., suppliers) provide products or services that are used in the development of the undertaking's products or services. Entities

[6] Article 2(1) Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (OJ L 328, 21.12.2018, p. 82).

Defined term	Definition
	downstream from the undertaking (e.g., distributors, customers) receive products or services from the undertaking.
Wage	Gross wage, excluding variable components such as overtime and incentive pay, and excluding allowances unless they are guaranteed
Water consumption	The amount of water drawn into the boundaries of the undertaking (or facility) and not discharged back to the water environment or a third party over the course of the reporting period.
Water withdrawal	The sum of all water drawn into the boundaries of the undertaking from all sources for any use over the course of the reporting period.
Work-life balance	Satisfactory state of equilibrium between an individual's work and private life. Work-life balance in a broader sense encompasses not only the balance between work and private life given family or care responsibilities, but also time allocation between time spent at work and in private life beyond family responsibilities.
Worker in the value chain	An individual performing work in the value chain of the undertaking, regardless of the existence or nature of any contractual relationship with the undertaking. In the ESRS, the scope of workers in the value chain include all workers in the undertaking's upstream and downstream value chain who are or can be materially impacted by the undertaking. This includes impacts that are connected to the undertaking's own operations, and value chain, including through its products or services, as well as through its business relationships. This includes all workers who are not in the scope of 'Own Workforce' ('Own Workforce' includes people who are in an employment relationship with the undertaking ('employees') and non-employees who are either individual contractors supplying labour to the undertaking ('self-employed people') or people provided by undertakings primarily engaged in employment activities (NACE Code N78)

Appendix B: List of sustainability matters

The appendix below is an integral part of this [draft] Standard. The compilation of sustainability topics along with their related subtopics and sub-subtopics shall be used as a basis for determining what material matters are to be reported.

Sustainability matters covered in [draft] topical ESRS		
Topic	**Sustainability matter: Sub-topic**	**Sustainability matter: sub-sub topic**
Climate change	– Climate change adaptation – Climate change mitigation – Energy	
Pollution	– Pollution of air – Pollution of water – Pollution of soil – Pollution of living organisms and food resources – Substances of concern – Substances of very high concern	
Water and marine resources	– Water – Marine resources	– Water consumption – Water withdrawals – Water discharges – Water discharges in the oceans – Extraction and use of marine resources
Biodiversity and ecosystems	– Direct impact drivers of biodiversity loss	– Climate Change – Land-use change, fresh water-use change and sea-use change – Direct exploitation – Invasive alien species – Pollution – Others
	– Impacts on the state of species	– Examples: – Species population size – Species global extinction risk
	– Impacts on the extent and condition of ecosystems	– Examples: – Land degradation – Desertification – Soil sealing
Circular economy	– Impacts and dependencies on ecosystem services – Resources inflows, including resource use – Resource outflows related to products and services – Waste	
Own workforce	– Working conditions	– Secure employment – Working time – Adequate wages – Social dialogue – Freedom of association, the existence of works councils and the information, consultation and participation rights of workers

Sustainability matters covered in [draft] topical ESRS		
Topic	**Sustainability matter: Sub-topic**	**Sustainability matter: sub-sub topic**
		– Collective bargaining, including rate of workers covered by collective agreements – Work-life balance – Health and safety
	– Equal treatment and opportunities for all	– Gender equality and equal pay for work of equal value – Training and skills development – Employment and inclusion of persons with disabilities – Measures against violence and harassment in the workplace – Diversity
	– Other work-related rights	– Child labour – Forced labour – Adequate housing – Privacy
Workers in the value chain	– Working conditions	– Secure employment – Working time – Adequate wages – Social dialogue – Freedom of association, including the existence of work councils – Collective bargaining – Work-life balance – Health and safety
	– Equal treatment and opportunities for all	– Gender equality and equal pay for work of equal value – Training and skills development – The employment and inclusion of persons with disabilities – Measures against violence and harassment in the workplace – Diversity
	– Other work-related rights	– Child labour – Forced labour – Adequate housing – Water and sanitation – Privacy
Affected communities	– Communities' economic, social and cultural rights	– Adequate housing – Adequate food – Water and sanitation – Land-related impacts – Security-related impacts
	– Communities' civil and political rights	– Freedom of expression – Freedom of assembly – Impacts on human rights defenders

Sustainability matters covered in [draft] topical ESRS		
Topic	**Sustainability matter: Sub-topic**	**Sustainability matter: sub-sub topic**
Consumers and end-users	– Rights of indigenous communities	– Free, prior and informed consent – Self-determination – Cultural rights
	– Information-related impacts for consumers and/or end-users	– Privacy – Freedom of expression – Access to (quality) information
	– Personal safety of consumers and/or end-users	– Health and safety – Security of a person – Protection of children
	– Social inclusion of consumers and/or end-users	– Non-discrimination – Access to products and services – Responsible marketing practices
Business conduct	– Corporate culture – Protection of whistle-blowers – Animal welfare – Political engagement – Management of relationships with suppliers including payment practices	
	– Corruption and bribery	– Prevention and detection including training – Incidents

Appendix C – dedicated to financial market participants that are users of the information produced using this [draft] Standard

194. This appendix is relevant for users of the sustainability report. The table below illustrates the Sustainable Finance Datapoints that are present in different modules of this Standard.

195. The column 'DR number and Title' identifies the disclosures present in the different modules (i.e. Basic Module, Narrative-PAT Module, and Business Partners Module) that are Sustainable Finance datapoints. The column SFDR Table 1 and/or EBA Pillar 3 and/or Benchmark Regulation illustrates how these disclosures relate to these regulations that are relevant for users of the sustainability report (banks, other investors).

Topic: Environment / Social / Governance	DR number and Title	SFDR Table 1 and/or EBA Pillar 3 and/or Benchmark Regulation
Basic Module		
Environment	**Disclosure B 3 – Energy and greenhouse gas emissions** The undertaking shall disclose its total energy consumption in MWh, with a breakdown between: (a) fossil fuels; and (b) electricity, as expressed in utility billings (with the breakdown between renewable and non-renewable sources, if available).	**SFDR**[7]
Environment	**Disclosure B 3 – Energy and greenhouse gas emissions** The undertaking shall disclose its estimated gross greenhouse gas (GHG) emissions in tons of CO2 equivalents (tCO2eq), considering the principles, requirements and guidance of the GHG Protocol Corporate Standard, including: (a) The scope 1 GHG emissions in tCO_2eq (from owned or controlled sources); and (b) The location-based scope 2 emissions in tCO_2eq (emissions from the generation of purchased energy).	**SFDR**[8] **Benchmark** **EU Taxonomy**[9]

[7] Regulation (EU) 2019/2088 (SFDR), mandatory indicator #5 in Table 1 of Annex I ("Share of non-renewable energy consumption and production").

[8] Regulation (EU) 2019/2088 (SFDR), mandatory indicators #1 and #2 in Table 1 of Annex I ("GHG emissions"; Carbon footprint"); and Regulation (EU) 2020/1816 Benchmark Regulation, Articles 5 (1), 6 and 8 (1).

[9] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

Topic: Environment / Social / Governance	DR number and Title	SFDR Table 1 and/or EBA Pillar 3 and/or Benchmark Regulation
Environment	**Disclosure B 4 – Pollution of air, water and soil** The undertaking shall disclose, if applicable, the pollutants it emits in its own operations to air, water and soil that it is required to report by law to competent authorities (e.g. under the Industrial Emissions Directive and the European Pollutant Release and Transfer Register) or required to report under an Environmental Management System such as EMAS.	**SFDR**[10]
Environment	**Disclosure B 5 – Biodiversity** The undertaking shall disclose the number and area (in hectares) of sites that it owns, that it has leased or that it manages, that are located in or near biodiversity sensitive areas.	**SFDR**[11]
Social	**Disclosure B 9 – Workforce – Health and safety** The undertaking shall disclose: (a) the number of fatalities as a result of work-related injuries and work-related ill health; (b) the number and rate of recordable work-related accidents.	**SFDR**[12] **Benchmark**
Social	**Disclosure B 10 – Workforce – Remuneration, collective bargaining and training** The undertaking shall disclose the percentage gap in pay between its female and male employees. The undertaking may omit this disclosure when its headcount is below 150 employees.	**SFDR**[13]

[10] Regulation (EU) 2019/2088 (SFDR) because it is derived from *(a)* an additional indicator related to principal adverse impacts as set out by indicator #2 in Table II of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ("Emissions of air pollutants"); *(b)* indicator #8 in Table I of Annex I ("Emissions to water); *(c)* indicator #1 in Table II of Annex I ("Emissions of inorganic pollutants"); and *(d)* indicator #3 in Table II of Annex I ("Emissions of ozone-depleting substances").

[11] Regulation (EU) 2019/2088 (SFDR), mandatory indicator #7 in Table 1 of Annex I ("Activities negatively affecting biodiversity-sensitive areas")

[12] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088, as reflecting an additional indicator related to principal adverse impacts as set out by indicator #2 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments ("Rate of accidents"), and benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator "Weighted average ratio of accidents, injuries, fatalities" in section 1 and 2 of Annex 2.

[13] Regulation (EU) 2019/2088 (SFDR), mandatory indicator #12 in Table 1 of Annex I ("Unadjusted gender pay gap") and (EU) 2020/1816 Benchmark Regulation (EU), indicator "Weighted average gender pay gap" in section 1 and 2 of Annex II.

Topic: Environment / Social / Governance	DR number and Title	SFDR Table 1 and/or EBA Pillar 3 and/or Benchmark Regulation
Governance	**Disclosure B 12 – Convictions and fines for corruption and bribery** In case of convictions and fines in the reporting period, the undertaking shall disclose the number of convictions and the amount of fines for violation of anti-corruption and anti-bribery laws.	**Benchmark**[14]
Narrative-PAT Module		
Environment	***Entity-specific consideration when reporting on GHG emissions under B 3 (Basic Module)*** When reporting its Scope 1 and Scope 2 emissions, if the undertaking discloses entity-specific information on its Scope 3 emissions, it shall present it together with the information required under "B 3 – Energy and greenhouse gas emissions."	**SFDR**[15] **Benchmark** **EU Taxonomy**[16]
Governance	**Disclosure N 3 - Management of material sustainability matters** Where material, the undertaking shall disclose whether it has the following in place to support the prevention of incidents of corruption or bribery: (c) any actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery.	**SFDR**[17]
Business Partners Module		

[14] Benchmark Regulation (EU) 2020/1816, indicator "Numbers of convictions and amount of fines for violations of anti-corruption and anti-bribery laws" in section 1 and 2 of Annex II.

[15] Regulation (EU) 2019/2088 (SFDR), mandatory indicators #1 and #2 in Table 1 of Annex I ("GHG emissions"; Carbon footprint"); and Regulation (EU) 2020/1816 Benchmark Regulation, Articles 5 (1), 6 and 8 (1).

[16] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

[17] Regulation (EU) 2019/2088 (SFDR), additional indicator #17 in Table 3 of Annex I ("Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery); and (EU) 2020/1816 Benchmark Regulation, indicator "Numbers of convictions and amount of fines for violation of anti-corruption and anti-bribery laws" in section 1 and 2 of Annex II.

Topic: Environment / Social / Governance	DR number and Title	SFDR Table 1 and/or EBA Pillar 3 and/or Benchmark Regulation
Governance	**Disclosure BP 1 – Revenues from certain sectors** The undertaking shall include where applicable, a statement indicating, together with the related revenues, that the undertaking is active in: (a) controversial weapons such as anti-personnel mines, cluster munitions, chemical weapons and biological weapons; and / or	**SFDR**[18] **Benchmark**[19]
	(b) the cultivation and production of tobacco; and/or	**EBA Pillar 3**[20] **Benchmark**[21]
	(c) fossil fuel (coal, oil and gas) sector (i.e., the undertaking derives revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and the Council17), including a disaggregation of revenues derived from coal, from oil and from gas); and/or	**SFDR**[22] **EBA Pillar 3**[23] **Benchmark**[24]

[18] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts set out by indicator #14 in Table I of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosures rules on sustainable investments ("Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)").

[19] Benchmark Regulation (EU) 2020/1818 Article 12(1): "Administrators of EU-Paris aligned Benchmarks shall exclude all of the following companies from those benchmarks: companies involved in any activities related to controversial weapons; " and Benchmark Regulation (EU) 2020/1816 Annex II: Weighted average percentage of benchmark constituents in the controversial weapons sector."

[20] EBA Pillar 3: Template 1: Banking book - Climate change transition risk: Companies in the manufacturing of tobacco products excluded from EU-Paris aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation

[21] This information supports the needs of benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1818 as set out by paragraph b) of article 12.1. and Benchmark Regulation (EU) 2020/1816 Annex II: "Weighted average percentage of benchmark constituents in the tobacco sector."

[22] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts set out by indicator #4 in Table I of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosures rules on sustainable investments ("Exposure to companies active in the fossil fuel sector")

[23] EBA Pillar 3: Template 1: Banking book - Climate change transition risk: Companies in Mining and quarrying excluded from EU-Paris aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation

[24] Benchmark Regulation (EU) 2020/1818 Article 12(1).

Topic: Environment / Social / Governance	DR number and Title	SFDR Table 1 and/or EBA Pillar 3 and/or Benchmark Regulation
	(d) chemicals production, i.e., its activities fall under Division 20.2 of Annex I to Regulation (EC) No 1893/2006.	**SFDR**[25]
Governance	**Disclosure BP 2 – Gender diversity ratio in governance body** If the undertaking has a governance body in place, the undertaking shall disclose the related gender diversity ratio.	**SFDR**[26] **Benchmark**[27]
Environment	**Disclosure BP 3 – GHG emissions reduction target** If the undertaking has set GHG emission reduction targets, it shall provide its GHG emission reduction targets for (a) scope 1 emissions and (b) scope 2 emissions.	**SFDR**[28] **Benchmark**[29]

[25] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts set out by indicator #9 in Table II of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosures rules on sustainable investments ("Investments in companies producing chemicals").

[26] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts set out by indicator #13 in Table I of Annex I of Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to disclosures rules on sustainable investments ("Board gender diversity")

[27] This information supports the information needs of benchmark administrators to disclose ESG factors subject to Commission Delegated Regulation (EU) 2020/1816 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as set out by indicator "Weighted average ratio of female to male board members" in section 1 and 2 of Annex II.

[28] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 (SFDR) because it is derived from an additional indicator related to principal adverse impacts as set out by indicator #4 in Table II of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ("Investments in companies without carbon emission reduction initiatives"); and is aligned with the Commission Delegated Regulation (EU) 2020/1818 (Climate Benchmark Regulation), Article 6.

[29] Benchmark Regulation (EU) 2020/1818 Article 12(1), "Administrators of EU Climate Transition Benchmarks and administrators of EU Paris-aligned Benchmarks may increase in those benchmarks the weight of the issuers of the constituent securities that set and publish GHG emission reduction targets, where the following conditions are fulfilled: (a) the issuers of the constituent securities publish consistently and accurately their Scope 1, 2 and 3 GHG emissions; (b) the issuers of the constituent securities have reduced their GHG intensity or, where applicable, their absolute GHG emissions, including Scope 1, 2 and 3 GHG emissions, by an average of at least 7 % per annum for at least three consecutive years."

Topic: Environment / Social / Governance	DR number and Title	SFDR Table 1 and/or EBA Pillar 3 and/or Benchmark Regulation
Environment	**Disclosure BP 4 – Transition plan for climate change mitigation** The undertaking shall provide information about its transition plan for climate change mitigation, along with an explanation of how its GHG emission reduction targets are compatible with the limiting of global warming to 1.5°C in line with the Paris Agreement.	**Benchmark**[30]
Environment	**Disclosure BP 5 – Physical Risks from climate change** The undertaking shall disclose the anticipated financial effects that physical risks from climate change may have on the company, particularly (a) the monetary amount and the percentage of the undertaking's total assets that can be subjected to material physical risks over the short-, medium- and long-term before considering climate change adaptation actions disaggregated by acute and chronic physical risk; (b) the proportion of assets at material physical risk addressed by climate change adaptation actions; (c) the location of the significant assets affected by material physical risks; (d) the monetary amount and proportion (percentage) of net revenue from its business activities at material physical risks over the short-,medium- and long-term; and	**Benchmark**[31] **EBA Pillar 3**[32]

[30] This information is aligned with the Regulation (EU) 2021/1119 of the European Parliament and of the Council (EU Climate Law), Article 2 (1); and with Commission Delegated Regulation (EU) 2020/1818 (Climate Benchmark Regulation), Article 2.

[31] Benchmark Regulation (EU) 2020/1816 Annex II: Environmental factors to be considered by underlying assets of the benchmark.

[32] EBA Pillar 3: ITS - Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk and EBA Pillar 3: ITS - Template 2: Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral.

Topic: Environment / Social / Governance	DR number and Title	SFDR Table 1 and/or EBA Pillar 3 and/or Benchmark Regulation
	(e) the breakdown of the undertaking's carrying value of its real state assets by energy efficiency classes.	
Environment	**Disclosure BP 6 – Hazardous waste and radioactive waste ratio** The undertaking shall disclose the total amount of hazardous waste and radioactive waste generated (radioactive waste is defined in Article 3(7) of Council Directive 2011/70/Euratom).	**SFDR**[33]
Social	**Disclosure BP 7: Alignment with internationally recognized instruments** The undertaking shall disclose whether its policies with regard to its own workforce are aligned with relevant internationally recognized instruments, including the UN Guiding Principles on Business and Human Rights.	**Benchmark**[34]
Social	**Disclosure BP 8: Processes to monitor compliance and mechanisms to address violations** The undertaking shall disclose whether it has processes in place to monitor compliance with the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the International Bill of Human Rights and the eight fundamental conventions identified in the ILO Declaration or grievance/complaints handling mechanisms to address violations of the above standards with regard to its own workforce.	**SFDR**[35]

[33] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory indicator related to principal adverse impacts as set out by indicator #9 in Table I of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ("Hazardous waste and radioactive waste ratio").

[34] This information supports the needs of benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator "Exposure of the benchmark portfolio to companies without due diligence policies on issues addressed by the fundamental International Labour Organisation Conventions 1 to 8" in section 1 and 2 of Annex II.

[35] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory indicator related to principal adverse impacts as set out by indicator #11 in Table I of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments.

Topic: Environment / Social / Governance	DR number and Title	SFDR Table 1 and/or EBA Pillar 3 and/or Benchmark Regulation
Social	**Disclosure BP 9 – Violations of OECD Guidelines for Multinational Enterprises or the UN Guiding Principles (including the principles and rights set out in the 8 fundamental conventions of the ILO Declaration and the International Bill of Human Rights)** The undertaking shall disclose whether there have been any violations of the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work or the OECD Guidelines for Multinational Enterprises with regard to its own workforce during the reporting year.	**SFDR**[36] **Benchmark**[37]
Social	**Disclosure BP 10 – Work-life balance** The undertaking shall disclose the percentage of employees: (a) who are entitled to take family-related leave with a breakdown by gender; and (b) who took family-related leave with a breakdown by gender. Family-related leave includes maternity, paternity, parental and carer's leave.	Financial market participants require clients to disclose measures to promote gender equality and equal opportunity. To be consistent with LSME, alignment has been sought with the metric.
Social	**Disclosure BP 11 – Number of apprentices** The undertaking shall disclose the number of apprentices in the reporting period.	Having apprentices is a matter of special relevance to undertakings in the EU in terms of job creation and training for young workers and it has been captured as a metric. To note that the apprentices' definition and regulation vary among EU Member States and the information required shall not affect their status pursuant to applicable law.

[36] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory and additional indicator related to principal adverse impacts as set out by indicator #10 in Table I of Annex I and by indicator #14 in Table III of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ("Violations of UNGC principles and OECD Guidelines for Multinational Enterprises" and "Number of identified cases of severe human rights issues and incidents")

[37] This information supports the information needs of benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator "Number of benchmark constituents subject to social violations (absolute number and relative divided by all benchmark constituents), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law" in section 1 and 2 of Annex II.

Annex 2: Mark-up from VSME ED

Objective of this ~~[draft]~~ Standard and to which undertakings it applies

1. The objective of this voluntary ~~[draft]~~ Standard is to support micro-, small- and medium-sized undertakings in:

   (a) providing information that will help satisfy the data needs of large undertakings requesting sustainability information from their suppliers;

   (b) providing information that will help satisfy data needs from banks ~~lenders/credit providers~~and investors, therefore helping undertakings in their access to finance;

   ~~(a) contributing to a more sustainable and inclusive economy;~~

   ~~(b)~~(c) improving the management of the sustainability issues they face, i.e., environmental and social challenges such as pollution, workforce health and safety. This will support their competitive growth and enhance their resilience in the short-, medium- and long-term; and

   (d) contributing to a more sustainable and inclusive economy.

   ~~(c) providing information that will help satisfy data demand from lenders/credit providers and investors, therefore helping undertakings in their access to finance;~~

   ~~(d) providing information that will help satisfy the data demand needs of large undertakings requesting sustainability information from their suppliers.~~

2. This [draft] Standard is voluntary. It ~~and~~ applies to micro-, small- and medium-sized undertakings[1] whose securities are not admitted to trading on a regulated market in the European Union (not listed). [Article 3 of Directive 2013/34/EU] defines ~~and distinguishes~~ three categories of small and medium-sized undertakings based on their balance sheet total, their net turnover and their average number of ***employees*** during the financial year.

   (a) An undertaking is micro if it does not exceed two of the following thresholds:

      i. €~~350~~450,000 in balance sheet total~~;~~,
      ii. €~~700~~900,000 in net turnover~~;~~, and
      iii. an average of 10 employees.

   (b) An undertaking is small if it does not exceed two of the following thresholds:

      i. €45 million in balance sheet total,
      ii. €810 million in net turnover~~;~~, and~~or~~
      iii. an average of 50 employees.

   (c) An undertaking is medium if it does not exceed two of the following thresholds:

      i. €~~20~~25 million in balance sheet total,
      ii. €~~40~~50 million in net turnover~~;~~, and
      iii. an average of 250 employees.

3. These undertakings fall outside the scope of the Corporate Social Reporting Directive (CSRD) but are encouraged to use this ~~[draft]~~ Standard ~~to prepare and share with whomever such sustainability information may concern~~. This ~~[draft]~~ Standard covers the same sustainability issues as the European Sustainability Reporting Standards (ESRS) for large undertakings. However, it is ~~based upon the key concept of~~ proportionate~~lity~~ and therefore takes into account micro-, small- and

[1] This includes self-employed, non-incorporated undertakings and listed micro undertakings.

medium-sized undertakings' fundamental characteristics. Micro undertakings are welcome to use only certain parts of this [draft] Standard as highlighted in paragraph 5-(a).

~~4.~~ Consistency with ESRS for large undertakings has been carefully considered in the preparation of this ~~[draft]~~ Standard, while defining proportionate requirements. This ~~[draft]~~ Standard has no legal authority, unlike the ESRS for large undertakings. ~~It provides undertakings that are outside the scope of the CSRD (see paragraph 2) with a voluntary tool for sustainability reporting.~~

~~5.~~4.

Modules that constitute this ~~[draft]~~ Standard

~~6.~~5. This [draft] Standard ~~includes~~ has ~~two~~three modules that the undertaking can use to prepare ~~as the basis for preparation of~~ its sustainability report:

(a) **Basic Module:** Disclosures B 1 and,~~-~~ B 2 and Basic Metrics (B 3 ~~–~~to B ~~12~~11). This module is the target approach for micro-undertakings and constitutes a minimum requirement for other undertakings; and. ~~Materiality analysis is not required, but disclosures B 3-B 12 are to be provided when they are applicable to the undertaking's specific circumstances.~~

~~(b) **Narrative Policies, Actions and Targets (PAT) Module**: This module defines narrative disclosures (N1 – N5) in relation to Policies, Actions and Targets (PAT), which are to be reported in addition to disclosures B 1-B 12 if the undertaking has them in place. This module is suggested to undertakings that have formalised and implemented the PAT. Materiality analysis is required in order to disclose which of the sustainability matters in Appendix B are relevant for the undertaking's business and organisation (see Principles of Materiality below).~~

~~(c)~~(b) ~~**Business Partners (BP)**~~**Comprehensive Module:** This module sets datapoints ~~to be reported~~ in addition to disclosures B 1-B ~~12~~11, which are likely to be requested by ~~included in data requests from~~ lenders, investors and corporate clients of the undertaking on top of the Basic Module. ~~Materiality analysis is required in order to disclose which of the sustainability matters in Appendix B are relevant for the undertaking's business and organisation (see Principles of Materiality below). If the undertaking prepares also the Narrative (PAT) Module, the material matters are disclosed only once.~~

Paragraph ~~21~~24 below illustrates the available options for the preparation of a sustainability report using this [draft] Standard by adopting one or more of these modules. Once chosen, a module shall be complied with in its entirety (with flexibility allowed under paragraph ~~19), providing information in~~22); however, each ~~disclosure that is~~ item of disclosure shall be provided only when it is applicable to the undertaking's specific circumstances ~~or it is considered relevant to the undertaking's business and organisation~~.

~~7.~~6. Applying the Basic Module is a prerequisite for applying the ~~Narrative PAT and/or the Business Partners Modules~~Comprehensive Module.

~~8.~~7. Appendix A *Defined terms* includes the definitions of the terms used in this [draft] Standard. Throughout the VSME Standard ~~ED~~, the terms ~~that are~~ defined in the glossary of definitions (Appendix A) are set~~put~~ in ***bold italics***, except when a defined term is used more than once in the same paragraph.

Principles for the preparation of the sustainability report (Basic and Comprehensive Module~~, Narrative-PAT Module, Business Partners Module)~~

~~9. **This section incudes principles that shall be applied when the undertaking prepares its sustainability report using any of the three modules described above.)**~~

Complying with this Standard

~~10.~~8. This [draft] Standard sets requirements that allow the undertaking to provide relevant information on:

(a) how ~~its business~~it has had and is likely to have a positive or negative impact on people or on the environment in the short, medium or long term; and

(b) ~~which and~~ how environmental and social issues have affected or are likely to affect its financial position, performance and cash flows~~.~~ in the short, medium or long term.

~~11.~~9. The ~~sustainability report~~ undertaking shall report~~provide~~ information that is relevant, faithful, comparable, understandable and verifiable.

~~12.~~10. Depending on the type of activities carried out by the undertaking, the inclusion of additional information (metrics and/or narrative disclosures) not covered in this [draft] Standard is appropriate in order to disclose sustainability issues that are common in the undertaking's sector (i.e. typically encountered by businesses or entities operating within a specific industry or field) or that are specific to the undertaking, as this supports the preparation of relevant, faithful, comparable, understandable and verifiable information. This includes the consideration of information on Scope 3 GHG emissions (see paragraphs 5048 to 534 of this [draft] Standard on the consideration when reporting on GHG emissions under B3). ~~Appendix B provides a list of possible sustainability issues.~~

11. The undertaking may complement the metrics from the Basic and Comprehensive modules with additional qualitative and/or quantitative information where appropriate in accordance with paragraph 10 above.

Comparative information

12. The undertaking shall report comparative information in respect of the previous year, except for metrics disclosed for the first time. The undertaking shall report comparative information from the second year of reporting.

If applicable principle

13. Certain disclosures only apply to specific circumstances[2]. In particular, the instructions provided in each disclosure specify ~~the~~such circumstances and the information that is to be reported only if considered 'applicable' by the undertaking. When one of these disclosures is omitted, it is assumed to not be applicable.

~~Preparation on a consolidated basis~~ Inclusion of subsidiaries in the reported data

~~13.~~14. If the undertaking is a parent company of a group, it is recommended that it prepares its sustainability report on a consolidated basis, including ~~the~~ information from~~of~~ its subsidiaries.

[2] For example, the legal requirement to disclose specific information, or already voluntarily disclosing specific information through an Environmental Management System.

15. If the parent undertaking has prepared its sustainability report on a consolidated basis, including information from its subsidiaries, the subsidiary undertakings are exempted from reporting.

Timing and location of the sustainability report

~~14.~~16. ~~The~~If a sustainability report is prepared to ~~meet the~~meet the needs of large undertakings or lenders that require an update annually, it shall be prepared ~~on an annual basis~~annually. If the undertaking preparers financial statements, ~~it~~the sustainability report shall be prepared with a period of time that is consistent with the preparation of the financial statement. ~~It shall be available for issuance at the same time as the financial statements if they are prepared~~. If specific datapoints did not change from the previous reporting year, the undertaking may indicate that no changes occurred and refer~~shall either disclose~~ to the information provided for that specific datapoint ~~from~~ in the previous year's report. ~~or indicate that no changes have occurred.~~

~~15.~~17. ~~The~~The primary function of this report is to inform actual or potential business counterparties. The undertaking may decide to make its sustainability report available to the public. In this case, the undertaking may present its sustainability report in a separate section of the management report if ~~the latter is required by applicable law and regulations or if the management report is prepared voluntarily~~it has one. Otherwise, the undertaking may present its sustainability report as~~in~~ a ~~different~~ separate document.

~~16.~~18. To avoid publishing the same information twice, the undertaking may refer in its sustainability report to disclosures published in other documents that can be accessed at the same time as the sustainability report[3].

Classified and sensitive information ~~and information on intellectual property, know-how or results of innovation~~

~~17.~~19. When the provision of the disclosures in this [draft] Standard ~~would~~ require disclosing classified or ***sensitive information***, the undertaking may omit such information~~, even if it is considered material. The~~. If the undertaking ~~may~~decides to omit such ~~classified or sensitive~~ information ~~if:~~, it shall state that this is the case under disclosure B 1 (see paragraph 24).

~~(a) the information has commercial value because it is secret; and~~

~~(b) its publication will likely negatively affect the financial performance or position of the undertaking.~~

~~If the undertaking decides to omit such information, it shall simply state that is the case under Disclosure B 1 (see paragraph 21).~~

Coherence and linkages with disclosures in financial statements

20. If the undertaking also prepares financial statements, the information provided in its sustainability report following this ~~[draft]~~ Standard shall:

(a) ~~shall~~ be coherent with what is reported in the financial statements for the same period; and

(b) may be presented in a way that facilitates the understanding of the linkages that exist with the information reported in financial statements, for example, by using appropriate cross-references.

[3] In a future online tool version of the VSME Standard, when appropriate, the undertaking may refer to disclosures published in other documents rather than the sustainability report using incorporation by reference. Such reference is made by including the page number of the relevant source, provided that the PDF format of the source document is also made available in the online tool version.

Basic Module

~~18.~~ The undertaking shall report on its environmental, social and ***business conduct*** issues (together 'sustainability issues') using the B 1~~-~~ to B ~~12~~11 disclosures below. ~~Comparative information in respect of the previous year shall be included in the report except for metrics being disclosed for the first time. The inclusion of comparative information shall begin the second year of reporting and continue henceforth.~~

~~2. Disclosures B 1-B 12 are to be reported, and no materiality analysis is needed. Certain disclosures only apply to specific circumstances. In particular, the following instructions specify that, in these circumstances, the information is to be reported only if considered 'applicable' by the undertaking. When one of these disclosures is omitted, it is assumed to be not applicable.~~

~~21. The undertaking may complement the metrics from B 3 to B 12 with additional qualitative and/or quantitative information, where appropriate, in accordance with paragraph 11 above.~~

~~19.~~22. ~~If t~~The undertaking ~~that~~ wants to provide more comprehensive information, it may also integrate the metrics required from B ~~3~~1 to B ~~12~~11 with disclosures, selecting them from the ~~Narrative PAT Module and/or from the Business Partners~~Comprehensive Module.

~~20.~~23. Additional guidance on disclosures ~~Instructions supporting the preparation of metrics~~ B ~~3~~-1 to B ~~12~~11 are available in paragraphs 66 to ~~221~~209. ~~in the Basic Module guidance, which is found on pages 19 through 34 of this [draft] Standard.~~

Basic Module – ~~Cross-cutting Metrics~~~~Disclosure~~General information

B ~~1~~ – Basis for preparation

~~21.~~24. The undertaking shall disclose:

(a) which of the following options it has selected ~~in the preparation of its sustainability report using this [draft] Standard~~:

i. OPTION A: Basic Module (only); or

ii. OPTION B: Basic Module and ~~Narrative PAT~~Comprehensive Module~~;~~.

~~iii. OPTION C: Basic Module and Business Partners Module; or~~

~~iv. OPTION D: Basic Module, Narrative PAT Module and Business Partner Module;~~

(b) if the undertaking has omitted a disclosure as it is deemed ***classified or sensitive information*** (see paragraph 19), the undertaking shall indicate the disclosures that has omitted.

~~(b)~~(c) whether the sustainability report has been prepared on an individual basis (i.e., the report is limited ~~only~~ to the undertaking's information only) or on a consolidated basis (i.e., the report includes information about~~of~~ the undertaking and its subsidiaries~~) or on an individual basis (i.e., the report is limited only to the information of the undertaking); and~~);

~~(c)~~(d) in case of a consolidated sustainability report, the list of the subsidiaries, including their registered address[4], covered in the ~~consolidated sustainability~~ report~~.~~; and

(e) the following information:

i. the undertaking's legal form;

[4] The registered address is the official address of the undertaking. ~~Providing the registered address is a legal requirement, and it is available on public record.~~

ii. NACE sector classification code(s);

iii. size of the balance sheet (in Euro);

iv. turnover (in Euro);

v. number of employees in headcount or full time equivalents;

vi. country of primary operations and location of significant asset(s); and

~~—~~ geolocation of ***sites*** owned, leased or managed.

25. If the undertaking has obtained any sustainability-related certification or label, it shall provide a brief description of those (including, where relevant, the issuers of the certification or label, date and rating score).

B ~~2~~ – Practices, policies and future initiatives for transitioning towards a more sustainable economy

26. ~~When~~If the undertaking has put in place specific practices, policies or future initiatives for transitioning towards a more sustainable economy, it shall ~~briefly describe them~~ state so. The undertaking shall state whether it has: ~~Such practices, policies and future initiatives include what the undertaking does to reduce its negative impacts and to enhance its positive impacts on people and on the environment, in order to contribute to a more sustainable economy. Appendix B provides a list of possible sustainability issues.~~

~~a. If the undertaking has practices, formal sustainability policies, future initiatives and targets in place, it shall describe state whether it has:~~

a. practices. Practices in this context may include, for instance, efforts to reduce the undertaking's water and electricity consumption, to reduce GHG emissions or to prevent pollution, and initiatives to improve product safety as well as current initiatives to improve working conditions and equal treatment in the workplace, sustainability training for the undertaking's workforce and partnerships related to sustainability projects;

b. ~~formal~~ policies on sustainability issues, whether they are publicly available, ~~and~~ any separate environmental, social or governance policies~~y~~ for addressing sustainability issues;

c. any future initiatives or forward-looking plans that are being implemented on sustainability issues; and

d. targets to monitor the implementation of the policies and the progress achieved towards meeting such targets.

27. Such practices, policies and future initiatives include what the undertaking does to reduce its negative ***impacts*** and to enhance its positive impacts on people and the environment, in order to contribute to a more sustainable economy. Appendix B provides a list of possible sustainability issues that could be covered in this disclosure. The undertaking may use the template found in paragraph 78 to report this information.

28. If the undertaking also reports on the Comprehensive module, it shall complement the information provided under B2 with the datapoints found in C2.

Basic metrics – Environment

B ~~3~~ – Energy and greenhouse gas emissions

~~3. The undertaking shall report on its impacts on climate by disclosing its energy usage and greenhouse gas emissions as requested in the following paragraphs.~~

4. The undertaking shall disclose its total energy consumption in MWh, with a breakdown between:

(a) fossil fuels; and

(b)29. electricity as reflected in utility billings, along with a breakdown between renewable and non-renewable sourcesas per the table below, if it can obtain the necessary information to provide such a breakdownavailable.:

	Renewable	Non-renewable	Total
Electricity (as reflected in utility billings)			
Fuels			
Total			

22.30. The undertaking shall disclose its estimated ***gross greenhouse gas (GHG) emissions*** in tons of CO_2 equivalentsequivalent (tCO_2eq) considering the content of the GHG Protocol Corporate Standard, including:

(a) the Scope 1 GHG emissions in tCO_2eq (from owned or controlled sources); and

(b) the location-based Scope 2 emissions in tCO_2eq (i.e., emissions from the generation of purchased energy, such as electricity, heat, steam or cooling).

31. The undertaking shall disclose its GHG intensity calculated by dividing 'gross greenhouse gas (GHG) emissions' disclosed under paragraph 30 by 'turnover (in Euros)' disclosed under paragraph 24 (e) (iv).[5]

B 4 – Pollution of air, water and soil

23.32. The If the undertaking shall disclose, if applicable, the pollutants (with respective amounts) it emits to air, water and soil in its own operations, that it is already required by law or other national regulations to report to competent authorities (e.g. under the Industrial Emissions Directive and the European Pollutant Release and Transfer Register) or that it already its emissions of pollutants, or if it voluntarily reports on them according to an Environmental Management System such as Eco-Management and Audit Scheme (EMAS), it shall disclose the pollutants it emits to air, water and soil in its own operations with the respective amount for each pollutant. If this information is already publicly available, the undertaking may alternatively refer to the document where it is reported, for example, by providing the relevant URL link or embedding a hyperlink.

B 5 – Biodiversity

5. The undertaking shall disclose, if applicable, metrics related to its impacts on ***biodiversity***, ecosystems and ***land-use*** as requested in the following paragraphs.

24.33. The undertaking shall disclose the number and area (in hectares) of ***sites*** that it owns, has leased, or manages in or ***near*** a ***biodiversity sensitive areas***.

[5] In a future online tool version of the VSME Standard, this will be automatically calculated.

~~25.~~34. The undertaking may disclose metrics related to ***land-use*** ~~such as~~:

(a) total use of land~~;~~ (in hectares);

(b) total sealed area;

(c) total ***nature-oriented area*** on-site; and

(d) total ***nature-oriented area*** off-site.

B 6 – Water

~~26.~~35. The undertaking shall disclose its total ***water withdrawal***, i.e., the amount of water drawn into the boundaries of the organisation (or facility); in addition, the undertaking shall separately present the amount of water withdrawn at ***sites*** located in areas of high water - stress.

~~27.~~36. If the undertaking has production processes in place which significantly consume water (e.g. thermal energy processes like drying or power production, production of goods, agricultural irrigation, etc.), it ~~If applicable, the undertaking~~ shall disclose its ***water consumption***, calculated as the difference between its ***water withdrawal*** and water discharge from its production processes.

B 7 – Resource use, circular economy and waste management

~~28.~~37. The undertaking shall disclose ~~how it manages resource use, its waste management practices and~~ whether it applies ***circular economy principles*** and, if so, how it applies these principles.

~~29.~~38. The ~~disclosure~~undertaking shall ~~include~~disclose:

~~(a) if the undertaking operates manufacturing, construction and/or packaging processes: the recycled content in the products (goods and materials) and their packaging produced by the undertaking;~~

~~(b) if the undertaking operates manufacturing, construction and/or packaging processes: rates of recyclable content in the products and their packaging produced by the undertaking;~~

~~(c)~~(a) the total annual generation of waste ~~in units of weight (preferably) or volume~~ broken down by type (non-hazardous and hazardous); ~~and~~

~~(d)~~(b) the total annual waste diverted to recycling or reuse ~~expressed in units of weight (e.g., kg or tonnes).~~; and

(c) if the undertaking operates in a sector using significant material flows (for example manufacturing, construction, packaging or others), the annual mass-flow of relevant materials used.

Basic ~~metrics~~ Module – Social ~~matters~~metrics

B 8 – Workforce – General characteristics

~~30.~~39. The undertaking shall disclose the ~~total~~ number of employees in headcount or full-time ~~equivalents or provide a headcount of such employees broken down by~~equivalent for the following metrics:

(a) type of employment contract (temporary or permanent);

(b) gender; and

~~(c) country if applicable.~~

(c) country of the employment contract, if the undertaking operates in more than one country.

40. If the undertaking employs 50 or more ***employees***, it shall disclose the employee turnover rate for the reporting period.

B 9 – Workforce – Health and safety

~~31.~~41. The undertaking shall disclose the following information regarding its ***employees***:

~~a.~~(a) the number and rate of ***recordable work-related*** accident; and

~~b.~~(b) the number of fatalities as a result of work-related injuries and work-related ill health.

B 10 – Workforce – Remuneration, collective bargaining and training

~~32.~~42. The undertaking shall disclose:

(a) ~~when a significant proportion of~~ whether the employees ~~are compensated based on~~ ***~~wages~~*** ~~subject to~~receive ***pay*** that is equal or above applicable minimum wage ~~rules, the relevant ratio of~~for the ~~entry level wage to~~country it reports on, determined directly by the national minimum wage~~;~~ law or through a collective bargaining agreement;

(b) the percentage gap in ***pay*** between its female and male ***employees***. The undertaking may omit this disclosure when its ~~head count~~headcount is below 150 employees noting that this threshold will be reduced to 100 employees from 7 June 2031;

(c) the percentage of ***employees*** covered by collective bargaining agreements; and

(d) the average number of annual ***training*** hours per ***employee***, broken down by gender~~, that are related to the development of skills and competences, whether acquired through formal or informal forms of capacity building~~.

~~**B 11 – Workers in the value chain, affected communities, consumers and end-users**~~

~~6. The undertaking may disclose whether it has a process in place for identifying if there are ***value chain*** workers, ***affected communities***, or ***consumers*** and end users who are affected or are likely to be affected by severe negative impacts in relation to the undertaking's operations (i.e., its products, services and activities). In that case, the undertaking may describe this process. If identified, the undertaking may also describe the types of impacts, including where they arise and the groups that are affected by them.~~

Basic ~~metrics~~ Module ~~– Business conduct~~Governance metrics

B ~~12~~11 – Convictions and fines for corruption and bribery

~~33.~~43. In case of convictions and fines in the reporting period, the undertaking shall disclose the number of convictions, and the total amount of fines incurred for the violation of anti-corruption and anti-bribery laws.

~~Principles for the preparation of the sustainability report (Narrative-PAT, Business Partners)~~

~~7. This section includes principles that shall be applied when the undertaking prepares its sustainability report using the Narrative PAT Module and/or the Business Partners Module.~~

Time horizons

8. When preparing its sustainability report, the undertaking shall adopt the following time horizons:

   (a) for the short term time horizon, one year;

   (b) for the medium term time horizon, from two to five years; and

   (c) for the long term time horizon, more than five years.

Coherence and linkages with disclosures in financial statements

34. When the undertaking also prepares financial statements and other regulatory reports, the information provided in its sustainability report following this [draft] Standard:

   (a) shall be coherent with what is reported in the financial statements for the same period; and

   (b) may be presented in a way that facilitates the understanding of the linkages that exist with the information reported in financial statements, for example, by using appropriate cross-references.

Principles of materiality to be applied in the preparation of Narrative-PAT and Business Partners Modules

9. Issues connected to environmental, social and/or ***business conduct*** aspects identified in this context are referred to as sustainability matters. This section explains how to identify sustainability matters that are 'material', meaning 'relevant', and therefore to be reported.

10. Materiality refers to the significance to the undertaking of both a sustainability matter and information about the sustainability matter. Materiality analysis is the process of identifying sustainability matters that undertakings should report on. The undertaking is encouraged to use the list contained in Appendix B *List of sustainability matters* of this [draft] Standard as guidance for the identification of its material sustainability matters. The materiality analysis does not apply to an undertaking that decides to only apply the Basic Module.

11. As part of its materiality analysis, the undertaking will assess impacts that it has or is likely to have on people and the environment as well as financial risks and opportunities that derive or may derive from sustainability matters. Identifying which sustainability matters are material is a necessary step particularly when minimising or avoiding negative impacts. At the same time, it can help the undertaking to improve its products or services or to develop new ones that address environmental or social challenges. Understanding financial risks allows the undertaking to reduce operational costs and avoid fines, litigations and reputational damages.

12. When assessing whether a sustainability matter is to be reported on because it is material to the undertaking, two dimensions have to be considered, namely impact materiality and financial materiality. This is what is generally referred to as double materiality analysis.

Impact materiality

13. From the impact perspective, a sustainability matter is to be reported on when it gives rise to material impacts. This includes:

    (a) actual or potential impacts on people or on the environment over the short, medium, and long-term time horizons. An impact is actual when it is already happening, whereas an impact is potential when it is likely to happen; and

    (b) impacts connected to the undertaking's own business operations, products and services as well as through its business relationships, such as those that arise from the operations of suppliers.

14. To determine if an actual negative impact is material, the undertaking has to consider the severity of the impact in question on people and the environment severity is based on:

    (a) scale, i.e., how grave the harm caused to people or to the environment is (e.g., a minor injury at work without days lost is placed lower on the scale than a fatality at work; inadequate industrial waste disposal leading to soil pollution within a local facility is placed lower on the scale than a leak of harmful chemicals in a river leading to severe damage of ecosystem and wildlife);

    (b) scope, i.e., how widespread the harm caused to people or to the environment is (e.g., the number of people affected or the size of contaminated land); and

    (c) the irremediable character of the impact, that is, whether and to what extent it is possible to remediate the harm caused to people or to the environment (e.g., cleaning up the contaminated land, issuing compensations and/or indemnities for affected people).

15. The consideration of scale, scope and irremediability is meant to guide undertakings when analysing the severity of its impacts. The undertaking, however, is not expected to report on details related to each of these three aspects.

16. For potential impacts, the undertaking has to consider both severity and likelihood of occurrence. In the case of a potential negative impact on human rights, the severity of the impact takes precedence over its probability.

17. Quantitative measures of impacts yield the most objective evidence that can be collected to assess their materiality. However, quantitative data is not always available or may be costly to produce. Qualitative analysis can be sufficient for the undertaking to reasonably conclude whether a matter is material or not.

Financial materiality

18. From a financial perspective, a sustainability matter is material if it pertains to financial risks that could be reasonably expected to have material financial effects materially influencing the undertaking's financial position, financial performance, cash flows, access to finance or cost of capital over short , medium or long term time horizons. In addition to the undertaking's business operations, matters related to the undertaking's business relationships with other companies should also be considered.

19. Material impacts generated by the undertaking generally constitute a source of financial risk. However, the undertaking shall also consider risks that are not related to its material impacts.

20. Like risks, financial opportunities related to a sustainability matter may generate financial effects. Reporting on financial opportunities is optional when preparing a sustainability report under this [draft] Standard.

21. Dependencies on natural and social resources may trigger financial risks in two ways:

(a) they may influence the undertaking's ability to continue to use or obtain the resources needed in its business processes as well as the quality and pricing of those resources; and

(b) they may affect the undertaking's ability to rely on business relationships on acceptable terms.

22. To determine whether a financial risk is material, the undertaking shall assess the probability, the nature and the potential magnitude of the financial effects on the undertaking.

Stakeholders and their relevance to the materiality analysis process

23. Stakeholders are those individuals or groups of people who can exercise influence over the undertaking and/or be affected by the activities of the undertaking. There are two main groups of stakeholders:

(a) affected stakeholders, i.e., individuals or groups of people whose interests are or could be – positively or negatively – affected by the undertaking's activities and its business relationships; and

(b) users of the sustainability report, including investors, lenders, business partners, social partners and civil society organisations.

24. Some stakeholders may belong to both groups defined in paragraph 56. An undertaking may engage with stakeholders in its materiality analysis to find out which sustainability matters are the most important to them. In many cases, micro undertakings will only consider the views of their most relevant stakeholders among those mentioned in paragraph 56.

Narrative – Policies, Actions and Targets (PAT) Module

Disclosure N 1 – Strategy: business model and sustainability – related initiatives

35. The undertaking shall disclose the key elements of its strategy and its business model, including:

(a) a description of significant groups of products and/or services offered;

(b) a description of significant market(s) the undertaking operates in (B2B, wholesale, retail, countries);

(c) a description of main business relationships (such as key suppliers, customers distribution channels and ***consumers***); and

(d) if applicable, a description of the key elements of its strategy that relate to or affect sustainability matters.

Disclosure N 2 – Material sustainability matters

25. The undertaking shall disclose the material sustainability matters resulting from its materiality analysis (see paragraphs 42 through 57), including a brief description of each sustainability matter (listed in accordance with paragraph 43) and of:

(a) how each matter has an impact on people or the environment;

(b) its actual and potential effects on the undertaking's present or future financial position and performance; and

(c) its actual and potential effects on the undertaking's activities and strategy.

Disclosure N 3 – Management of material sustainability matters

26. The undertaking shall disclose how it manages its material sustainability matters, including:

(a) whether it has adopted policies or ***actions*** to *(i)* prevent, *(ii)* mitigate and/or *(iii)* remediate actual or potential negative impacts and/or to *(iv)* address financial risks. If applicable, the undertaking may refer to the [due diligence] or risk management processes implemented;

(b) if it has policies in place, it shall describe:

i. the objective(s) of the ***policy*** and which material sustainability matters it addresses;

ii. the scope of the ***policy*** in terms of activities, ***value chain*** and countries where the undertaking is active;

iii. if applicable, affected stakeholder groups addressed by the ***policy***;

iv. if applicable, a reference to third party standards or initiatives that the undertaking commits to respect through the implementation of the ***policy***; and

v. the ***targets*** the undertaking uses to monitor the implementation of the ***policy*** and the progress achieved;

(c) if it has put ***actions*** in place, it shall describe:

i. the list of key ***actions*** taken in the reporting year and of the actions planned for the future;

ii. the scope of those ***actions*** (i.e., whether they also address actors in the ***value chain***, whether they are implemented in different location and geographies or which affected stakeholder groups they address);

iii. the time horizon under which the undertaking intends to complete each key action; and

iv. the ***targets*** the undertaking uses to monitor the ***actions*** implemented and the progress achieved.

27. Where material, the undertaking shall disclose the ***actions*** taken in the reporting period to improve its energy efficiency and to reduce its greenhouse gas emissions as well as the related possible implications in terms of financial risks and, if applicable, opportunities.

28. When the undertaking considers that negative impacts are material in relation to *(i)* workers in the ***value chain***, *(ii)* ***consumers*** and ***end-users*** and/or *(iii)* ***affected communities***, it may disclose:

(a) the policies that it has adopted to manage those material impacts as well as the associated material risks;

(b) the ***actions*** it has taken on material impacts, its approach to managing material risks, and the effectiveness of those actions; and

(c) the ***targets*** related to managing material negative impacts and managing material risks.

29. These disclosures are limited to the description of the policies, ***actions*** and ***targets*** that the undertaking has put in place.

30. Where material, the undertaking shall disclose whether it has the following in place to support the prevention of ***incidents*** of ***corruption*** or bribery:

(a) separation of duties; and/or

(b) ***training*** for its ***employees;*** and

(c) any ***actions*** taken to address breaches in procedures and standards of anti corruption and anti bribery.

Disclosure N 4 – Key stakeholders

31. If the undertaking engages with stakeholders, it may disclose:

(a) the categories of key stakeholders being considered (the undertaking can use categories such as investors, lending banks/creditors, business partners, trade unions, NGOs, etc.); and

(b) a brief description of the engagement activities.

Disclosure N 5 – Governance: responsibilities in relation to sustainability matters

32. The undertaking shall describe its ***governance*** and responsibilities in relation to sustainability matters. If applicable, this disclosure shall cover roles and responsibilities of the highest governance body or of the individual(s) in charge of managing sustainability matters within the undertaking.

~~Business Partners Module~~ Comprehensive Module

~~33. This module provides additional datapoints in relation to the information that is generally needed by the undertaking's business partners, investors and lenders. They are expected to address data requests that the undertaking receives or is likely to receive from lenders, investors, which require sustainability data from their suppliers. In relation to the information needs of financial market participants, these additional datapoints~~This module provides disclosures to address in a comprehensive way the information needs of the undertaking's business partners, such as investors, ~~lenders~~banks and corporate clients in addition to the ones included in the Basic Module. The disclosures in this module reflect ~~their~~the financial market participants' respective obligations under relevant laws and regulations. ~~They are also relevant for~~They also reflect the information needed by the business partners ~~when they~~, to assess the sustainability risk profile of the undertaking, e.g. as a (potential) supplier or a (potential) ~~supplier.~~ borrower.

~~36.~~44.

~~List of material matters~~

~~34. In this module, the materiality analysis described in paragraphs 42 through 57 is required. The undertaking shall disclose the material sustainability matters resulting from its materiality analysis based on the list provided in Appendix B: *List of sustainability matters*.~~

~~Disclosures in the *Business Partners*~~Comprehensive ~~Module~~

~~37.~~45. The text below provides the list of disclosures from ~~BP1~~C 1 to ~~BP 11~~C 9 to be considered and reported upon, if they are applicable ~~or if they are considered relevant~~ to the undertaking's business and organisation~~, following the materiality analysis performed by the undertaking in line with paragraphs from 42 to 57.~~. When one of these disclosures is omitted, it is assumed to not be applicable.~~When not reported upon, a disclosure shall be assumed to be 'not material'~~applicable' ~~for the undertaking.~~

~~38.~~46. Additional guidance on disclosures C1 to C9 is available in paragraphs ~~224~~210 to ~~256~~244. ~~Instructions to support the preparation of disclosures form BP 1- BP 11 are available in the Business Partners Module guidance on pages 35 through 38 of this [draft] Standard.~~

Comprehensive Module – ~~Cross-cutting Metrics~~General information

C1 – Strategy: Business Model and Sustainability – Related Initiatives

47. The undertaking shall disclose the key elements of its business model and strategy, including:

(a) a description of significant groups of products and/or services offered;

(b) a description of significant market(s) the undertaking operates in (such as B2B, wholesale, retail, countries);

(c) a description of main business relationships (such as key suppliers, customers distribution channels and ***consumers***); and

(d) if the strategy has key elements that relate to or affect sustainability issues, a brief description of those key elements.

C2 – Description of practices, policies and future initiatives for transitioning towards a more sustainable economy

48. If the undertaking has put in place specific practices, ***policies*** or future initiatives for transitioning towards a more sustainable economy, which it has already reported under disclosure B2 in the Basic Module, it shall briefly describe them ~~using~~. The undertaking may use the template found in paragraph ~~225~~213 for this purpose.

~~39.~~49. The undertaking may indicate, if any, the most senior level of the undertaking accountable for implementing them.

Comprehensive Module - Environmental Metrics

~~Entity-specific c~~Consideration when reporting on GHG emissions under B 3 (Basic Module)

~~40.~~50. Depending on the type of activities carried out by the undertaking, disclosing a quantification of its Scope 3 GHG emissions can be appropriate in the undertaking's sector yield relevant information (see paragraph ~~11~~10 of this [draft] Standard) to yield relevant information on the undertaking's ***value chain*** impacts on climate change.

51. Scope 3 emissions are ***indirect GHG emissions*** (other than Scope 2) that derive from an undertaking's ***value chain***. They include the activities that are upstream of the undertaking's operations (e.g., purchased goods and services, purchased capital goods, transportation of purchased goods, etc.) and activities that are downstream of the undertaking's operations (e.g., transport and distribution of the undertaking's products, use of sold products, investments, etc).

~~41.~~52. If the undertaking decides to provide this metric, it should refer to the 15 types of Scope 3 GHG emissions identified by the GHG Protocol Corporate Standard and detailed by the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. When it reports on Scope 3 GHG emissions, the undertaking shall include~~s~~ significant Scope 3 categories (as per the Corporate Value Chain (Scope 3) Accounting and Reporting Standard) based on its own assessment of relevant Scope 3 categories. Undertakings can find further guidance on specific calculation methods for each category in the GHG Protocol's "~~-~~Technical guidance for Calculating Scope 3 Emissions~~"~~.

~~42.~~53. When reporting its Scope 1 and Scope 2 emissions, if the undertaking discloses entity-specific information on its Scope 3 emissions, it shall present it together with the information required under "B 3 – Energy and greenhouse gas emissions."

~~Disclosure BP~~C 3 – GHG ~~emissions~~ reduction ~~target~~targets and climate transition

~~43.~~54. If the undertaking has established ~~set~~ GHG emission reduction targets, it shall ~~provide~~ disclose its ~~GHG emission reduction~~ targets ~~for~~in absolute value for scope 1 and scope 2 emissions. In line with paragraphs 50 to 53 above and depending on the nature of its activities, the undertaking shall also provide targets for significant Scope 3 emissions. In particular, it shall provide:

~~(a) scope 1 emissions; and~~

~~(b) scope 2 emissions.~~

~~35. This disclosure includes Scope 3 emissions, only when they are disclosed under paragraph 71 above and the undertaking has set GHG emission reduction targets for Scope 3 emissions.~~

~~Disclosure BP-4 – Transition plan for climate change mitigation~~

(a) t~~T~~he target year and target year value;

(b) the base year and base year value;

(c) the units used for targets;

(d) the share of the Scope 1, Scope 2 and, if disclosed, Scope 3 that the target concerns; and

(e) a list of main actions it seeks to implement to achieve its targets.

~~44.~~55. If the undertaking ~~shall provide information about its~~that operates in high climate impact sectors[6] has adopted a transition plan for climate change mitigation ~~with an~~, it may provide information about it, including an explanation of how ~~GHG emission reduction ***targets*** are compatible with the limiting of global warming to 1.5°C in line with the Paris Agreement. This disclosure~~it is ~~applicable only if the undertaking has adopted such a transition plan.~~ contributing to reduce GHG emissions.

56. In case the undertaking operates in high climate impact sectors and does not have a transition plan for climate change mitigation in place, it shall indicate whether and, if so, when it will adopt such a transition plan.

~~Disclosure BP 5 – Physical~~C 4 – Climate risks ~~from climate change~~

57. If the undertaking has identified climate-related hazards and climate-related transition events, creating gross climate-related risks for the undertaking, it shall:

(a) briefly describe such climate-related hazards and climate-related transition events;

(b) disclose how it has assessed the exposure and sensitivity of its assets, activities and value chain to these hazards and transition events;

(c) disclose the time horizons of any climate-related hazards and transition events identified; and

(d) disclose whether it has undertaken climate change adaptation actions for any climate-related hazards and transition events.

~~36.~~ The undertaking ~~shall~~may disclose the ~~anticipated~~potential adverse effects of climate risks, that may affect its financial ~~effects that physical risks from climate change may have on the company. This disclosure is applicable only if the undertaking is exposed to material physical risks. In particular, it shall disclose:~~

~~(a) the monetary amount and the percentage of the undertaking's total assets that can be subjected to material physical risks over the~~ performance or business operations in the short-, medium~~- and long term before considering ***climate change adaptation actions*** disaggregated by acute and chronic physical risk;~~

~~(b)~~58. or long term, indicating whether it assesses the ~~proportion of assets at material physical~~ risks to be ~~addressed by the ***climate change adaptation actions***~~; high, medium, low.

~~(c) the location of the significant assets affected by material physical risks;~~

~~(d) the monetary amount and proportion (percentage) of net revenue from its business activities at material physical risk over the short-, medium- and long-term; and~~

~~(e) the breakdown of the undertaking's carrying value of its real estate assets by energy efficiency classes.~~

~~Disclosure BP 6 – Hazardous waste and/or radioactive waste ratio~~

~~37.~~ ~~If the undertaking generates hazardous and/or radioactive waste, the undertaking shall disclose the total amount of ***hazardous waste*** and/or radioactive waste generated (radioactive waste is defined in Article 3(7) of Council Directive 2011/70/Euratom).~~

Comprehensive Module - Social Metrics

[6] High climate impact sectors are those listed in NACE Sections A to H and Section L as defined in Annex I to Regulation (EC) No 1893/2006.

Disclosure C 5 – Workforce (General) Additional characteristics

C5 – Additional (general) workforce characteristics

59. If the undertaking employs 50 or more ***employees***, it may disclose the female-to-male ratio at management level for the reporting period.

60. If the undertaking employs 50 or more ***employees***, it may disclose the number of those self-employed without personnel who are working exclusively for the undertaking, and temporary workers provided by undertakings primarily engaged in 'employment activities'.

C6 – Additional own workforce ~~metric~~information - Human rights policies and processes

61. The undertaking shall disclose an answer to the following questions.

(a) Does the undertaking have a code of conduct or human rights ***policy*** for its ***own workforce***? (YES/NO)

(b) If yes, does this cover:

i. child labour (YES/ NO);

ii. forced labour (YES/ NO);

iii. human trafficking (YES/NO);

iv. discrimination (YES/NO);

v. accident prevention (YES/NO); or

vi. other? (YES/NO – if yes, specify).

(c) Does the undertaking have a complaints-handling mechanism for its ***own workforce***? (YES/NO)

C7 – Severe negative human rights incidents

62. The undertaking shall disclose an answer to the following questions:

(a) Does the undertaking have confirmed incidents in its ***own workforce*** related to:

i. child labour (YES/ NO);

ii. forced labour (YES/ NO);

iii. human trafficking (YES/ NO);

iv. discrimination (YES/ NO); or

v. other? (YES/NO – if yes, specify).

(b) If yes, the undertaking may describe the ***actions*** being taken to address the ***incidents*** described above.

(c) Is the undertaking aware of any confirmed ***incidents*** involving ***workers in the value chain***, ***affected communities***, ***consumers*** and ***end-users***? If yes, specify.

Comprehensive Module – Governance Metrics

~~Disclosure BP~~C ~~1~~ 8 – Revenues from certain sectors and exclusion from EU reference benchmarks

~~45.~~63. ~~The~~If the undertaking ~~shall include a statement indicating if it~~ is active in one or more of the following sectors ~~while disclosing~~it shall disclose its related revenues~~:~~ in the sector(s):

(a) controversial weapons ~~such as (~~anti-personnel mines, cluster munitions, chemical weapons and biological weapons~~; and/~~); ~~or~~

(b) the cultivation and production of tobacco; ~~and/or~~

(c) fossil fuel (coal, oil and gas) sector (i.e.~~,~~ the undertaking derives revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and the Council 17), including a disaggregation of revenues derived from coal, ~~from~~ oil and ~~from~~ gas~~); and/~~; or

(d) chemicals production, ~~as its activities fall under Division 20.2~~if the undertaking is a manufacturer of ~~Annex I to Regulation (EC) No 1893/2006[7]~~pesticides and other agrochemical products.

64. The undertaking shall disclose whether it is excluded from any EU reference benchmarks that are aligned with the Paris Agreement as described in paragraph 241 of the guidance.

~~Disclosure BP~~C ~~92~~ – Gender diversity ratio in the governance body

~~46.~~65. If the undertaking has a governance body in place, the undertaking shall disclose the related gender diversity ratio.

~~**Disclosure BP 7 – Alignment with internationally recognised instruments**~~

~~38. The undertaking shall disclose whether its policies pertaining to its ***own workforce*** are aligned with relevant internationally recognised instruments, including the UN Guiding Principles on Business and Human Rights.~~

~~**Disclosure BP 8 – Processes to monitor compliance and mechanisms to address violations**~~

~~39. The undertaking shall disclose whether it has processes in place to monitor compliance with the OECD Guidelines for Multinational Enterprises and with the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the International Bill of Human Rights and the eight fundamental conventions identified in the ILO Declaration or grievance/complaints handling mechanisms, to address violations of the above standards with regard to its ***own workforce***.~~

~~**Disclosure BP 9 – Violations of OECD Guidelines for Multinational Enterprises or the UN Guiding Principles (including the principles and rights set out in the eight fundamental conventions of the ILO Declaration and the International Bill of Human Rights)**~~

~~47. The undertaking shall disclose whether there have been any violations of the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work or the OECD Guidelines for Multinational Enterprises with regard to its ***own workforce*** during the reporting year.~~

~~**Disclosure BP 10 – Work-life balance**~~

~~48. Theundertaking shall disclose the percentage of its employees:~~

~~(a) who are entitled to take family related leave with a breakdown by gender; and~~

~~(b) who took family related leave with a breakdown by gender.~~

~~Family related leave includes maternity, paternity, parental and carers' leave.~~

~~**Disclosure BP 11 – Number of apprentices**~~

~~[7] "Manufacture of pesticides and other agrochemical products" listed in Division 20.2 of Annex I Regulation EC 1893/2006.~~

~~49. If applicable, the undertaking shall disclose the number of apprentices in the reporting period.~~

Basic Module: Guidance

66. The guidance below is intended as part of an ecosystem that will include also the development of further support guides ~~further implementation guidance~~ by EFRAG, further digital tools and implementation support (educational activities, stakeholders' engagement) that aim to facilitate the understanding of some of the technical elements in the guidance.

67. ~~This guidance is intended to support~~ This guidance supports undertakings that wish to apply ~~the preparation of the Metrics in~~ the Basic Module.

Basic Module Guidance – General information

~~50.~~

~~Metric~~ B1 – Basis for Preparation

68. When reporting on the legal form of the undertaking according to national legislation under paragraph 24(e)(i), the undertaking can choose from one of the following undertaking structures:

    (a) private limited liability undertaking

    (b) sole proprietorship

    (c) partnership

    (d) cooperative

    (e) other (please specify based on country specifications for legal forms).

69. When reporting on the NACE code(s) of the undertaking under paragraph 24(e)(ii), NACE codes (Nomenclature statistique des activités économiques dans la Communauté Européenne) are a classifications of economic activities used in the European Union. They provide a standardized framework for classifying economic activities into sectors, enabling comparability and a common understanding among the various EU countries.

70. The NACE code consists of a number of digits ranging from 2 to 5, depending on the level of specificity with which the economic activity is identified. The list of NACE codes can be found in the following document: REGULATION (EC) No 1893/2006.

Level Nr	Identifier	Description
1	Section	Sections are identified by an alphabetic letter, and they define 21 general economic areas, such as agriculture, manufacturing industry, or commerce.
2	Division	The division is identified by a two-digit numerical code and identifies a specific sector within the general economic area. There are a total of 88 divisions.
3	Group	The group is identified by a three-digit numerical code (also considering the division's two digits) and defines a specific area within the sector. There are about 270 groups.
4	Class	The class is identified by a four-digit numerical code (considering the digits of division and group) and defines a specific activity within the group. There are about 450 classes.

71. When reporting the number of employees under paragraph 24 (e)(v), full-time equivalent (FTE) is the number of full-time positions in an undertaking. It can be calculated by dividing an employee's scheduled hours (total effective hours worked in a week) by the employer's hours for a full-time

workweek (total hours performed by full-time employees). For example, an employee who works 25 hours every week for a company where the full-time week is 40 hours represents a 0,625 FTE (i.e. 25/ 40 hours).

72. Headcount is the total number of people employed by the undertaking at a given time.

73. When reporting on the country of primary operations and the location of significant assets under paragraphs 24 (e)(vi) and (vii), the undertaking shall disclose this information for each of its ***sites*** using the table below:

Sites	Address	Postal Code	City	Country	Coordinates (geolocation)
Registered Office (e.g.)					
Warehouse (e.g.)					
Industrial Plant (e.g.)					

74. The geolocation of an undertaking is expected to be a valuable datapoint for stakeholders for the assessment of risks and opportunities connected to the SME, particularly in relation to the sustainability issues of climate change adaptation, water, ecosystems, and biodiversity.

75. The geolocation shall be provided in spatial points for single units, or polygon points defining the boundaries of a larger, less unit-like ***site***, such as a farm, mine or facility. The undertaking may also provide a cluster of points to allow for the easy identification of the concerned area. The spatial points shall be provided as coordinates, with five decimal places (e.g. 0° 00′ 0.036″).

76. When disclosing the geolocation of ***sites*** owned, leased, or managed, the undertaking shall include the coordinates of the sites in the table shown in paragraph 7~~5~~3. The undertaking may use web mapping tools (e.g. google maps, apple maps) to identify the coordinates of sites that it owns, leases, or manages. The undertaking may also use any appropriate software tools or platforms to further establish the perimeter or area of larger sites.

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77. In relation to paragraph 2~~5~~6, sustainability-related certification can include registered eco-labels from an EU, national or international labelling scheme, corresponding to the main activity of an SME. For instance, the EU Ecolabel covers specific products, such as textiles and footwear, coverings (e.g., wood floor coverings), cleaning and personal care products, electronic equipment, or furniture. The undertaking may consult the EU Ecolabel Product Groups and Product Catalogue for further information.

B2 – Practices, policies and future initiatives for transitioning towards a more sustainable economy

78. Undertakings may use the following template to report on B2 datapoints.

	Do you have existing sustainability practices policies/ future initiatives that address	Are they publicly available? [YES/NO]	Do~~es~~ the polic~~y~~ies have any targets? [YES/NO]

	any of the following sustainability issues? [YES/NO]		
Climate Change			
Pollution			
Water and Marine Resources			
Biodiversity and Ecosystems			
Circular Economy			
Own Workforce			
Workers in the Value Chain			
Affected Communities			
Consumers and end-users			
Business conduct			

79. If the undertaking is a cooperative, it may disclose:

(a) the effective participation of workers, users or other interested parties or communities in governance;
(b) 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); and
(c) any limits to the distribution of profits connected to the mutualistic nature or to the nature of the activities consisting in services of general economic interest (SGEI).

Guidance for own workforce, workers in the value chain, affected communities and consumers and end/users

80. In order to understand the sustainability issues that relate to social and human rights, refer to Appendix B for a list of possible sustainability issues (for example, child labour for own workforce or workers in the value chain). This list could help identify if the policies, practices, or future initiatives are aimed at addressing negative human rights impacts in a comprehensive way or if they are limited to certain groups of affected stakeholders (for example, workers in the upstream value chain).

Basic Module Guidance - Environmental Metrics

~~Metric~~ B 3 – Energy and greenhouse gas emissions

Impacts on climate: energy usage and greenhouse gas emissions

~~51.~~81. Under paragraphs ~~24~~29 and ~~25~~30, the undertaking reports on its climate impacts, providing information about its energy use and greenhouse gas emissions. This guidance for disclosure B 3 does not constitute an additional datapoint to the disclosures described in paragraphs ~~24~~29 (on energy consumption) and ~~25~~30 (on GHG emissions) but rather reinstates an overarching objective and provides context ~~of~~ for the Basic disclosure B-3.

Energy consumption

~~52.~~82. Climate related impacts are significantly driven by energy consumption. Therefore, it is relevant to disclose both the quantity as well as the type – e.g., fossil fuels such as coal, oil, and gas versus ***renewable energy*** – and mix of energy consumed. Examples of energy disclosures are total energy consumption broken down by fossil fuels and electricity. Other breakdowns may be reported such as consumption of purchased or self-generated electricity from renewable sources. ~~This~~ An example of the information ~~may be provided~~requested in ~~the following format~~paragraph 29 follows.~~:~~

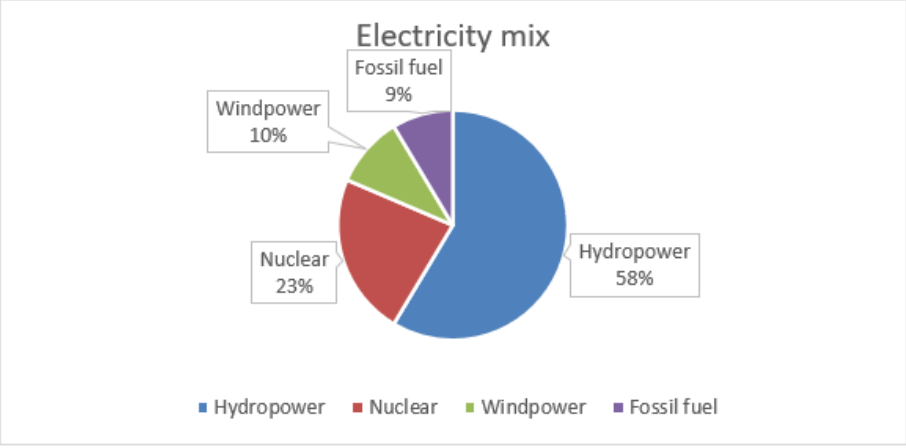
	Renewable Energy Consumption (MWh)	**Non-renewable Energy Consumption (MWh)**	**Total 202(x) Energy consumption (MWh)**
Electricity (as reflected in utility billings)	300	186	486
Fuels	3	7	10
Total	303	193	496

~~40. Undertakings are to report their energy consumption in terms of final energy, which is understood as the amount of energy delivered to the undertaking, for example, the Megawatt Hours (MWh) of electricity purchased from a utility, steam received from a nearby industrial plant or diesel purchased at petrol stations.~~

~~53.~~83. In case the undertaking purchases fossil fuels (e.g., natural gas, oil) or renewable fuels (e.g., biofuels, such as ~~natural gas, oil or biomass~~biodiesel and bioethanol) to generate electricity, heat or cooling for its own consumption, it has to avoid double counting. Therefore, the undertaking accounts for the energy content of the purchased fuel only as fuel consumption, but it does not account for, or report on, its electricity and heat consumption produced from that fuel yet again. In case of electricity generation from renewable energies such as solar or wind – and where no fuel use is~~n~~ necessary – the undertaking accounts for the amount of electricity generated and consumed as electricity consumption.

84. The undertaking shall not offset its energy consumption by its energy production even if on site generated energy is sold to and used by a third party. The undertaking shall also avoid double counting fuel consumption when disclosing self-generated energy consumption. If the undertaking generates electricity from either a non-renewable or renewable fuel source and then consumes the generated electricity, the energy consumption shall be counted only once under fuel consumption. The share of ***renewable energy*** consumption can be calculated based on guarantees of origin, renewable energy certificates or electricity composition as stated in the electricity bill. The electricity

bill may refer to electricity units consumed and specify the percentage of electricity provided coming from renewable sources and it may look like the figure below.



85. When preparing the information on energy consumption required under paragraph 29, the undertaking shall exclude feedstocks and fuels that are not combusted for energy purposes. The undertaking that consumes fuel as feedstocks can disclose information on this consumption separately from the required disclosures.

Conversion between different energy units

86. Undertakings are to report their energy consumption in terms of final energy, which is understood as the amount of energy delivered to the undertaking, for example, the Megawatt-Hours (MWh) of electricity purchased from the utility steam received from a nearby industrial plant or diesel purchased at petrol stations. Electricity explicitly refers to heat, steam and cooling. Fuels include anything burned, e.g. gas, natural gas, biomass, etc.

87. Paragraph 29 indicates MWh as the unit of choice for measuring energy consumption. In case of fuel or biomass, a conversion to MWh is necessary for data expressed in other units such as energy content (e.g. kJ, Btu), volume (e.g. litres, m³) or mass (e.g. metric tonnes, short tonnes).

88. For fuel consumption measured by mass (e.g., wood, coal), the undertaking should:

(a) obtain the Net Calorific Value (e.g. kJ/metric ton, TJ/Gg) of the fuel (it can be a typical value published by reliable sources, e.g. IPCC, or may be provided by the supplier or attained internally);

(b) convert the Net Calorific Value to MWh/ton, for example:

1 TJ = 10^{12}~~,012~~ J = 277.78 MWh ; 1 Gg = 109 g = 1,000 t

11.9 TJ/Gg = 11.9 * 277.78/1000 t = 3.31 MWh/ton; and

(c) calculate the energy content of the mass, for example:

1,245,345 t * 3.31 MWh/ton = 4,117,111 MWh.

89. For liquid fuel, the undertakings should:

(d) convert volume information to mass, multiplying volume by fuel density, for example,

Diesel = 4,456,000 l; Diesel density = 0.84 kg/l

4,456,000 (l) * 0.84 (kg/l) = 3,743,040 kg = 3,743 t;

(e) calculate the energy content, multiplying mass by Net Calorific Value, for example,

3,743 [t] * 43 [TJ/Gg] = 3,743 t * 43 TJ/(1,000 [t]) = 160.95 [TJ] ; and

(f) convert TJ to MWh, for example,

1 TJ = 10^{12}~~,012~~ J = 277.778 MWh

160.95 [TJ] = 277.78 [MWh/TJ] * 160.95 [TJ] = 44,708 MWh.

Documentation Source:	
Data	*Documentation Source*
CDP	CDP Technical Note: Conversion of fuel data to MWh https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/000/477/original/CDP-Conversion-of-fuel-data-to-MWh.pdf?1479755175

Greenhouse gas emissions

~~54.~~90. As for gross greenhouse gas emissions (GHG) arising from the undertaking's activities, ~~this~~the requirement in paragraph 30 builds on the definitions and rules of the GHG Protocol, the leading accounting standard for GHG emissions. Under paragraph ~~25~~30, undertakings are to report on their Scope 1 and Scope 2 emissions. Scope 1 GHG emissions cover direct emissions from owned or controlled sources. Scope 2 emissions are ***indirect GHG emissions*** resulting from the activities of the reporting company (as they derive from the undertaking's consumed energy) which, however, occur at sources owned or controlled by another company. Further guidance is provided in the sections below on how to calculate Scope 1 and 2 emissions.

~~55.~~91. Scope 1 and 2 emissions may be reported in the following format.

	202(x) GHG emissions (tCO_2e)
Scope 1	45
Scope 2	6
Total	51

~~Scope 1 emissions calculation guidance~~

92. The GHG Protocol is a global standard for measuring, reporting and managing GHG emissions while ensuring consistency and transparency. The corporate standard covers Scope 1, Scope 2 and Scope 3 emissions guidance for companies and other organisations (NGOs, government, etc.).

93. To ensure a fair account of the undertaking's emissions, the GHG Protocol has set a list of reporting principles:

(a) relevance: ensuring that the GHG inventory reflects the GHG emissions of the organisation.

(b) completeness: ensuring that the GHG inventory account for all the GHG emission sources and activities within the chosen boundary.

(c) consistency: ensuring the consistency of the methodology used to allow for comparisons over time.

(d) transparency: disclosing the assumptions, references and methodology used when computing GHG emissions.

(e) accuracy: ensuring that GHG emissions data is sufficiently precise to allow users to make decisions.

94. In alternative to the GHG Protocol, undertakings may resort to ISO 14064-1, should it be better suited to their reporting needs.

95. When reporting on GHG emissions, it is important to set the appropriate boundaries to ensure that the GHG inventory is correct and to avoid double counting emissions. The GHG Protocol defines two main types of boundaries – organisational or operational boundaries.

(a) Organisational boundary: the GHG Protocol defines it as the boundaries that determine the operations owned or controlled by the reporting undertaking, depending on the consolidation approach taken. There are two approaches to consolidation of emissions – the equity or control approach. The undertaking will choose the approach that reflects its circumstances.

(b) The equity share approach relates to accounting for GHG emissions from operations according to its shares of equity in the operation.

(c) When using the control approach, the undertaking accounts for GHG emissions from operations over which it has either financial or operational control. Companies will use either the operational control or financial control criteria when using this approach to consolidate and capture its emissions in the report.

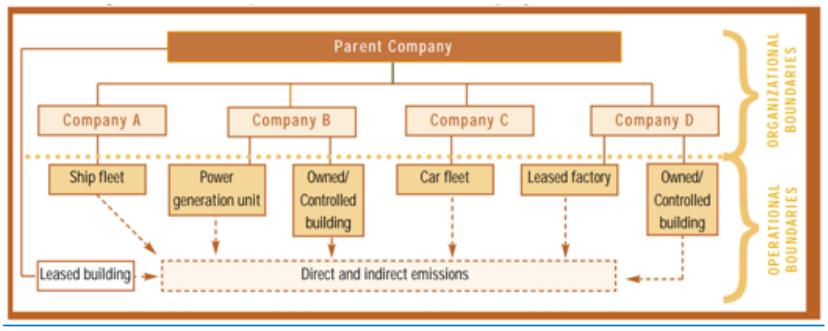
i. Financial control means that the undertaking has financial control over the operation if the former has the ability to direct the financial and operating policies of the latter with a view to gaining economic benefits from its activities.

ii. Operational control means that an undertaking has operational control over an operation if the former or one of its subsidiaries has full authority to introduce and implement its operating policies at the operation.

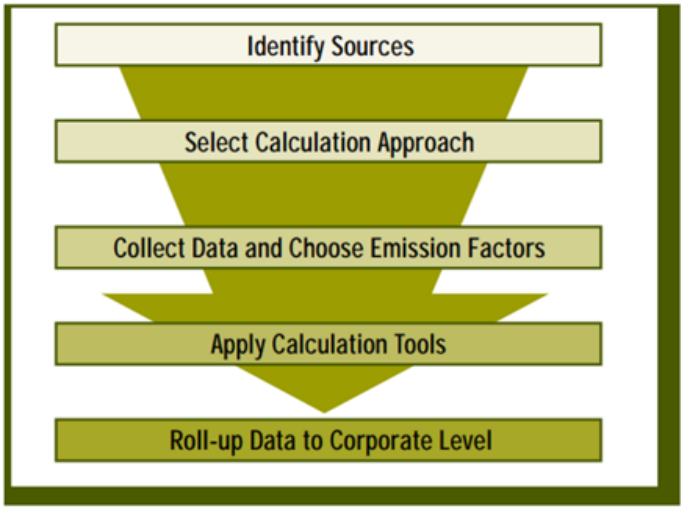
(d) Operational boundary: the GHG Protocol defines it as the boundaries that determine the direct and indirect emissions associated with operations owned or controlled by the reporting company. This assessment offers an undertaking the ability to establish which operations and sources cause direct (Scope 1) and indirect emissions (Scope 2 and Scope 3), and to decide which indirect emissions to include that resulting from its operations.

(e) Boundary considerations need to follow the principles detailed above (consistency over time, transparency in documenting them and completeness) and are visualised in the image below[8].

[8] Greenhouse Gas Protocol Corporate Standard: https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf



96. The GHG Protocol also introduces guidance as well as steps to follow to identify, calculate and track GHG emissions, as visualised in the image below[9].



97. Different tools have been developed by private and public initiatives to help undertakings in developing their GHG emissions inventory and facilitating challenges related to its preparation:

(a) calculation tools and guidance by the GHG Protocol: https://ghgprotocol.org/calculation-tools-and-guidance

(b) SME Climate hub: https://smeclimatehub.org/start-measuring/

(c) Business Carbon Calculator by Normative: https://businesscarboncalculator.normative.io/en/

(d) Carbon Trust SME Carbon Footprint Calculator: https://www.carbontrust.com/our-work-and-impact/guides-reports-and-tools/sme-carbon-footprint-calculator

(e) UK Business Climate hub: https://businessclimatehub.uk/carbon-footprint-calculators/

Scope 1 and location-based Scope 2 emissions guidance

~~56.~~ 98. Typical Scope 1 emissions include CO2 (as well as CH_4 and N_2O) emissions associated with fuel combustion (for example~~,~~ in boilers, furnaces, vehicles, etc.) and fugitive emissions from air conditioning and industrial processes.

99. Location-based Scope 2 includes emissions from electricity, heat, steam and cooling purchased or acquired and consumed by the reporting company. It reflects the average emissions intensity of grids on which the energy consumption occurs and uses mostly grid-average emission factor data. Typical sources of Scope 2 emissions relate to any equipment that consumes electricity (electrical engines,

[9] Greenhouse Gas Protocol Corporate Standard: https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf

lights, buildings, etc.), heat (heating in industrial processes, buildings, etc.), steam (industrial processes) and cooling (industrial processes, buildings, etc.).

41. Emissions associated with combustion can be calculated by the expression

$$Emissions_{GHG,Fuel} = Activity\ Data_{Fuel} * EF_{GHG,Fuel} * GWP_{GHG}$$

where the value assigned to '$Emissions_{GHG}$' corresponds to the emissions of CO2, CH4 or N2O resulting from the combustion of the Fuel in tCO2e.

100. '$Activity\ Data_{Fuel}$' Evaluating GHG emissions can be done in several ways, including by the calculation approach, measurement, or a combination of measurement and calculations. One common approach is based on calculating with use of emission factors (EF) – which may incorporate the global warming potential (GWP) of the GHG. Direct measurement using sensors (flow and concentration) can also be applied. The table below summarises the most common methods.

GHG evaluation method	**Details**	**Necessary data**
Measuring	Multiplying the quantities of gas directly measured by their respective global warming potential.	Direct quantity of gas emitted obtained from gas measurement (flow, concentration, volume) Global warming potential (GWP) of the gases
Calculating	Multiplying the activity data by the emission factor (EF) that integrates the global warming potential (GWP)	Activity data Emission factors (EF)

101. The table above introduces the following terms:

activity data, which typically corresponds to the quantity of fuel consumed. Though typically It may be expressed in energy units, it can also be expressed in (e.g. MWh), volume (e.g. m³ or l) or mass (e.g. tonnes or kg.).

'$EF_{GHG,Fuel}$' corresponds to the specific combustion Emission Factor (EF) used for the fuel. The units of the EF need to be consistent with the units of the activity data.

a. 'GWP_{GHG}' corresponds to the Global Warming Potential of the GHG (CO2, CH4 or N2O). The activity data These can be determined using accessed by the undertaking by reviewing fuel purchase receipts and purchase records, or through direct measurement at the combustion device. The fuel quantities can be measured in different forms (typically mass or volume), and care needs to be taken to make sure that the activity data and the EF are expressed using the same units. It is not uncommon for emission factors of fuels to be expressed in terms of energy (Lower Calorific Value), in which case the further step of converting the volume or mass of the fuel to its energy content is needed (see the example below). This way, the expression above can take different forms, namelyutility bills.

$$Emissions_{GHG,Fuel} = Activity\ Data_{Fuel} * EF_{GHG,Fuel} * GWP_{GHG}$$

$$Emissions_{GHG,Fuel} = [Volume * CalorificValue]_{Fuel} * EF_{GHG,Fuel} * GWP_{GHG}$$

b. CO2 global warming potential, which quantifies the impact of the given GHG on the climate compared to an equivalent unit of carbon dioxide; and

57.c. emission factors ~~are either derived through analysis of the carbon and heat content of the fuel (not likely to be needed for SME undertakings) or through the use~~(FE), quantifying how much GHG is emitted per unit of ~~published~~ activity. The emission factors ~~for the most common fuels. EFs for CH4 and N2O will depend on the type of combustion technology and will vary with it. In most cases, CH4 and N2O emissions are within the measurement error of CO2 and can be neglected. Sometimes the emission factor can already~~frequently take into account the GWP of the GHG~~. In that~~, in which case the ~~parameter GWP_{GHG}~~ undertaking does not need to ~~be considered~~consider the latter.

~~42. For the GWP, use the most recent values published by the Intergovernmental Panel on Climate Change (IPCC) based on a 100 year time horizon to calculate tCO2eq emissions of non CO2 gases. The current list features the IPCC's 6th Assessment Report, Chapter 7SM[10].~~

~~58.~~102. The ~~following~~ table ~~provides a list of~~ below summarises non-exhaustive sources ~~of~~where both emission factors ~~for fuels~~(FE) and global warming potential (GWP) can be easily accessed by undertakings. Undertakings may also refer to authoritative national sources that may be more relevant to ~~the particulars of~~ their circumstances~~situation~~.

~~**Documentation Sources:**~~	
~~*Data*~~	~~*Documentation Source*~~
~~Activity data~~	~~fuel purchase receipts, purchase records, or through direct measurement at the combustion device.~~
~~Emissions Factors (EF):~~	
~~Fuel~~	~~ADEME – Bilan Carbonne~~ ~~*https://base-empreinte.ademe.fr/*~~ ~~IPCC – Emissions Factor Database~~ ~~*https://www.ipcc-nggip.iges.or.jp/EFDB/find_ef.php?reset=*~~ ~~IPCC – Guidelines for National Greenhouse Gas Inventories~~ ~~*Microsoft Word V2_Ch2_Stationary_Combustion_Final.doc (iges.or.jp)*~~
~~Global Warming Potential (GWP)~~	~~IPCC – Global Warming Potential p. 16~~ ~~*https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_Chapter07_SM.pdf*~~

Emission factors (FE)	ADEME – Base Empreinte® IPCC – Emissions Factor Database IPCC – Guidelines for National Greenhouse Gas Inventories Association of Issuing Bodies (AIB) – Residual Mix Grid Emission Factors JRC – Historical GHG emissions factor for electricity consumption Life-cycle electricity production emission factors

~~[10] Smith, C., Z.R.J. Nicholls, K. Armour, W. Collins, P. Forster, M. Meinshausen, M.D. Palmer, and M. Watanabe, 2021: The Earth's Energy Budget, Climate Feedbacks, and Climate Sensitivity Supplementary Material. In Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [Masson-Delmotte, V., P. Zhai, A. Pirani, S.L. Connors, C. Péan, S. Berger, N. Caud, Y. Chen, L. Goldfarb, M.I. Gomis, M. Huang, K. Leitzell, E. Lonnoy, J.B.R. Matthews, T.K. Maycock, T. Waterfield, O. Yelekçi, R. Yu, and B. Zhou (eds.)]. Available on https://www.ipcc.ch/.~~

	USEPA GHG emission factors Hub Emission Factors and reference values published by the Government of Canada IEA's Annual GHG emission factors for World countries from electricity and heat generation (2022 data set, paid data set)
Global warming potential (GWP)	IPCC – Global Warming Potential

103. The undertakings can also find more guidance and tools on how to act and report on their GHG emissions and climate impacts by visiting ~~https://smeclimatehub.org/~~ https://smeclimatehub.org/.

Example of Scope 1 emission calculation

~~59.~~ 104. Company A burns Nr. 4 fuel oil in an industrial boiler. For its financial accounting, it keeps track of its costs, and for GHG accounting purposes, it keeps track of volumes (m^3) as reflected in their fuel receipts. From the receipts, it determines the annual volumes of fuel oil bought, and it keeps track as well of the fuel oil inventory on the first calendar day of the year. In 2023 it purchased 100 m^3 of fuel oil. Based on its records, on 1 January 2023 it had 2.5 m^3 in its reservoirs, and on 1 January 2024 it had 1 m^3. Thus, it determines (through purchase and measurement of inventory) that during 2023 it consumed 101.5 m^3 of fuel oil.

105. Using the IPCC list of emissions factors (Table 2.3, page 2.18), it estimates its emission factor to be a fifty-fifty blend of diesel oil and residual oil as 75.75 t CO2/TJ and by using published statistics on energy, determine~~d~~s that its net calorific value of the fuel is 0.03921 TJ/m^3. Given that the CO_2 GWP equals one, its CO_2 emission for this specific Scope 1 source is:

$$101.5\ m^3 * 0.03921\ TJ/m^3 * 75.75\ t\ CO_2/TJ * 1 = 301.5\ t\ CO_2$$

106. For the purpose of completeness ~~of~~ this example, the CH_4 and N_2O emissions are also calculated. Checking the IPCC list of emission factors shows that, these are, respectively, 3 kg of CH_4/TJ and 0.6 kg of N_2O/TJ, ~~thus~~ the emissions thus being~~will be~~:

$$CH_4\ \text{emissions} = 101.5\ m^3 * 0.03921\ TJ/m^3 * 3\ kg\ CO_2/TJ * 29.8 = 0.36\ tCO_2e$$

$$N_2O\ \text{emissions} = 101.5\ m^3 * 0.03921\ TJ/m^3 * 0.6\ kg\ CO_2/TJ * 273 = 0.65\ tCO_2e$$

As mentioned, CH4 and N2O emissions add around 1 tCO2e to the CO2 value of 301.5 tCO2, which amounts to about 0.3% of the total. This could be considered well within an acceptable reporting error and so could not have been calculated and reported.

107. Global Warming Potentials for CH_4 and N_2O are derived from the IPCC's Sixth~~6~~th Assessment Report, Chapter 7SM[11].

~~Guidance for location-based~~ *Example of Scope 2* **~~emissions~~***emission calculation*

[11] Smith, C., Z.R.J. Nicholls, K. Armour, W. Collins, P. Forster, M. Meinshausen, M.D. Palmer, and M. Watanabe, 2021: The Earth's Energy Budget, Climate Feedbacks, and Climate Sensitivity Supplementary Material. In Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [Masson-Delmotte, V., P. Zhai, A. Pirani, S.L. Connors, C. Péan, S. Berger, N. Caud, Y. Chen, L. Goldfarb, M.I. Gomis, M. Huang, K. Leitzell, E. Lonnoy, J.B.R. Matthews, T.K. Maycock, T. Waterfield, O. Yelekci, R. Yu, and B. Zhou (eds.)]. Available from https://www.ipcc.ch/.

~~43. Location based Scope 2 includes emissions from electricity, heat, steam and cooling purchased or acquired and consumed by the reporting company. It reflects the average emissions intensity of grids on which the energy consumption occurs and uses mostly grid average emission factor data.~~

~~60. Typical sources of Scope 2 emissions relate to any equipment that consumes electricity (electrical engines, lights, buildings, etc.), heat (heating in industrial processes, buildings, etc.), steam (industrial processes) and cooling (industrial processes, buildings, etc.).~~

~~44. Emissions associated with the purchase and consumption of electricity, heat, steam and cooling can be calculated by the expression~~

$$\textit{Emissions}_{GHG} = \textit{Activity Data} * EF$$

~~where '$\textit{Emissions}_{GHG}$' corresponds to the emissions of GHG resulting from the production of electricity, heat, steam or cooling (in the case of combustion of fuels, typically CO_2, CH_4 and N_2O). '$\textit{Activity Data}$' corresponds to the quantity of fuel consumed, typically expressed in energy units (e.g., MWh). And '$EF_{GHG,Energy}$' corresponds to the EF used for the production of energy (electricity, heat, steam or cooling). The emission factors can be grid average factors. The units of the EF need to be consistent with the units of the activity data.~~

~~45. A grid average emission factor is an emission factor that characterises all the GHG emissions associated with the quantity of electricity generation produced by facilities located within a specified geographic boundary. These emission factors are usually produced for periods of one year – by averaging emissions and electricity production over a calendar year – and are often produced by the Electricity System Operator (ESO), Transmission System Operators (TSO), the electricity system supervisory body or other competent authorities. There are also grid average emission factors calculated for much shorter periods, e.g., for seconds or minutes.~~

~~46. Undertakings may also want to provide their market based Scope 2 figure. Emission factors for market based Scope 2 emissions reflect the contractual arrangements of the undertaking with its energy suppliers. Market based emission factors can be provided by their electricity or heat suppliers as well as supported by their own purchase of Energy Attribute Certificates or Power Purchase Agreements (PPAs) or the use of residual mix emission factors.~~

~~47. Scope 2 accounting methods are explained in more detail in the GHG Protocol Scope 2 Guidance.~~

~~*Example*~~

~~61.~~108. Company A occupies an office building of 2000 m² in Paris, where it pays the electricity consumed for the central heating and cooling, lighting, computers and other electric equipment such as appliances. With its utility bills, it has estimated that the building consumed 282 MWh of electricity in 2022. By using the emission factor provided by nowtricity.com for France in 2022, it has estimated its Scope 2 emissions for its building electricity consumption to be

$$Emissions_{GHG} = 282\,000\,[kWh] * 73\left[\frac{g\ CO_2eq}{kWh}\right] = 20.6\ \text{t}\ CO2_2eq$$

~~48. The following table provides a list of non-exhaustive sources of electricity emission factors. Undertakings may also refer to authoritative national or grid sources that may be more relevant to the particulars of their situation.~~

~~**Documentation Sources:**~~

~~*Data*~~	~~*Documentation Source*~~

~~Activity data~~	~~Purchase receipts or utility bills, contract purchase or firm purchase records~~
~~Emissions Factors (EF):~~	
~~Europe Grid electricity~~	~~Association of Issuing Bodies (AIB) – Residual Mix Grid Emission Factors~~ ~~*https://www.aib-net.org/facts/european-residual-mix*~~ ~~ADEME – Bilant Carbonne~~ ~~*https://base-empreinte.ademe.fr/*~~ ~~JRC – Historical GHG emissions factor for electricity consumption~~ ~~*https://data.jrc.ec.europa.eu/dataset/919df040-0252-4e4e-ad82-c054896e1641#dataaccess*~~ ~~*Life cycle electricity production emission factors https://www.nowtricity.com/*~~
~~North America Grid electricity~~	~~USEPA GHG emission factors Hub~~ ~~https://www.epa.gov/climateleadership/ghg-emission-factors-hub~~ ~~Government of Canada~~ ~~https://publications.gc.ca/collections/collection_2023/eccc/En84-294-2023-eng.pdf~~
~~Other regions/Global~~	~~IEA's Annual GHG emission factors for World countries from electricity and heat generation (2022 data set, paid data set)~~ ~~*https://www.iea.org/data-and-statistics/data-product/emissions-factors-2022#emissions-factors*~~
~~Global Warming Potential (GWP)~~	~~IPCC – Global Warming Potential (GWP-100) p. 16~~ ~~*https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_Chapter07_SM.pdf*~~

~~49. More guidance and tools on how to act and report on climate can be found at https://smeclimatehub.org/.~~

109. Undertakings may also want to provide their market-based Scope 2 figures. Emission factors for market-based Scope 2 emissions reflect the contractual arrangements of the undertaking with its energy suppliers. Market-based emission factors can be provided by their electricity or heat suppliers as well as supported by their own purchase of Energy Attribute Certificates or Power Purchase Agreements (PPAs) or the use of residual-mix emission factors.

~~Conversion between different energy units~~

~~50. Undertakings are to report their energy consumption in terms of final energy, which is understood as the amount of energy delivered to the undertaking, for example, the Megawatt Hours (MWh) of electricity purchased from the utility steam received from a nearby industrial plant or diesel purchased at petrol stations.~~

62. Paragraph 24 indicates MWh as the unit of choice for measuring energy consumption. In case of fuel or biomass, a conversion to MWh is necessary for data expressed in other units such as energy content (e.g., kJ, Btu), volume (e.g., litres, m^3) or mass (e.g., metric tonnes, short tonnes).

63. For fuel consumption measured by mass (e.g., wood, coal), the undertaking should

(a) obtain the Net Calorific Value (e.g., kJ/metric ton, TJ/Gg) of the fuel (it can be a typical value published by reliable sources, e.g., IPCC, or may be provided by the supplier or attained internally);

(b) convert the Net Calorific Value to MWh/ton, for example,

1 TJ = 1,012 J = 277.78 MWh ; 1 Gg = 10^9 g = 1,000 t

11.9 TJ/Gg = 11.9 * 277.78/1000 t = 3.31 MWh/ton; and

(c) calculate the energy content of the mass, for example,

1,245,345 t * 3.31 MWh/ton = 4,117,111 MWh.

64. For liquid fuel, the undertakings should:

(a) convert volume information to mass, multiplying volume by fuel density, for example,

Diesel = 4,456,000 l; Diesel density = 0.84 kg/l

4,456,000 (l) * 0.84 (kg/l) = 3,743,040 kg = 3,743 t;

(b) calculate the energy content, multiplying mass by Net Calorific Value, for example,

3,743 [t] * 43 [TJ/Gg] = 3,743 t * 43 TJ/(1,000 [t]) = 160.95 [TJ] ; and

c) convert TJ to MWh, for example,

1 TJ = 1,012 J = 277.778 MWh

160.95 [TJ] = 277.78 [MWh/TJ] * 160.95 [TJ] = 44,708 MWh.

Documentation Source:	
Data	*Documentation Source*
CDP	CDP Technical Note: Conversion of fuel data to MWh https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/000/477/original/CDP-Conversion-of-fuel-data-to-MWh.pdf?1479755175

Metric B 4 – Pollution of air, water and soil

Guidance on which undertakings need to report on pollution and what pollutants do undertakings need to report on

65. 110. Paragraph 2632 establishes that, if applicable, the undertaking shall disclose the pollutants it emits to air, water and soil in its own operations if such information is already required to be reported by law to competent authorities or under an Environmental Management System such as EMAS. This means that the undertaking will, first, assess whether it already reports such information,

either as a legal requirement or voluntarily. If it already reports information on pollutants emissions (or is legally required to do so), the undertaking will then provide further information on such emissions, according to the requirements in paragraph 32. However, if the undertaking does not yet report such information (and is not legally required to do so), it is simply required to state this to be the case.

66.111. ~~The metrics to be disclosed under this paragraph refer to information that the undertaking is already mandated to provide by law. This requirement was conceived to avoid any additional reporting burden on undertakings~~. In general, this requirement is expected to apply to undertakings that are operators of an industrial installation ~~covered by the Industrial Emissions Directive (IED). The IED applies to some 52~~or intensive livestock farm covered by the Industrial and Livestock Rearing Emissions Directive (IED 2.0), amending the Industrial Emissions Directive (IED). The IED 2.0 applies to some 75,000 installations in Europe, covering activities such as burning fuel in boilers with rated power of more than 50 MW, founding in metal foundries, processing of non-ferrous metals, production of lime, manufacturing of ceramic products by firing, production of plant protection products or biocides, rearing of any mix of pigs or poultry representing 380 livestock units or more, tanning of hides, slaughterhouses, etc. In these cases, the installation must already ~~has to~~ report to the competent authority the pollutants released to air, water and soil, and the data is publicly available at the ~~European Pollutant Release and Transfer Register (E-PRTR).~~ Industrial Emissions Portal Regulation (IEPR), replacing the European Pollutant Release and Transfer Register (E-PRTR). Companies that operate in more than one facility do not have to report on their consolidated company-wide emissions under the EPRTR, as they report only at facility level. This [draft] Standard requires the reporting of the total amount of pollutants of all the facilities. Similarly, companies owning but not operating in a facility do not have to report to the E-PRTR but are expected to reflect their facility-owned emissions in their sustainability report.

67.112. Likewise, if ~~under an EMAS certification~~ an undertaking has been identified as having to monitor and report on the pollutants listed in the E-PRTR under an Environmental Management System such as, for example, an Eco-Management and Audit Scheme (EMAS) or ISO 14001 certification;. Tthese are in principle relevant aspects for the undertaking to include in its sustainability report.

68.113. If an undertaking has only one facility or operates in only one facility, and if its pollution data is already publicly available, the undertaking may refer to the document where such information is provided instead of reporting it once again. Likewise, if the undertaking publishes an organisation-wide report, such as, for example, an EMAS report, that incorporates pollution data, it can include it in the sustainability report by reference.

69.114. To report information on pollutants in the sustainability report, the undertaking should indicate the type of pollutant material being reported alongside the amount emitted to air, water and soil in a suitable mass unit (e.g., t or kg).

70.115. Below can be found an example of how undertakings may present information on their emissions to air, water and soil divided by pollutant type.

Pollutant	**Emissions (kg)**	**Medium of release (air, water, soil)**
e.g., Cadmium and compounds	10	Water
Type of pollutant 2		
Type of pollutant 3		

116. As for the types of pollutants that need to be considered when reporting under paragraph 32, the undertaking may refer to the following main pollutants that are currently covered under EU law. Nevertheless, each undertaking shall consider the specific pollutants covered by the legislation in their respective jurisdictions.

117. Examples of key pollutants to air (Dir. 2024/299; Reg. 2024/1244; EC, 2024; EEA, 2022): sulphur oxides (Sox/SO2 – e.g. from energy generation and heating in manufacturing), nitrogen oxides (NOx/NO2 – e.g. from transport), non-methane volatile organic compounds (NMVOC – e.g. from agricultural activities), carbon monoxide (CO – e.g. from fossil fuel combustion), ammonia (NH3 – e.g. manure application and storage), particulate matter (PM10 – e.g. from combustion in manufacturing, transport, agricultural activities), heavy metals (Cd, Hg, Pb, As, Cr, Cu, Ni, Zn), POPs (total PAHs, HCB, PCBs, dioxins/furans), ozone-depleting substances or 'ODS' (chlorofluorocarbons 'CFCs', hydrochlorofluorocarbons 'HCFCs', halons), black carbon (BC – e.g., from energy consumption), etc.

118. According to the Guide for Business on air pollutants emissions adopted by the Alliance for Clean Air, the major sources of emissions of air pollutants in the private sector (that are also highly impactful for the entire value chain) include: (a) electricity generation from fossil fuel or biomass combustion (which may be done externally, distributed through a national grid, then consumed along the value chain activities); (b) direct stationary fossil fuel or biomass combustion within an undertaking's activities or industrial processes, or the operation of stationary machinery or other activities that require fuel combustion; (c) transport (freight, road, rail, shipping and aviation, off-road vehicles such as those used in agriculture or construction); (d) industrial processes (all other emissions that do not stem from fuel combustion and that occur during industrial processes); (e) agriculture (livestock and manure management, crop production such as crop residue burning, manure and fertiliser application); (f) waste disposal (e.g., landfilling, incineration or open burning, or composting).

119. The Guide represents an example of a simple methodology for developing a company's air pollutant emission inventory and calculating the emissions of respective air pollutants. This methodology is divided into the following steps; excluding the mapping of the value chain as under the VSME Standard the information required by this Disclosure Requirement is to be reported at the level of the reporting company: (1) identifying emission sources within the value chain, (2) identifying methodologies for quantifying emissions, (3) collecting activity data, (4) identifying emissions factors, and (5) quantifying emissions. The guide provides a mapping of sources of pollution to methodologies for calculating information on emissions stemming from the main air pollutants (table below).

Sources of pollution	**Methodology for quantifying emissions** **(Section in the guidance)**
Electricity	Section 4.1
Fuel combustion	Section 4.2
Transport	Section 4.3
Industrial processes	Section 4.4
Agriculture	Section 4.5

Waste	Section 4,6

120. Below is an example of a calculation method for air pollutant emissions using the method for manufacturing taken from the Guide above. In the example considered, Mp is the quantity of material M used in (or produced by) a company's value chain produced using process p (tonnes, litres); EFk,p is the emission factor for pollutant k for process p (g unit production-1); Emk,p are emissions of the specific pollutant k for process p (g).

$$Em_{k,p} = M_p * EF_{k,p}$$

121. For instance, a medium-sized chocolate manufacturer producing 1.750 tonnes of chocolate in 2022 would apply the default emission factor of 2 to calculate its emissions of NMVOCs, which would result in the following calculation:

1.750 tonnes of chocolate * 2 (emission factor of NMVOCs) = 3.500 tonnes of emissions of NMVOCs.

122. Transport may be another significant source of air pollution within own operations and at value chain level. In this case, to estimate the emission of a particular pollutant from road transport, for example, the entity will need to use the following formula, where: FCv,f is the fuel consumption of vehicle type v using fuel f (kg); EFk,v,f is the emission factor for pollutant k for vehicle type v, and fuel f (g vehicle-km-1); Emk,v,f represents the emissions of the specific pollutant k for vehicle type v, and fuel f (g).

$$Em_{k,v,f} = FC_{v,f} * EF_{k,v,f}$$

123. For example, a light commercial vehicle (LCV) running on diesel that travelled a total of 2.800 km in 2022, produced the following amount of PM10 emissions (PM10 emission factor of 1,52 g/kg):

2.800 km * 1,52 = 4.256 grammes of emissions of PM_{10}.

124. Fuel combustion is an additional critical source of air emissions. In this case an example of formula may be the following, where FCn is the fuel n consumed within the source category (Gj); EFk is the emission factor for this pollutant k (g/Gj); and Emk are emissions of the specific pollutant k (g).

$$Em_k = FC_n * EF_k$$

125. For example, a company consuming 3.000.000 grammes of fuel in 2020 will have an EF of 0,67 for SO2, resulting in:

3.000.000 * 0,67 = 2.010.000 grammes of emissions of SO_2. from fuel combustion in 2020.

126. Examples of key pollutants to water (Reg. 2024/1244; Dir. 2000/60/EC; Dir. 2006/118/EC; Dir. 91/676/EEC; Dir. 2010/75/EU; and amendment Dir. 2024/1785; EEA, 2024) are: nitrogen (N), phosphorus (P), heavy metals (Cd, Hg, Pb, as well as As, Cr, Cu, Ni, Zn), POPs and pesticides, BTEX (benzene, toluene, ethylbenzene, xylenes) and other Volatile Organic Compounds (VOCs), substances unfavourably influencing the oxygen balance (measured using parameters such as BOD, COD, etc.), total organic carbon (TOC), etc.

127. Pesticides and nutrients (e.g., N and P) may be released through agricultural activities (EEA, 2023; UNEP, 2023) (e.g., manure or inorganic fertiliser application). Heavy metal concentrations may stem from mining and wastewater discharges. TOC is a generic indicator of water contamination with organic matter which indicates the presence of living material, for example in wastewater, but also surface and groundwater (usual concentration levels of less than 10 mgl^{-1} and 2 mgl^{-1} respectively). COD widely indicates the presence of industrial effluents or sewage, with values that are typically lower than 20 mgl^{-1} in unpolluted waters and industrial wastewaters reaching values of up to 60.000 mgl^{-1}. BOD is normally used to determine pollution by organic matter in surface waters as well as for the efficiency of sewage treatment and it usually features values around 2 mgl^{-1} in unpolluted waters and 10 mgl^{-1} and more in polluted waters. The release of VOCs can be the result of spills to water.

128. As for the methodology used to measure emissions to water, the EEA recommends a simple estimation technique, similar to the one used for the afore-mentioned air pollutants. In the formula below, ARa is the activity rate for activity a (to be chosen based on the specific activity or process; e.g. see Mp in the air emissions calculation above); EFp,a is the emission factor for pollutant p for activity a; and Emissionsp,a are emissions of the specific pollutant p for activity a.

$$Emissions_{p,a} = AR_a * EF_{p,a}$$

129. Examples of key pollutants emitted to soil (Reg. 2024/1244; Dir. 86/278/EEC) are: N, P, heavy metals (e.g., land application of sewage sludge), BTEX and other VOCs, POPs and pesticides.

130. Overall, the private sector sources of soil pollution are mainly the products or by-products of industrial processes (e.g., production of chemicals, energy, textiles manufacturing), accidental spills of petrol-derived products, livestock and agricultural activities (e.g., irrigation with untreated wastewater, poultry rearing), production and treatment of wastewater, production and processing of metals and minerals, and transportation (FAO, 2021).

131. Several national manuals have been developed to support companies in the calculation of their emissions to air, water and soil, For example, in Australia and South Africa entities are presented with a few estimation options to choose from, depending on their possibilities: direct measurement (e.g., sampling, continuous monitoring system), mass balance, engineering calculations, emission factors (same formula as above for air and water emissions), etc. The general approach to calculating such emissions is to: 1) identify the emission sources within the facility (combustion, manufacturing, solvent evaporation, storage, fugitive); 2) make a stock of the information available; 3) identify in the list of estimation methods the most suitable one for the specific process under evaluation, the information available, and the measuring tools that can be acquired to get the data that is needed; 4) gather the data required for each method; and 5) calculate emissions. The manuals provide several formulas and examples for each emissions calculation method.

132. A list of emission factors for air pollutants can be found at the dedicated webpage of the EEA. Although emission factors are more commonly used for air pollution, certain ones for surface water discharge and land disposal for specific processes were made available by the WHO. Additional emission factors for POPs may be consulted here.

133. It is to be noted that the requirements under paragraph 342 are only applicable to SMEs operating in specific sectors. Undertakings that are involved in the provision of services (e.g., operating in co-working or shared facilities, or remotely), for instance, are typically not included in the scope of this disclosure. By contrast undertakings carrying out production activities (e.g., chemicals) generally have impacts in terms of pollution and are, therefore, expected to report under this disclosure. The table below (adapted from the EMAS User Guide) provides examples of sectoral impacts, including for office services, for which pollution-related aspects may not be significant.

Activity	Environmental aspect	Environmental impact
Transport	- consumed machine oils, fuel consumption - vehicle emissions - tyre abrasion (fine dust)	- **soil, water, air pollution** - greenhouse effect, noise
Construction	- primary raw material (resource) consumption - air emissions, noise, vibrations, etc. From construction machinery - land consumption	- raw material availability - noise, **soil, water, air pollution** - destruction of ground cover - biodiversity loss

Office services	- consumption of materials, (e.g., paper, toner) - electricity consumption (leads to indirect CO2 emissions)	- generation of mixed municipal waste - greenhouse effect
Chemical industry	- primary raw material (resource) consumption - wastewater - emissions of volatile organic compounds - emissions of ozone-depleting substances	- raw material availability - **water pollution** - photochemical ozone - **destruction of the ozone layer**

Documentation Sources:

Data	*Documentation Source*
EMAS User Guide	https://green-business.ec.europa.eu/document/download/98357f3d-f891-416e-81ea-a26f3ff3c61f_en?filename=PDF%20version%20C_2023_7207EN_annexe_acte_autonome_cp_part1_0.pdf
A Practical Guide For Business: Air Pollutant Emission Assessment	https://www.ccacoalition.org/sites/default/files/resources/files/CCAC%20SEI%20-%20A%20Practical%20%20Guide%20For%20Business%20-%20Updated_Final%202023.pdf
Regulation (EU) 2024/1244 (IEPR)	https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L_202401244
Directive 2010/75/EU (IED) & amendment in Directive (EU) 2024/1785 (IED 2.0)	https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02010L0075-20110106 https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ%3AL_202401785#d1e40-42-1
Calculating emissions to water – a simplified method	https://www.eionet.europa.eu/etcs/etc-icm/products/etc-icm-reports/calculating-emissions-to-water-a-simplified-method
Emission Estimation Technique Manual (Australia)	https://www.dcceew.gov.au/sites/default/files/documents/softdrink.pdf
A guide to reporting and estimating emissions for the integrated pollutant and waste information system	https://sawic.environment.gov.za/documents/297.pdf
EMEP/EEA air pollutant emission inventory guidebook 2023	https://efdb.apps.eea.europa.eu/?source=%7B%22query%22%3A%7B%22match_all%22%3A%7B%7D%7D%2C%22display_type%22%3A%22tabular%22%7D
Summary of techniques for estimating releases of chemicals from products (OECD)	https://www.oecd.org/content/dam/oecd/en/publications/reports/2017/01/resource-compendium-of-prtr-release-estimation-techniques-part-4-summary-of-

	techniques-for-estimating-releases-of-chemicals-from-products_a3b37c3f/29018220-en.pdf

~~Metric~~ B 5 – Biodiversity

Guidance on how to identify sites in or near biodiversity sensitive areas

~~71.~~134. Paragraph ~~2833~~ stipulates that the undertaking shall disclose the sites it operates in that are located in or near ***biodiversity- sensitive areas***. Biodiversity sensitive areas are defined as such by special nature protection regulation at European or international level. These comprise areas belonging to the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas ('KBAs') as well as other protected areas ~~as referred to in Appendix D of Annex II to Commission Delegated Regulation (EU) 2021/21398.~~ designated as requiring special protection by governmental authorities (e.g. forest- protected areas or areas lying within river basin districts).

135. To identify protected areas and biodiversity sensitive areas, the undertaking may refer to databases such as the World Database on Protected Areas (WDPA) (a global database to help identify marine and terrestrial protected areas), the World Database on Key Biodiversity Areas, and the IUCN Red List of Threatened Species. The undertaking may also use tools, such as the Integrated Biodiversity Assessment Tool (IBAT).

136. Near, in the context of B5 – Biodiversity, shall refer to an area that is (partially) overlapping or adjacent to a ***biodiversity sensitive area***.

~~72.~~137. The following table shows how information on sites in or near ***biodiversity sensitive areas*** can be presented. ~~The undertaking may provide information about the location of the plant (e.g., country and site name) without specifying its exact address.~~

Location	**Area** (hectares)	**Biodiversity sensitive Area**	**Specification** (located in/near biodiversity sensitive areas)
Country – Site name 1			
Country – Site name 2			
Country – Site name 3			
...			

~~51. For the purposes of this [draft] Standard, the term 'near' should be interpreted as meaning an area that is (partially) overlapping or adjacent to a ***biodiversity sensitive area***.~~

Documentation Sources:

Data	*Documentation Source*
Natura 2000 Network of protected areas	https://natura2000.eea.europa.eu/

Key Biodiversity Areas – IUCN	https://www.keybiodiversityareas.org/sites/search
UNESCO – World Heritage Centre	https://whc.unesco.org/en/list/

Guidance on how to calculate and report land-use

~~52. The undertaking may disclose in units of area (e.g., m² or ha) on land use using guidance provided by the EMAS:~~

~~(a) its total use of land,~~

~~(b) its total ***sealed area***,~~

~~(c) its total ***nature-oriented area*** on site, and~~

~~(d) its total ***nature-oriented area*** off site.~~

138. A '***sealed area***' is to be understood as an area where the original soil has been covered (e.g., roads, buildings, parking lots), making it impermeable and resulting in an ***impact*** on the environment.

139. Green area or ***'nature-oriented area'*** is an area that primarily preserves or restores nature. Near natural/green areas may be located on the organisation's site and may include roofs, facades, water-drainage systems or other features designed, adapted or managed to promote biodiversity. Near-natural areas may also be located off the organisation's site if they are owned or managed by the organisation and primarily serve to promote biodiversity.

140. When disclosing according to paragraph 34, the undertaking shall not only consider local impacts but also direct and indirect impacts on biodiversity (e.g. through raw material extraction, procurement, supply chain, production and products, transportation and logistics, and marketing and communications).

~~73.~~ 141. The following table shows how information on how ***land-use*** may be presented.

Land-use type	**Area** (hectares or m²)		
	Previous year	**Reporting year**	**% change**
Total sealed area			
Total nature-oriented area on-site			
Total nature-oriented area off-site			
Total use of land			

Documentation Sources:

Data	*Documentation Source*
EMAS Guidance	EU Commission Regulation 2018/2026 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018R2026&rid=2 User's guide https://green-business.ec.europa.eu/document/download/98357f3d-f891-416e-81ea-a26f3ff3c61f_en?filename=PDF%20version%20C_2023_7207EN_annexe_acte_autonome_cp_part1_0.pdf

~~Metric~~ B 6 – Water

Guidance on how to calculate and report on water withdrawals and water consumption

~~74.~~142. ***Water withdrawal*** relates to the amount of water an undertaking draws into its organisational boundaries from any source during the reporting period. In practice, for most undertakings this relates to the amount of water taken from the public water supply network as indicated in the utility bills. However, where applicable, water withdrawal also includes amounts of water taken from other sources such as groundwater from own wells, water taken from rivers or lakes, or water received by other undertakings. ~~Rainwater~~In the specific case of undertakings operating in agriculture, water withdrawal would include rainwater if collected directly and stored by the undertaking ~~is not considered as water withdrawal~~.

143. Water withdrawal data can be retrieved from measurements, using flow meters or water bills; indeed, in practice, for most undertakings water withdrawal relates to the amount of water taken from the public water supply network as indicated in the utility bills. In cases in which direct measurements are not feasible, or are deemed not sufficient and therefore need to be complemented, data on water withdrawal can be estimated using, for example, calculations models, and industry standards.

144. For example, in the case of a shared office or coworking space, a possible method to calculate the water withdrawal could be to retrieve the overall water withdrawal of the building from the water bill and calculate the water withdrawal per employee with the following equation:

Water withdrawal per employee daily (L) = annual water withdrawal (L) / (n. of employees in the whole shared building x n. of working days)

The undertaking could then multiply the water withdrawal per employee for the number of its employees and the days they worked in the reporting year to obtain the final number required in the datapoint.

To make a numerical example applying the proposed formula, the annual water withdrawal retrieved from the water bill of a coworking space is 1296 m3 (corresponding to 1296000 L), coworking space where 100 employees of different companies work together for an assumed number of 240 days a year. The assumption on the average number of days worked can be based on national statistics, for example. The water withdrawal per employee daily would be in this case:

Water withdrawal per employee daily = 1296000 L / (100x240) = 54 L

145. Assuming now that that the employees of the reporting undertaking are 25 and that they use the coworking space for 220 days a year, the yearly water withdrawal of the undertaking in the coworking space would be the water withdrawal per employee multiplied for the number of its employees and the days worked, therefore 54Lx25x220 = 297000 L (corresponding to 297 m3).

146. This calculation could be useful when it is possible to access the water bill of the shared building. This simple calculation method has some limitations, as it does not consider, for example, differences in use between different parts of the building (e.g. a seven-floor building could have six floors dedicated to offices and one floor with a canteen or a restaurant), which the undertaking might be able to overcome, if additional data are available, further refining the basic calculation provided above as an example.

147. An alternative way to obtain water withdrawal data in the example of shared offices, when it is not possible to retrieve the water bill could be to calculate it using fixture flow rates and occupancy data as primary inputs. A possible formula could be:

Total water withdrawal =
∑(Flow Rate×Number of Uses per Day×Number of Days per Year×Occupancy)

where:

a) flow rates or each fixture can be retrieved from the project documentation or labels of the fixtures, for example, or estimated basing on average data publicly available, if more accurate information is not retrievable;

b) the number of uses per day can be estimated based on averages publicly available;

c) 'number of days' stands for the number of operational days for the reporting undertaking in a year;

d) 'occupancy' represents the number of employees of the undertaking using the office; it's often calculated as full-time equivalent (FTE); and

e) the sign ∑ indicates that the calculations for each fixture should be summed up to obtain the total water withdrawal of the reporting undertaking operating in a shared office.

148. An additional possible source that could support the reporting of water withdrawal for undertakings operating in shared offices is the JRC Level(s) indicator 3.1: Use stage water consumption user manual as well as additional related documents and calculation sheets (see PG Section Documents | Product Bureau (europa.eu)). Furthermore, the undertaking could consult EMAS Reference Document for the Public Administration sector and EMAS Reference Document for the Construction sector, as well as rating systems like the National Australian Built Environment Rating System (NABERS), and certifications like the Building Research Establishment Environmental Assessment Method (BREEM), the Leadership in Energy and Environmental Design (LEED) and the German Sustainable Building Council (DGNB) System for Buildings In Use, which might provide useful indications in their methodologies on how to further refine the calculation for water withdrawal in offices and shared spaces.

149. The provided examples to obtain water withdrawal data in the case of shared offices can be transposed to and applied by undertakings operating in different sectors, with adjustments that might be necessary for the sectoral and entity-specific situation the undertaking operates in. EMAS Sectoral Reference Documents (SRDs) could be consulted for sector-specific methodology and indicators on water withdrawal as well as industry standards and benchmarks.

~~75.~~150. ***Water consumption*** is the amount of water drawn into the boundaries of the undertaking that is not discharged or planned to be discharged back into the water environment or to a third party. This typically relates to water evaporated – e.g.~~,~~ in thermal energy processes like drying or power production – water embedded in products – e.g.~~,~~ in food production – or water for irrigation purposes – e.g., used in agriculture or for watering company premises. ~~Collected rainwater can be considered in the calculation of water consumption, as a separate input from water withdrawal.~~

~~76.~~151. **Water discharge** means, for example, the amount of water transferred directly to receiving water bodies such as lakes or rivers, the public sewer or to other companies for cascading water use. It can be seen as the water output of the undertaking.

~~77.~~152. ***Water consumption*** can therefore be calculated as:

Water consumption = Water [Inputs – Water Outputs

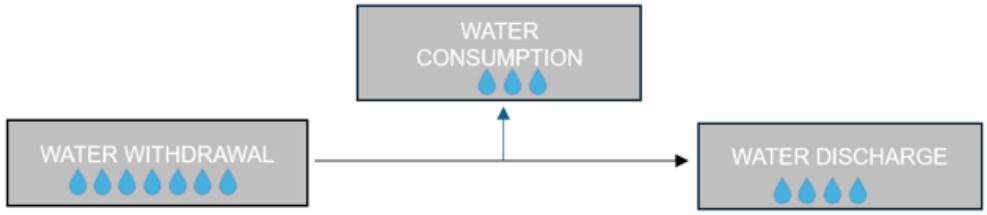
or in other words:

Water consumption = (Water withdrawal ~~+ rainwater harvest –~~) – Water discharges.]

For undertakings that solely withdraw water from the public water network and discharge it into the sewer, water consumption will be close to zero and can therefore be omitted from the report.

More broadly, the applicability of the disclosure requirement on water consumption relates to information already requested by law, already reported, and/or appropriate for the sector.

153. A schematic view of the relationship between water withdrawal, water consumption and water discharge can be seen in the image below:



~~78.~~154. The undertaking may provide additional explanatory information to contextualise its water withdrawals or consumption. For example, the undertaking may highlight if rainwater is collected and used as a replacement for~~of~~ tap water or if water is discharged into other parties for cascading use.

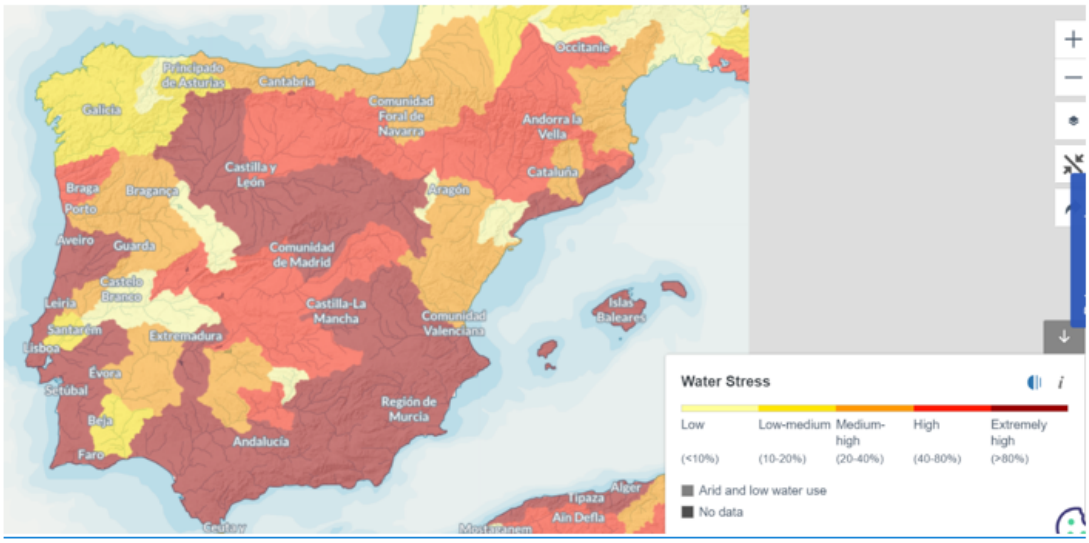
~~79.~~155. Below can be found an example of how undertakings may present quantitative information on their withdrawals, discharges and consumption of water divided by site location.

	Water withdrawal E.g.~~,~~ m³	**Water consumption** E.g.~~,~~ m³ (if applicable)
All sites		
Sites in areas with water stress		

Guidance for determining whether~~if~~ the undertaking operates in an area of high-water stress

~~80.~~156. ~~To determine if the~~The undertaking ~~operates in an area of high-water stress, you~~ can consult ~~the~~local (e.g. national, regional) water authorities of the ~~places you operate~~place(s) it operates in to ~~understand their~~inform its assessment of ~~the~~ water resources for ~~that~~the specific location~~. Alternatively, you~~(s), including the identification of areas of high-water stress. The undertaking can also consult publicly available and free tools that map out water scarcity globally. One such tool is the WRI's Aqueduct Water Risk Atlas~~.~~, which provides an interactive map of a water stress indicator (the 'baseline water stress', which measures the ratio of total water demand to available renewable surface and groundwater supplies) at sub-basin level. With the help of this tool, undertakings can consult the water stress baseline set for different river basins globally. ~~By way~~Values of ~~illustration,~~ the ~~map below shows the main Iberian river basins and their~~baseline water stress ~~classification according to the WRI Aqueduct~~ indicator above 40% indicate an area of high-water stress.

157. By way of illustration, the map below shows the main Iberian River basins and their water stress classification according to the WRI Aqueduct.



~~81.~~ In this image several water basins in the Iberian Peninsula, along with their water stress classification, can be observed. Most of the southern part of the peninsula sits in an area of significant high-water stress – with the exception of the Guadiana basin (in yellow). Thus, if the undertaking has operations within the Guadalquivir basin (e.g.~~,~~ the Andalucia region, which has a significant high-water stress level), the undertaking would have to disaggregate its ***water consumption*** for that region/water basin. But if its operations take place within the southern part of the Guadiana river basin (where there is low water stress), then it would not be necessary to disaggregate its water consumption for that region/water basin.

158. Other possible tools that undertakings can consult to determine their location in water stressed areas are the static map (and related dataset) provided by the European Environment Agency (EEA) Water Exploitation Index plus (WEI+) for summer and Urban Morphological Zones (UMZ) and the interactive map Water exploitation index plus (WEI+) for river basin districts (1990-2015), both presenting the water stress indicator WEI+, that measures total water consumption as a percentage of the renewable freshwater resources, at sub-basin level. WEI+ values equal or greater than 40% generally indicate situations of high-water stress. It's worth underlining that WRI Aqueduct bases its baseline water stress indicator on water demand, while the EEA indicator of water stress WEI+ is based on water consumption.

Documentation Sources:

Data	*Documentation Source*
Water withdrawal in shared offices (measurement)	'Water use in your business', South Staff Water
Water withdrawal in shared offices (measurement, estimation)	Level(s) indicator 3.1: Use stage water consumption user manual: introductory briefing, instructions and guidance (Publication version 1.1), JRC
Water withdrawal (general)	EMAS User Guide
Water withdrawal in SMEs	EMAS "easy" for small and medium enterprises

Water stress – WRI Aqueduct	Technical Note - Aqueduct 4.0: Updated decision-relevant global water risk indicators, WRI
Water stress – WEI+	Water scarcity conditions in Europe (Water exploitation index plus) | European Environment Agency's home page (europa.eu)

~~Metric~~ B 7 – Resource use, circular economy and waste management

Guidance on circular economy principles

~~82.~~159. When disclosing information on its products, material use and waste management, the undertaking may provide information in relation to ***circular economy*** principles. Circular economy principles are articulated in the paragraphs below. The key principles outlined by the Ellen Macarthur Foundation are underlined below while the key principles considered by the European Commission are *italicised*.

Eliminate waste and pollution – this can be done through process improvements and also through design considerations at the level of *usability, reusability, repairability, disassembly* and *remanufacturing*.

Circulate products and materials (at their highest value) – *reusability* and ***recycling*** are key for product circulation, but this is enhanced if special consideration is given to circularity at the design phase for issues such as usability, reusability, repairability, remanufacturing and disassembly. Factors such as the incorporation of biomaterials and their *recirculation via the biological cycle* can also be considered, for example, using biodegradable crop covers instead of plastics in agriculture.

Regenerate nature – whenever possible, human activities should seek to regenerate nature and improve or restore key ecological functions (i.e., drainage, habitat provision, thermal regulation, etc.) that may have been lost due to previous human activities.

~~**Guidance on the rate of recycled content in products and packaging**~~

~~53. When compiling the rate of its recycled content – that is, by adding inputs into the process that have originated from recycled materials – in its products (i.e., its produced goods or materials) and packaging, the undertaking may use as denominator the total weight of recycled materials used in products and packaging (during the reporting period) divided by the total weight of materials in products and packaging (during the reporting period).~~

~~**Guidance on the rate of recyclable content in products and packaging**~~

~~54. When compiling the rate of its recyclable content – that is, materials that can be technically recycled – the undertaking may use as denominator the total weight of materials that are recyclable in products and packaging (during the reporting period) divided by the total weight of materials in products and packaging (during the reporting period).~~

~~**Guidance on how to identify manufacturing and/or packaging processes**~~

~~55. To identify manufacturing and/or packaging processes, the undertaking may refer to those activities that fall under "Section C – Manufacturing" and Section F "Construction" of Annex I to Regulation (EC) No 1893/2006[12].~~

~~[12] L_2006393EN.01000101.xml (europa.eu).~~

Guidance on total waste generation and waste diverted to recycling or reuse

160. The requirements in paragraph 38 may be omitted by undertakings that generate only household waste. In such cases, the undertaking will only state that it generates this type of waste.

161. When reporting on ***hazardous waste*** according to paragraph 38 (a), the undertaking fulfils the requirements on radioactive waste of indicator number 9 from Table #1 of Annex 1 of the Sustainable Finance Disclosure Regulation (SFDR)[13]. This SFDR indicator (ratio between tonnes of radioactive and hazardous waste) can be computed by using the numerator and denominator that the undertaking provides when reporting according to paragraph 38 (a).

162. SMEs must disclose ***hazardous and radioactive waste*** if their operations involve generating such waste. Applicability depends on the presence of hazardous or radioactive materials in business processes.

163. Undertakings are recommended to classify their ***hazardous waste*** using the European Waste Catalogue (EWC), which categorises waste by type. Any waste marked with an asterisk (*) is classified as hazardous in the EWC, normally with reference to 'containing hazardous substances'. For example:

(a) medical sector: contaminated sharps like needles and syringes used in medical settings ('wastes whose collection and disposal is subject to special requirements in order to prevent infection' EWC Code 18 01 03*), cytotoxic and cytostatic medicines (EWC Code 18 01 08*), spent radiopharmaceuticals, and certain diagnostic equipment containing radioactive materials;

(b) manufacturing sector: used lubricants and oils classified as hazardous (EWC Code 13 02 05*);

(c) construction sector: asbestos-containing materials (EWC Code 17 09 03*), soil and stones containing hazardous substances (EWC Code 17 05 03*), and

(d) batteries and accumulators: lead batteries (16 06 01*), Ni-Cd batteries (16 06 02*), batteries containing mercury (16 06 03*).

164. Nevertheless, a waste is considered hazardous if it displays one or more of the hazardous properties listed in Annex II of the Waste Framework Directive. For easier reference, these are presented below together with the respective pictograms to help identify hazardous properties such as flammability, toxicity, and corrosiveness, which may lead to waste being classified as hazardous.

165. ***Radioactive waste*** also has or can have hazardous properties that render it hazardous, namely carcinogenic, mutagenic or toxic for reproduction. Nevertheless, radioactive substances are subject to separate regulations within the EU[14]. Companies using radioactive materials with the ability of generating radioactive waste subject to EU regulation will be aware of it. Radioactive waste should be identified based on the presence of radionuclides at levels above regulatory clearance thresholds.

166. ***Radioactive waste*** can be present in a variety of items such as medical, research and industrial equipment, smoke detectors, or sludges.

167. Hazard Pictograms for each hazard class are presented below.

[13] Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosures Regulation) (OJ L 317, 9.12.2019, p. 1).

[14] EU's Radioactive Waste and Spent Fuel Management Directive (2011/70/Euratom). For more information see the EU's webpage on Radioactive Waste and spent fuel.

Hazard pictogram	Pictogram statement, symbol and class	What does it mean?
	'Gas under pressure' *Symbol: Gas cylinder* Physical Hazard	• Contains gas under pressure; may explode if heated • Contains refrigerated gas; may cause cryogenic burns or injury
	'Explosive' *Symbol: Exploding bomb* Physical Hazard	• Unstable explosive • Explosive; mass explosion hazard • Explosive; severe projection hazard • Explosive; fire, blast or projection **hazard** • May mass explode in fire
	'Oxidising' *Symbol: Flame over circle* Physical Hazard	• May cause or intensify fire; oxidiser. • May cause fire or explosion; strong oxidiser.
	'Flammable' *Symbol: Flame* Physical Hazard	• Extremely **flammable gas** • Flammable gas • Extremely flammable aerosol • Flammable aerosol • Highly flammable liquid and vapour • Flammable liquid and vapour • Flammable solid
	'Corrosive' *Symbol: Corrosion* Physical Hazard / Health Hazard	• May be corrosive to metals • Causes severe skin burns and eye damage

	'Health hazard/Hazardous to the ozone layer' *Symbol: Exclamation mark* Health Hazard	• May cause respiratory irritation • May cause drowsiness or dizziness • May cause an **allergic skin reaction** • Causes serious eye **irritation** • Causes skin irritation • Harmful if swallowed • Harmful in contact with skin • Harmful if inhaled • Harms public health and the environment by destroying ozone in the upper atmosphere
	'Acute toxicity' *Symbol: Skulls and Crossbones* Health Hazard	• Fatal if swallowed • Fatal in contact with skin • Fatal if inhaled • Toxic: if swallowed • Toxic in contact with skin • Toxic if inhaled
	'Serious health hazard' *Symbol: Health Hazard* Health Hazard	• May be fatal if swallowed and **enters airways** • Causes **damage to organs** • May cause damage to organs • May damage fertility or the unborn child • Suspected of damaging fertility or the unborn child • May cause cancer • Suspected of causing cancer • May cause **genetic defects** • Suspected of **causing genetic defects** • May cause allergy or asthma symptoms or breathing difficulties if inhaled

	'Hazardous to the environment' *Symbol: Environment* Environmental Hazard	• Very toxic to aquatic life with long lasting **effects** • Toxic to aquatic life with long lasting effects

Pictograms that indicate hazardous properties, Annex V, from the Classification, Labelling and Packaging (CLP) Regulation ((EC) No 1272/2008

168. When presenting information on its waste generation or diversion from disposal, the undertaking should preferably report such information in units of weight (e.g. kg or tonnes). Nevertheless, should the units of weight be considered an inappropriate unit by the undertaking, they may alternatively disclose the afore-mentioned metrics in volumes (e.g. m3) instead.

169. When disclosing information on the total annual waste diverted to recycling or reuse, the undertaking should consider the waste that is sorted and sent to recycling or reuse operators (e.g. the amount of waste put into recycling container or sorting of waste into certain categories of materials and their delivery to waste treatment facilities), rather than the waste that gets effectively recycled or reused.

~~83.~~ 170. When disclosing information on waste, the undertaking may adopt the following tables.

	Waste generated (e.g., tonnes)		
	Total waste generated, of which:		
		Waste diverted to recycle or reuse	*Waste directed to disposal*
Non-hazardous waste			
Type of waste1			
Type of waste2			
...			
Hazardous waste			
Type of waste1			
...			

~~84.~~ 171. Examples of ***hazardous wastes*** that small businesses may generate include batteries, used oils, pesticides, mercury-containing equipment and fluorescent lamps.

~~85.~~172. The undertaking may provide further breakdowns specifying further types of non-hazardous and ***hazardous wastes***. In doing so it may consider the list of waste descriptions found in the European Waste Catalogue's social metrics.

Guidance on the annual mass-flow of relevant materials used

173. The annual mass-flow is an indicator aligned with the EMAS requirements on efficiency of material consumption, and it illustrates an undertaking's dependency on specific materials in its operations (e.g. wood and steel for the construction industry). The undertaking is here required to provide information on the materials it uses, including both the materials acquired from suppliers and those sourced internally from production. To compute the annual mass-flow of the relevant materials it has used, the undertaking will need to first identify the specific key materials on which its operations are dependent and for which material efficiency needs to be evaluated (e.g. material efficiency of wood). If different types of materials are used, the undertaking will need to provide separately the annual mass-flow (i.e. total weight for each relevant material used; e.g. tonnes of wood purchased) for each key material in an appropriate manner, for example by breaking it down by the use to which they are put (EMAS, 2023). The mass flow of relevant materials used will result from the sum of the weight of all used materials, including raw materials, auxiliary materials, input materials, semi-finished products, or others (excluding energy sources and water) and provide the total weight for each relevant material used (e.g., tonnes of wood purchased). The mass flow of relevant materials used will result from the sum of the weight of all used materials, including raw materials, auxiliary materials, input materials, semi-finished products, or others (excluding energy sources and water).This indicator is to be preferably expressed in units of weight (e.g. kilograms or tonnes), volume (e.g. m^3) or other metric units commonly used in the sector.

Guidance on how to identify manufacturing, constructions and /or packaging processes

174. To identify manufacturing, construction and/or packaging processes, the undertaking may refer to the activities that fall under 'Section C – Manufacturing', Section F 'Construction' as well as Class 'N82.92 Packaging activities' of Annex I to Regulation (EC) No 1893/2006[15].

Basic Module Guidance - Social Metrics

~~Metric~~ B 8 – Workforce – General characteristics

~~86.~~175. Full-time equivalent (FTE) is the number of full-time positions in an undertaking. It can be calculated by dividing an employee"s scheduled hours (total effective hours worked in a week) by the employer's hours for a full-time workweek (total hours performed by full-time employees). For example, an employee who works 25 hours every week for a company where the full-time week is 40 hours represents a 0,625 FTE (i.e. 25/ 40 hours).

~~87.~~176. ~~Head count~~Headcount is the total number of people employed by the undertaking at a given time.

Guidance on how to present information about employees' contract types

~~88.~~177. The following table shows how information on ***employees*** may be presented by type of employment contract.

Type of contract	Number of employees (headcount or full-time equivalents ~~or head count~~)
Temporary contract	
Permanent contract	
Total employees	

[15] L_2006393EN.01000101.xml (europa.eu).

178. The following table shows how information on ***employees*** may be presented by gender.

Gender	Number of employees (headcount or full-time equivalents ~~or head count~~)
Male	
Female	
Other	
Not reported	
Total employees	

~~89.~~179. In some European Union Member States, it is possible for people to legally register themselves as having a third gender, often neutral, which is to be categorised as "other" in the table above. If the undertaking is disclosing data about ***employees*** where this is not possible, it may explain this and indicate that the "other" category is not applicable. The "not reported" category applies to employees who do not disclose their gender identity.

~~90.~~180. The following table shows how information on employees may be presented by countries.

Country (of employment contract)	Number of employees (headcount or full-time equivalents ~~or head count~~)
Country A	
Country B	
Country C	
Country D	
Total employees	

~~91.~~181. Definitions and types of employment contracts may vary depending on the country. If the undertaking has ***employees*** working in more than one country, it shall use the legal definitions stipulated in the national laws of the countries where the employees are based in to calculate country-level data. Such country-level data shall then be added up to calculate total numbers, disregarding differences in national legal definitions.

182. Employee turnover refers to employees who leave the organisation voluntarily or due to dismissal, retirement or death in service.

183. In order to calculate the ***turnover*** rate, the formula below should be used:

$$\frac{Number\ of\ employees\ who\ left\ during\ the\ reporting\ year}{Average\ number\ of\ employees\ during\ the\ reporting\ year}\ x\ 100$$

~~Metric~~ B 9 – Workforce – Health and safety

Guidance on the rate of recordable work-related accidents

~~56. In order to calculate the rate of ***recordable work-related*** accidents, the formula below should be used:~~

$$\frac{Number\ of\ work\ related\ accidents\ in\ the\ reporting\ year}{Total\ number\ of\ hours\ worked\ in\ a\ year\ by\ all\ employees}\ x\ 200{,}000$$

~~92.~~184. Based on the assumption that one full-time worker works 2,000 hours per year, the rate indicates the number of work-related accidents per 100 full-time workers over a yearly timeframe. If the undertaking cannot ~~directly~~ calculate directly the number of hours worked, it may estimate this on the basis of normal or standard hours of work.

185. In order to calculate the rate of ***recordable work-related*** accidents of employees, the formula below should be used.

$$\frac{Number\ of\ work\ related\ accidents\ in\ the\ reporting\ year}{Total\ number\ of\ hours\ worked\ in\ a\ year\ by\ all\ employees}\ x\ 200{,}000$$

Example

~~93.~~186. Company A reported three work-related accidents in the reporting year. Company A has 40 employees, and a total number of 80,000 hours (40 x 2,000) worked in a year.

The rate of ***recordable work-related*** accidents is 3/80,000 x 200,000 = 7.5.

Guidance on number of fatalities resulting from work-related injuries and work-related ill health

~~94.~~187. Work-related injuries and work-related ill health arise from exposure to dangers at work.

~~95.~~188. In case of teleworking, injuries and ill health are work-related if the injury or ill health is directly related to the performance of work rather than the general home environment.

~~96.~~189. In case of injuries and ill health that occur while a person is travelling for work, these are considered work-related if the ***employee*** was performing work activities in the interest of the employer at the time of the injury or ill health. Accidents taking place when travelling, outside of the undertaking's responsibility (i.e., regular commuting to and from work), are subject to the applicable national legislation, which regulates their categorisation as to whether they are considered work-related or not.

~~97.~~190. Mental illness is considered work-related if it has been notified voluntarily by the relevant worker and if an evaluation from a licensed healthcare professional stating that the illness in question is indeed work-related has been issued and notified, too. Health problems resulting from smoking, drug and alcohol abuse, physical inactivity, unhealthy diets, and psychosocial factors not connected to work are not considered work-related.

~~98.~~191. The undertaking may present separately ~~the~~ fatalities resulting from work-related injuries and those resulting from work-related ill health.

~~Metric~~ B 10 – Workforce – Remuneration, collective bargaining and training

Guidance on remuneration: ~~ratio of entry level to~~ minimum wage

~~57. 'Significant proportion of employees' refers to the majority of employees in the undertaking without considering interns and apprentices.~~

~~58. 'Entry level~~ 'Minimum wage' refers to ~~full time wage in the lowest employment category. The wages of interns and apprentices shall not be considered when identifying the entry level wage of the undertaking.~~

~~99.~~192. ~~'Minimum wages' refer to~~ the minimum compensation of employment per hour~~,~~ or another unit of time~~, allowed by law~~. Depending on the country, the minimum wage might be set directly by law or through collective bargaining agreements. The undertaking shall refer to the applicable minimum wage for the country it reports on ~~(whether set directly by law or through a collective bargaining agreement).~~ .

~~In order to calculate the ratio of entry-level wage to minimum wage, the formula below shall be used:~~

$$Ratio = \frac{\text{Entry-level wage}}{\text{Minimum wage}}$$

193. For the lowest ***pay*** category, excluding interns and apprentices, minimum ***wage*** serves as the foundation for calculating entry-level wage. Therefore, entry-level wage includes pay equal to minimum wage as well as any additional fixed payments guaranteed to employees in that category.

Guidance on remuneration: percentage gap between female and male employees

~~100.~~194. The metric for the percentage gap between female and male ***employees*** addresses the principle of gender equality, which stipulates equal ***pay*** for equal work. The pay gap is defined as the difference of average pay levels between female and male employees expressed as the percentage of the average pay level of male employees.

~~101.~~195. In order to estimate this metric, all ***employees*** shall be included in the calculation. In addition, there should be two separate average ***pay*** calculations for female and male employees. See the formula below:

$$\frac{(Average\ gross\ hourly\ pay\ level\ of\ male\ employees - average\ gross\ hourly\ pay\ level\ of\ female\ employees)}{Average\ gross\ hourly\ pay\ level\ of\ male\ employees} \ x\ 100$$

~~102.~~196. Depending on the undertaking's remuneration policies, ~~the~~ gross ***pay*** refers to all of the following elements:

(a) base salary, which is the sum of guaranteed, short-term, ~~and~~ non-variable cash compensation;

(b) benefits in cash, which constitute the sum of the base salary and cash allowances, bonuses, commissions, cash profit-sharing, and other forms of variable cash payments;

(c) benefits in kind such as cars, private health insurance, life insurance, and wellness programs; and

(d) direct remuneration, which is the sum of benefits in cash, benefits in kind and the total fair value of all annual long-term incentives.

~~103.~~197. The gross ***pay*** is the sum of all the applicable elements listed above.

~~104.~~198. The average gross hourly ***pay*** is the weekly/annual gross pay divided by the average hours worked per week/year.

Example

199. Company A has *X* male ***employees*** and *Y* female employees in total. Male employees' gross hourly pay is €15 and female employees' gross hourly pay is €13.

200. The average gross hourly pay level of male employees is the sum of all their gross hourly payments divided by the total number of male employees. The average gross hourly pay level of female employees is the sum of all their gross hourly payments divided by the total number of female employees.

201. The formula used to calculate the percentage pay gap between male and female employees is

$$\frac{15 - 13}{15} x\ 100 = \ 13.3\%$$

Guidance on collective bargaining coverage

~~105.~~202. The ***employees*** covered by ***collective bargaining*** agreements are those individuals to whom the undertaking is obliged to apply the agreement. If an employee is covered by more than one collective bargaining agreement, it only needs to be counted once. If none of the employees are covered by a collective bargaining agreement, the percentage is zero.

~~106.~~203. The percentage of ***employees*** covered by ***collective bargaining*** agreements is calculated by using the following formula.~~:~~

$$\frac{Number\ of\ employees\ covered\ by\ collective\ bargaining\ agreements}{Number\ of\ employees}\ x\ 100$$

~~107.~~204. The information required by this disclosure requirement may be reported as coverage rates if the ***collective bargaining*** coverage is between 0~~–~~19%, 20–39%, 40–59%, 60–79% or 80–100%.

~~108.~~205. This requirement is not aimed at obtaining the percentage of ***employees*** represented by a works council or belonging to trade unions, which can be different. The percentage of employees covered by ***collective bargaining*** agreements can be higher than the percentage of unionised employees when the collective bargaining agreements apply to both union and non-union members.

Basic Module Guidance - Business Conduct Metrics

~~Metric~~ B ~~12~~11 – Convictions and fines for corruption and bribery

~~109.~~206. ***Corruption*** and bribery fall under the ***business conduct*** sustainability issue ~~matter~~.

~~110.~~207. Under paragraph ~~38~~43, the undertaking shall report on the total number of convictions and the total amount of fines incurred for violating anti-corruption and anti-bribery laws.

Guidance on convictions

~~111.~~208. Convictions for the violation of anti-corruption and anti-bribery laws refer to any verdict of a criminal court against an individual or undertaking in respect of a criminal offence related to ***corruption*** and bribery.~~,~~ ~~f~~For example~~,~~ where these court decisions are entered in the criminal record of the convicting European Union Member State.

Guidance on fines

~~112.~~209. Fines issued for the violation of anti-corruption and anti-bribery laws refer to mandatory monetary penalties resulting from violations of anti-corruption and anti-bribery laws imposed by a court, commission or other government authority, which are paid to a public treasury.

~~Business Partners~~Comprehensive Module: Guidance

210. The guidance below is intended as part of an ecosystem that will include also the development of further ~~implementation guidance~~support guides by EFRAG, further digital tools and implementation support (educational activities, stakeholders' engagement and so forth) aiming to facilitate some of the technical elements present in the guidance.

211. This guidance is intended to support the preparation of ~~the~~ metrics in the ~~Business Partner~~Comprehensive Module.

Comprehensive Module Guidance – ~~Cross-cutting Metrics~~General Information

C-1 – Strategy: Business Model and Sustainability – Related Initiatives

212. When describing the main ***consumers*** and supplier relationships under paragraph 47~~25~~ (c), the undertaking shall disclose the estimated number of suppliers, and their related sectors and geographies (i.e. countries).

C-2 – Description of practices, policies and future initiatives for transitioning towards a more sustainable economy

213. Undertakings may use the following template to report on C2 datapoints.

	If you answered YES to existing practices/policies/ future initiatives in disclosure B2, please briefly describe them along with their consequent actions. (In case the practice/ policy or future initiative covers suppliers or clients, the undertaking shall mention it)	If you answered YES to future initiatives/ targets in disclosure B2, please specify them.	You may indicate the highest senior level in the undertaking accountable for implementing them [if any]
Climate Change			
Pollution			
Water and Marine Resources			
Biodiversity and Ecosystems			
Circular Economy			
Own Workforce			
Workers in the Value Chain			
Affected Communities			

Consumers and end-users			
Business conduct			

~~113.~~

Comprehensive Module Guidance — Environmental Metrics

~~Governance –~~Entity-specific consideration when reporting on GHG emissions under B 3 (Basic Module) Entity specific disclosure – Energy and greenhouse gas emissions

214. When determining whether disclosure of Scope 3 is appropriate following paragraph 50~~49~~, the undertaking may screen its total Scope 3 GHG emissions based on the 15 Scope 3 categories identified by the GHG Protocol using appropriate estimates and report by incorporating this information by reference. This allows for the identification and disclosure of its significant Scope 3 categories based on the magnitude of their estimated GHG emissions and other criteria provided by the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Version 2011, p. 61 and 65-68) or EN ISO 14064-1:2018 Annex H.3.2, such as financial spend, influence, related transition risks and opportunities or stakeholder views.

~~114.~~ SMEs operating with manufacturing, agrifood, real estate construction and packaging processes are likely to have significant Scope 3 categories (CDP, 2024), which may be considered relevant for reporting in the undertaking's sector.

215.

~~Disclosure~~ ~~BP~~C 3 – GHG reduction and climate transition

216. Emission reductions can prove to be both a challenge and opportunity for an undertaking, as it often requires changes to the strategic and operational reality of the business. The goal of reducing emissions ~~**reduction target**~~may require a review of strategic and financial priorities. Decarbonisation may require important initial investment in, for example, electrifying a fleet of vehicles, implementing new technologies to reduce energy consumption or developing new product lines that are less reliant on carbon-intensive materials. On the other hand, implementing low-carbon solutions to achieve GHG emission reduction can significantly lessen the costs of purchased energy and materials. Undertakings embarking on their decarbonisation journey are often facing important adjustments to their business models or daily operations. For instance, a logistics and delivery services undertaking may need to redesign its fleet management to minimise potential service disruptions due to the need of regular vehicle charging. A consumer goods manufacturing undertaking planning to replace a component of its product with a sustainable, low-carbon alternative may need to allocate time and resources to product innovation and to searching for new suppliers. These efforts can, in turn, result in reducing costs, accessing new markets, creating new workplaces and attracting additional financing, making GHG emission reduction not only a challenge, but also a strategic business opportunity. In this context, targets for GHG reductions are an important measure of responding to the need for a sustainable transition, as they allow undertakings to manage the change in a systematic, controlled and organised way.

~~115.~~217. A GHG emission reduction target ~~constitutes~~is a commitment to reduce the undertaking's GHG emissions in a future year ~~as~~ compared to the GHG emissions measured during a chosen base year. ~~Emission reductions~~Actions that may ~~be achieved~~lead to emission reductions include, for instance, ~~through~~ electrification, renewable electricity, sustainable products development, etc. ~~Removals and avoided emissions do not count as emission reductions.~~ Disclosure ~~BP~~C 3 requires that the undertaking ~~to~~ discloses GHG emission reduction ***targets*** for its Scope 1 and Scope 2 emissions.

218. Removals and avoided emissions shall not be accounted as reduction of the undertaking's gross GHG emissions. This is due to the important distinction between accounting practices for gross GHG emissions (inventory accounting) and GHG removals and avoided emissions (project-based or intervention accounting). Gross GHG emissions of the undertaking are designed to track the actual emissions released to the environment, providing a consistent and comparable baseline to set up GHG targets. Avoided emissions and carbon removals, on the other hand, relate to specific project activities of the undertaking, which means that their accounting is done separately from gross GHG emissions.

219. To follow this practice, the undertaking needs to distinguish between its gross GHG emissions and other impacts which are not captured in it, such as GHG removals and avoided emissions. Removals refer to the withdrawal of GHG from the atmosphere as a result of deliberate human activities. Examples of such activities can include plant growth (transfer of atmospheric CO2 through photosynthesis) and direct air capture of CO2, and are typically linked to the subsequent storage of CO2. Avoided GHG emissions are typically referred to as emissions that would have otherwise happened, but that, as a result of the undertaking's activities, did not happen. These may include introducing new products and technologies that reduce demand for their carbon-intensive equivalents, for example insulation solutions in a building that avoid the demand for energy services therein. More information on the concepts related to carbon removals and avoided emissions can be found in the GHG Protocol Land Sector and Removals Guidance[16], as well as the WBCSD guidance[17].

~~116.~~220. A base year is a preceding year against which the undertaking's current GHG emissions can be measured. In general, the base year should be a recent and representative year of the undertaking's GHG emissions in which there are verifiable data.

~~117.~~221. The target year is the year in the future in which the undertaking aims to achieve a certain absolute or percentage amount of GHG emission reductions. It should range over a period from one to three years from the base year to a short-term target. Longer term ***targets*** may also be included, for instance, for periods of twenty or thirty years (e.g., 2040 or 2050). Undertakings are encouraged to include target values for the short-term target year of 2030 at the least and, if feasible, for the long-term year of 2050. From 2030 onwards, it is recommended to update the base year and target year for GHG emission reduction targets after every five-year period.

~~118.~~222. To set a target, undertakings should consider the existing scientific evidence on GHG mitigation. The SBTi recommends a cross-sector target in GHG emissions reduction of -42% by the year 2030 and -90% by the year 2050 (base year 2020). The Stockholm Resilience Centre also proposes a 'carbon law' that sets out concrete steps to achieve full decarbonisation by 2050 based on a flexible way of thinking about reducing carbon emissions by halving emissions every decade and increasing renewable energy roll-out exponentially. The authors argued that this roadmap would ensure a 75% chance of keeping the Earth below 2°C above pre-industrial temperatures, the target set out in the Paris agreement.[18] SBTi also proposes a streamlined target-setting route for small- and medium-sized undertakings.[19] Specific pathways also exist by sector and may be considered by undertakings when setting their GHG emission reduction ***targets***.

223. To achieve a quick reduction of both direct and indirect emissions, there are some simple actions that the undertaking can take. Some actions may be easy but still able to deliver a notable emission reduction and support the undertaking reaching its targets. For instance, electrification of the vehicle fleet by replacing vehicles running on fossil fuel with electric vehicles will lead to emission reduction as soon as the previous fleet is replaced. This can mean notable emission reduction especially for a

[16] GHG Protocol Land Sector and Removals Guidance (https://ghgprotocol.org/land-sector-and-removals-guidance)

[17] World Business Council for Sustainable Development (2023). Guidance on Avoided Emissions. (https://www.wbcsd.org/wp-content/uploads/2023/09/Climate-Avoided-Emissions-guidance_WBCSD.pdf)

[18] Rockström, J., Gaffney, O., Rogelj, J. et. al. 2017. A roadmap for rapid decarbonization. Science, Volume 355 Issue 6331. Available at: https://www.stockholmresilience.org/research/research-news/2017-03-23-curbing-emissions-with-a-new-carbon-law.html.

[19] SBTI https://sciencebasedtargets.org/small-and-medium-enterprise-sme-target-setting-process. SBTI offers resources for SMEs to set science based targets: https://sciencebasedtargets.org/small-and-medium-enterprise-sme-target-setting-process.

business that is reliant on transportation. Similarly, replacing commutes and business travels by car with low carbon alternatives such as bicycles or public transport is an effective, simple and achievable decarbonisation action. Another area of low- hanging fruit is to review the internal energy management and update it to energy-efficient equipment and integrate maintenance into routine business operations. By regularly maintaining equipment and machinery and replacing these with more energy-efficient alternatives when and where possible, the undertaking can reduce its energy consumption. Such equipment can include, for example, boilers, telecommunication systems, heat pumps, air-conditioning etc. Through regular maintenance their efficient operation can be ensured, wear and tear minimised and waste minimised. By also automating systems and using timers to define periods of use, the undertaking is able to lower the emissions of such equipment even further.

~~Disclosure BP4 – Transition plan for climate change mitigation~~

~~119.~~224. A climate transition plan for climate change mitigation is a set of present and future *actions* meant to align the undertaking's business model, strategy and operations with the key overarching global goal of limiting global warming to 1.5°C. Underpinned by a GHG reduction target compatible with that goal, the importance of having a transition plan in place lies in the ability of understanding the means by which the undertaking will move towards a low-carbon economy while keeping track of the progress made. A transition plan serves as a mechanism for accountability and transparency prompting undertakings to develop credible pathways for mitigating climate change through their *actions*.

225. ~~A~~Establishing a credible transition plan for the undertaking is something that should ~~*(a)* identify~~be supported by elements such as *(a)* identifying clear responsibilities and roles; *(b)* ~~be integrated~~integrating the plan into the undertaking's business strategy and financial planning; *(c)* ~~include~~including information on decarbonisation levers and pathways as well as quantifiable indicators that can be monitored throughout predefined timeframes; *(d)* ~~allow~~allowing for regular reviewing and updating after stakeholder consultations when appropriate; and *(e)* ~~cover~~covering the entirety of its own operations and, to the largest possible extent, the ***value chain*** or else providing~~ovide~~ an explanation as to any limitation.

226. Undertakings that are disclosing ***targets*** according to the EMAS Regulation Annex IV B (d) may use its GHG reduction targets to fulfil the VSME requirement if it has set such targets. The undertaking may also support this disclosure through its implementation of the EMAS environmental management system and link to EN ISO 14001:2015 as set out by EMAS Regulation Annex II B A.6.2.1 and B.5 (environmental objectives).

~~120.~~

Guidance on how to identify manufacturing, constructions and /or packaging processes

227. To identify manufacturing, construction and/or packaging processes, the undertaking may refer to these activities that fall under 'Section C – Manufacturing', Section F 'Construction' as well as Class 'N82.92 Packaging activities' of Annex I to Regulation (EC) No 1893/2006.

~~Disclosure BP 5 –~~C 4 – ~~Physical~~ Climate ~~risks from climate change~~

228. ***Climate-related ~~physical risks~~hazards*** are drivers of climate-related physical risks that arise from the effects that climate change has on the undertaking. They can be classified into acute ~~physical risks~~hazards, which arise from particular events (such as droughts, floods, extreme precipitations and wildfires), and chronic ~~physical risks~~hazards (such as changing temperatures, sea level rise and soil erosion), which arise from long ~~or~~ term changes in the climate (Commission delegated regulation 2021/2139). Physical risks are a function of climate-related hazards, the exposure of the undertaking's assets and activities to these hazards, and how sensitive the undertaking is to these hazards ~~are~~. Examples of climate-related hazards are heat waves, increased frequency of extreme weather events, sea level rise, glacial lake outburst flood, and change in precipitation and wind patterns. Climate-related physical risks can be identified and modelled by using climate scenarios that consider high emissions trajectories such as IPCC SSP5-8.5.

229. ***Climate-related transition events*** may be (according to TNFD classification) policy- and legal-based (e.g. enhanced emission-reporting obligations), technology-based (e.g. costs of transition to lower emissions technology), market-based (e.g. increased cost of raw materials) and reputation-based (e.g. increased stakeholder concern).

~~121.~~230. ***Gross climate-related risks*** refer to gross physical risks and gross transition risks that may result from exposure of the undertaking's assets and business activities to climate-related hazards.

Comprehensive Module Guidance - Social Metrics

Disclosure ~~BP 6 – Hazardous waste and radioactive waste~~C 5 – Additional (general) workforce characteristics

231. To determine the gender ratio, divide the number of female employees by the number of male employees at management level. This will yield the proportion of women to men in your company.

~~59. Nuclear waste can be present in a variety of situations, from smoke detectors to sludges to naturally occurring radioactive materials. It can also be present in special equipment used in industry, research facilities and healthcare as well as in other objects.~~

~~60. The undertaking may disclose its share of radioactive waste, which is calculated as a percentage of the total amount of ***hazardous waste*** as reported in the Basic Module B 7.~~

~~61. Below may be found an example of the radioactive waste ratio calculation:~~

$$\textit{Radioactive waste ratio} = \frac{\textit{Radioactive waste (t)}}{\textit{Hazardous waste (t)}} \; x \; 100$$

~~**Social Metrics**~~

$$\textit{Gender ratio} = \frac{\textit{number of female employees at management level}}{\textit{number of male employees at management level}}$$

232. Management level is considered the level below the board of directors unless the undertaking has a specific definition to use.

233. For example, if there are 28 female employees and 84 male employees at management level, the gender ratio would be 1:3, meaning that for every woman at management level, there are three men.

234. Relevant factors for an undertaking to consider in deciding whether or not to disclose the number of self-employed workers and temporary workers under paragraph 60 would be: (1) the ratio of employees to self-employed and temporary workers, especially in case of significant and/or increasing reliance **or** (2) when the risk of negative social impacts on self-employed or temporary workers is greater compared to the undertaking's own employees.

235. The following table shows how information on self-employed people without personnel that are working exclusively for the undertaking and temporary workers provided by undertakings primarily engaged in employment activities may be presented.

Types of workers	Number of self-employed people and temporary workers engaged in employment activities

Total self-employed without personnel that are working exclusively for the undertaking	
Total temporary workers provided by undertakings primarily engaged in employment activities	

236. Undertakings can refer to NACE Code N78 for temporary workers provided by undertakings primarily engaged in 'employment activities'.

~~Disclosure~~ **C 6 – Human rights policies and processes**

237. Undertakings that have a due diligence process for human rights in place should answer positively (YES) and should clarify the contents of the policies and/or processes using the drop-down menu.

Disclosure C 7 – Severe negative human rights incidents

~~122.~~238. A "confirmed incident" refers to a legal action or complaint registered with the undertaking or competent authorities through a formal process, or an instance of non-compliance identified by the undertaking through established procedures. Established procedures to identify instances of non-compliance can include management system audits, formal monitoring programs, or grievance mechanisms.

Comprehensive Module Guidance - Business ~~Model~~Conduct Metrics

~~Disclosure~~ B~~P~~C 8~~1~~ – Revenues from certain sectors and exclusion from EU reference benchmarks

~~62. In accordance with paragraph 74, the undertaking shall declare if it is active in the following sectors, specifying the corresponding revenues:~~

~~(a) the manufacturing of controversial weapons such as anti-personnel mines, cluster munitions, chemical weapons and biological weapons (controversial weapons are prohibited by international law because of the indiscriminate harm they can cause to people, including serious bodily harm and death during or past the ending of military conflicts);~~

~~(b) the cultivation and production of tobacco;~~

~~(c) the fossil fuels (coal, oil and gas) sector (i.e., revenues arising **from** the exploration, mining, extraction, production, processing, storage, refining or distribution of fossil fuels, including their transportation, storage and trade); and~~

239. ~~the~~**Fossil fuels**, as defined in Article 2(62), of Regulation (EU) 2018/1999 of the European Parliament and the Council, are non-renewable carbon-based energy sources such as solid fuels, natural gas and oil.

~~(d)~~240. The **production of chemicals**~~, i.e.,~~ refers to the activities listed under ~~the~~ Division 20.2 of Annex I to Regulation (EC) No 1893/2006, ~~which involve~~i.e. the manufacturing ~~"....~~of pesticides and other agrochemical products~~").~~

~~63. Criteria regarding those sectors have been stipulated in certain legislation applicable to the financial sector; hence, those sectors have been identified by lenders and investors as carrying sustainability risks.~~

241. As defined by Article 12.1 and 12.2 of the Commission Delegated Regulation (EU) 2020/1818, the companies excluded from EU Paris-aligned Benchmarks are the following:

(a) companies that derive 1 % or more of their revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite;

(b) companies that derive 10 % or more of their revenues from the exploration, extraction, distribution or refining of oil fuels;

(c) companies that derive 50 % or more of their revenues from the exploration, extraction, manufacturing or distribution of gaseous fuels; and

(d) companies that derive 50 % or more of their revenues from electricity generation with a GHG intensity of more than 100 g CO2 e/kWh.

~~Disclosure BP-2 – Responsibilities~~C 9– Gender diversity ratio in ~~relation to sustainability matters~~governance body

~~123.~~242. The ***governance*** body refers to the highest decision-making authority in a company. Depending on the jurisdiction the company is in and its legal entity classification, the governance body can vary in format.

~~124.~~243. ~~The~~Based on the requirements in the SFDR, the gender diversity ratio of the ***governance*** body is calculated as an average ratio of female to male board members.

$$Gender\ diversity\ ratio = \frac{the\ number\ of\ female\ members}{the\ number\ \ of\ male\ members}$$

Example

~~125.~~244. ~~A certain~~The ***governance*** body of a certain SME is composed of six members, including three women. The gender diversity ratio is one – for every female member there is one male member.

BP 7 – Alignment with internationally recognised instruments

64. The undertaking shall disclose how it manages actual and potential negative impacts on people's human rights. This means that the undertaking shall disclose whether it has policies in place that commits it to respecting human rights, including labour rights, as defined by the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises. Such policies can take many forms, and they have no definitive template or structure. Efforts to implement such policies can include the provision of specific ***training*** on human rights for ***employees*** as well as efforts to map out supply chains in order to proactively identify issues related to child labour or forced labour, particularly in higher risk contexts.

65. Human rights in the workplace include the right to a safe and healthy working environment; the right to freedom of association and the right to ***collective bargaining***, the elimination of discrimination, including the right to equal pay for work of equal value; and the elimination of child labour and forced labour.

66. International instruments such as treaties, conventions, principles, and guidelines constitute the common reference ground upon which the undertaking shall develop policies related to human rights (see the CSRD Article 29 b 2 b). These policies could signal to internal and external stakeholders that an undertaking is taking steps to embed human rights in its business operations and relations.

Disclosure BP 8 – Processes to monitor compliance and mechanisms to address violations

67. A human rights ***policy*** sets out how the undertaking respects human rights by having processes in place to identify, prevent, mitigate and account for how the undertaking addresses its actual or potential adverse human rights impacts. Examples of mechanisms used to report human rights violations include the provision of channels such as ***grievance*** procedures, general complaints and whistleblower complaints through which ***employees*** can raise concerns or file complaints related to human rights, including labour rights.

Disclosure BP 9 – Violations of OECD guidelines by multinational enterprises or the UN Guiding Principles (including the principles and rights set out in the eight fundamental conventions of the ILO Declaration and the International Bill of Human Rights)

68. If applicable, the undertaking shall disclose whether there have been any violations of human rights during the reporting year. The UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises provide a comprehensive overview and list of human rights.

Disclosure BP 10 – Workforce – Work-life balance

69. The undertaking shall disclose separately the percentage of those ***employees:***

(a) who can take family related leave in the reporting year, with a breakdown by gender, and

(b) who used family related leave in the reporting year, with a breakdown by gender.

70. To calculate this percentage, the same methodology used for social metrics in the Basic Module should be used for the sake of consistency, which means that ***employees*** can be counted in full time equivalents or headcount.

71. Family related leave includes maternity leave, paternity leave, adoption leave, parental leave, dependents' leave and carer's leave. The definition and scope of family related leave is stipulated in national laws.

Disclosure BP 11 – Number of apprentices

72. The undertaking shall disclose the number of apprentices it has in the reporting period based on the applicable national definitions and schemes of ***apprentices***.

73. The number of apprentices refers to the number of apprentices who work in the undertaking during the reporting year. For example, if the undertaking has a December year end, an apprentice that starts their contract in year x1 and finishes in year x2 should be included in this disclosure in year x1 and year x2.

Appendix A: Defined terms

This appendix is an integral part of this [draft] Standard.

Defined term	Definition
Accident prevention	Accident prevention refers to the policies and initiatives to prevent workplace accidents and ensure the safety and well-being of employees. This not only includes measures to reduce physical risks but also involves fostering a safe and inclusive work environment free from discrimination and harassment.
Actions	Actions refer to (i) actions and actions plans (including transition plans) that are undertaken to ensure that the undertaking delivers against targets set and through which the undertaking seeks to address material impacts, risks and opportunities; and (ii) decisions to support these with financial, human or technological resources.
Affected communities	People or group(s) living or working in the same geographical area that have been or may be affected by a reporting undertaking's operations or through its upstream and downstream value chain. Affected communities can range from those living adjacent to the undertaking's operations (local communities) to those living at a distance. Affected communities include actually and potentially affected indigenous peoples.
~~Apprentice~~	~~Apprentice refers to a person who is serving an apprenticeship. Apprenticeships are understood as formal vocational education and training schemes that (a) combine learning in education or training institutions with substantial work based learning in companies and other workplaces, (b) lead to nationally recognised qualifications, (c) are based on an agreement defining the rights and obligations of the apprentice, of the employer and, where appropriate, the vocational education and training institution, and (d) with the apprentice being paid or otherwise compensation for the work based component.~~
~~Biodiversity~~	~~The variability among living organisms from all sources including, inter alia, terrestrial, freshwater, marine and other aquatic ecosystems and the ecological complexes of which they are part.~~
Biodiversity sensitive Area	Biodiversity sensitive areas include: Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas ('KBAs'), as well as other protected areas, as referred to in Appendix D of Annex II to Commission Delegated Regulation (EU) 2021/2139.
Business Conduct	The following matters are collectively referred to as 'business conduct or business conduct matters': (a) business ethics and corporate culture, including anti-corruption and anti-bribery, the protection of whistleblowers, and animal welfare; (b) the management of relationships with suppliers, including payment practices, especially with regard to late payment to small and medium-sized undertakings. (c) activities and commitments of the undertaking related to exerting its political influence, including its lobbying activities.
Child Labour	Work that deprives children of their childhood, potential, and dignity and harms their physical and mental development. It includes work that is mentally, physically, socially, or morally dangerous and/or interferes with their schooling (by preventing them from the opportunity to attend school).

Defined term	Definition
Collective bargaining	All negotiations which take place between an employer, a group of employers or one or more employers' organisations, on the one hand, and one or more trade unions or, in their absence, the representatives of the workers duly elected and authorised by them in accordance with national laws and regulations, on the other, for: i) determining working conditions and terms of employment; and/or ii) regulating relations between employers and workers; and/or regulating relations between employers or their organisations and a workers' organisation or workers' organisations.
Corruption	Abuse of entrusted power for private gain, which can be instigated by individuals or organisations. It includes practices such as facilitation payments, fraud, extortion, collusion, and money laundering. It also includes an offer or receipt of any gift, loan, fee, reward, or other advantage to or from any person as an inducement to do something that is dishonest, illegal, or a breach of trust in the conduct of the undertaking's business. This can include cash or in-kind benefits, such as free goods, gifts, and holidays, or special personal services provided for the purpose of an improper advantage, or that can result in moral pressure to receive such an advantage.
Consumers	Individuals who acquire, consume or use goods and services for personal use, either for themselves or for others, and not for resale, commercial or trade, business, craft or profession purposes.
Classified information	EU classified information as defined in Council Decision of 23 September 2013 on the security rules for protecting EU classified information (2013/488/EU) or classified by one of the Member States and marked as per Appendix B of that Council decision. EU classified information means any information designated by a EU security classification, of which the unauthorised disclosure could cause varying degrees of prejudice to the interests of the European Union or of one or more of the Member States. Classified information may be classified according to four levels: top secret, secret, confidential, restricted (based on the definition from the Council Decision).
Circular economy principles	The European circular economy principles are usability; reusability; repairability; disassembly; remanufacturing or refurbishment; recycling; recirculation by the biological cycle; other potential optimisation of product and material use.
Climate change adaptation	The process of adjustment to actual and expected climate change and its impacts.
Climate-related physical risks	Risks resulting from climate change that can be event-driven (acute) or from longer-term shifts (chronic) in climate patterns. Acute physical risks arise from particular hazards, especially weather-related events such as storms, floods, fires or heatwaves. Chronic physical risks arise from longer-term changes in the climate, such as temperature changes, and their effects on rising sea levels, reduced water availability, biodiversity loss and changes in land and soil productivity.
Direct GHG emissions (Scope 1)	Direct GHG emissions from sources that are owned or controlled by the undertaking.
Discrimination	Discrimination can occur directly or indirectly. Direct discrimination occurs when an individual is treated less favourably by comparison to how

Defined term	Definition
	others, who are in a similar situation. Indirect discrimination occurs when an apparently neutral rule disadvantages a person or a group sharing the same characteristics.
Employee	An individual who is in an employment relationship with the undertaking according to national law or practice.
End-users	Individuals who ultimately use or are intended to ultimately use a particular product or service.
~~Family related leave~~Forced Labour	~~Family related leave include maternity leave, paternity leave, parental leave, and carers' leave that is available under national law or collective agreements. For the purpose of this Standard, these concepts are defined as:~~ ~~(a) maternity leave (also called pregnancy leave): employment protected leave of absence for employed women directly around the time of childbirth (or, in some countries, adoption);~~ ~~(b) paternity leave: leave from work for fathers or, where and in so far as recognised by national law, for equivalent second parents, on the occasion of the birth or adoption of a child for the purposes of providing care;~~ ~~(c) parental leave: leave from work for parents on the grounds of the birth or adoption of a child to take care of that child, as defined by each Member State;~~ ~~(d) carers' leave from work: leave for workers to provide personal care or support to a relative, or a person who lives in the same household, in need of significant care or support for a serious medical reason, as defined by each Member State.~~All work or service which is exacted from any person under the threat of penalty and for which the person has not offered himself or herself voluntarily according to the ILO Forced Labour Convention, 1930 (No.29). The term encompasses all situations in which persons are coerced by any means to perform work.
Grievance mechanism	Any routinized, state-based or non-state-based, judicial or non-judicial processes through which stakeholders can raise grievances and seek remedy. Examples of state-based judicial and non-judicial grievance mechanisms include courts, labour tribunals, national human rights institutions, National Contact Points under the OECD Guidelines for Multinational Enterprises, ombudsperson offices, consumer protection agencies, regulatory oversight bodies, and government-run complaints offices. Non-state-based grievance mechanisms include those administered by the undertaking, either alone or together with stakeholders, such as operational-level grievance mechanisms and collective bargaining, including the mechanisms established by collective bargaining. They also include mechanisms administered by industry associations, international organisations, civil society organisations, or multi-stakeholder groups. Operational-level grievance mechanisms are administered by the organisation either alone or in collaboration with other parties and are directly accessible by the organisation's stakeholders. They allow for grievances to be identified and addressed early and directly, thereby preventing both harm and grievances from escalating. They also provide important feedback on the effectiveness of the organisation's due diligence from those who are directly affected. According to UN Guiding Principle 31, effective grievance mechanisms are legitimate, accessible, predictable, equitable, transparent, rights-compatible, and a source of continuous learning. In addition to these criteria, effective operational-level grievance mechanisms are also based on engagement and dialogue. It can be more difficult for the organisation to assess the effectiveness of

Defined term	Definition
	grievance mechanisms that it participates in compared to those it has established itself.
Greenhouse Gases (GHG)	For the purposes of this Standard, GHGs are the six gases listed in the Kyoto Protocol: carbon dioxide (CO2); methane (CH4); nitrous oxide (N2O); Nitrogen trifluoride (NF3); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs); and sulphur hexafluoride (SF6).
Governance	The governance is the system of rules, practices and processes by which a company is directed and controlled.
Gross greenhouse gas (GHG) emissions	Gross greenhouse gas (GHG) emissions are total GHG emissions ~~before~~ released by the undertaking into the atmosphere, without considering any deductions for carbon removals or ~~any~~ other adjustments ~~are made~~.
Hazardous waste	Waste which displays one or more of the hazardous properties listed in Annex III of Directive 2008/98/EC of the European Parliament and of the Council on waste.
Human trafficking	The recruitment, transportation, transfer, harbouring or reception of persons, including the exchange or transfer of control over those persons, by means of the threat or use of force or other forms of coercion, of abduction, of fraud, of deception, of the abuse of power or of a position of vulnerability or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation.
Incident	A legal action or complaint registered with the undertaking or competent authorities through a formal process, or an instance of non-compliance identified by the undertaking through established procedures. Established procedures to identify instances of non-compliance can include management system audits, formal monitoring programs, or grievance mechanisms
Indirect GHG emissions (Scope 2)	Indirect emissions are a consequence of the operations of the undertaking but occur at sources owned or controlled by another company. Scope 2 GHG emissions are indirect emissions from the generation of purchased or acquired electricity, steam and heat, or cooling consumed by the undertaking.

Defined term	Definition
Impact	Impact refers to the effect an organization has or could have on the economy, environment, and people, including effects on their human rights, as a result of the organization's activities or business relationships. The impacts can be actual or potential, negative or positive, short-term or long-term, intended or unintended, direct or indirect, and reversible or irreversible. These impacts indicate the organization's contribution, negative or positive, to sustainable development. The impacts on the economy, environment, and people are interrelated. The organization's impacts on the environment refer to the impacts on living organisms and non-living elements, including air, land, water, and ecosystems. An organization can have an impact on the environment through, for example, its use of energy, land, water, and other natural resources. The organization's impacts on people refer to the impacts on individuals and groups, such as communities, vulnerable groups, or society. This includes the impacts the organization has on people's human rights. An organization can have an impact on people through, for example, its employment practices (e.g., the wages it pays to employees), its supply chain (e.g., the working conditions of workers of suppliers), and its products and services (e.g., their safety or accessibility).
Land-use (change)	The human use of a specific area for a certain purpose (such as residential; agriculture; recreation; industrial, etc.). Influenced by land cover (grass, asphalt, trees, bare ground, water, etc). Land-use change refers to a change in the use or management of land by humans, which may lead to a change in land cover.
Location-based Scope 2 emissions	Emissions from electricity, heat, steam and cooling purchased or acquired and consumed by the reporting company, calculated using the location-based 'allocating' method, which allocates generator emissions to end-users. They reflect the average emissions intensity of grids on which the energy consumption occurs and uses mostly grid-average emission factor data. Typical sources of Scope 2 emissions relate to any equipment that consumes electricity (electrical engines, lights, buildings, etc.), heat (heating in industrial processes, buildings, etc.), steam (industrial processes) and cooling (industrial processes, buildings, etc.).
Nature-oriented area	A "nature-oriented area" is an area dedicated primarily to nature preservation or restoration. They can be located on-site and include elements like roof, façade, water drainages -designed, to promote biodiversity. Nature-oriented areas can also be located outside the organisation site provided that the area is owned or (co-)managed by the organisation and is primarily dedicated to promoting biodiversity. (Adapted from EMAS regulation)
Near (Biodiversity Sensitive Area)	Near, in the context of B5 – Biodiversity, shall refer to an area that is (partially) overlapping or adjacent to a biodiversity sensitive area.
Own workforce/own workers	Employees who are in an employment relationship with the undertaking ('employees') and non-employees who are either individual contractors supplying labour to the undertaking ('self-employed people') or people provided by undertakings primarily engaged in 'employment activities' (NACE Code N78).
Pay	The ordinary basic or minimum wage or salary and any other

Defined term	Definition
	remuneration, whether in cash or in kind which the worker receives directly or indirectly ('complementary or variable components'), in respect of his/her employment from his/her employer. 'Pay level' means gross annual pay and the corresponding gross hourly pay. 'Median pay level' means the pay of the employee that would have half of the employees earn more and half less than they do
Policy	A set or framework of general objectives and management principles that the undertaking uses for decision-making. A policy implements the undertaking's strategy or management decisions related to a ~~material~~ sustainability issues~~matter~~. Each policy is under the responsibility of defined person(s), specifies its perimeter of application, and includes one or more objectives (linked when applicable to measurable targets). A policy is implemented through actions or action plans. For example, undertakings with less resources may have few (or no) policies formalised in written documents, but this does not necessarily mean they do not have policies. If the undertaking has not yet formalised a policy but has implemented actions or defined targets through which the undertaking seeks to address ~~material~~ sustainability ~~topics and subtopics~~issues, it shall~~may~~ disclose them.
Radioactive waste	Any radioactive material in gaseous, liquid, or solid form, for which no further use is foreseen, as per Article 3(7) of Council Directive 2011/70/Euratom[20].
Recordable work-related accident / Recordable work-related injury or ill health	A work-related accident is an event that leads to physical or mental harm therefore to injury or ill health. It happens whilst engaged in an occupational activity or during the time spent at work. Recordable means diagnosed by a physician or other licensed health care professionals. Work-related injury or ill health ~~that results~~can result in any of the following: death, days away from work, restricted work or transfer to another job, medical treatment beyond first aid~~,~~ or loss of consciousness~~; or significant injury or ill health diagnosed by a physician or other licensed healthcare professional, even if it does not result in death, days away from work, restricted work or job transfer, medical treatment beyond first aid, or loss of consciousness. Recordable means diagnosed by a physician or other licensed health care professionals.~~. Injuries that do not require medical treatment beyond first aid are generally not recordable.
Recycling	Any recovery operation by which waste materials are reprocessed into products, materials or substances whether for the original or other purposes. It includes the reprocessing of organic material but does not include energy recovery and the reprocessing into materials that are to be used as fuels or for backfilling operations
Renewable Energy	Energy from renewable non-fossil sources, namely wind, solar (solar thermal and solar photovoltaic) and geothermal energy, ambient energy, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogas[21].

[20] Council Directive 2011/70/Euratom of 19 July 2011 establishing a Community framework for the responsible and safe management of spent fuel and radioactive waste.

[21] Article 2(1) Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources Directive (EU) 2018/2001 of the European Parliament and

Defined term	Definition
Sealed area	A sealed area means any area where the original soil has been covered (such as roads) making it impermeable. This non-permeability can create environmental impacts. (Source: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02009R1221-20230712)
Sensitive information	Sensitive information as defined in Regulation (EU) 2021/697 of the European Parliament and of the Council of 29 April 2021 establishing the European Defence Fund. Sensitive information means information and data, including classified information, that is to be protected from unauthorised access or disclosure because of obligations laid down in Union or national law or in order to safeguard the privacy or security of a natural or legal person.
Site	The location of one or more physical installations. If there is more than one physical installation from the same or different owners or operators and certain infrastructure and facilities are shared, the entire area where the physical installation are located may constitute a site.
Targets	Measurable, outcome-oriented and time-bound goals that the SME aims to achieve in relation to ~~material~~ sustainability ~~topics and subtopics~~issues. They may be set voluntarily by the SME or derive from legal requirements on the undertaking.
Time horizons	When preparing its sustainability report, the undertaking shall adopt the following time horizons: (a) for the short-term time horizon, one year; (b) for the medium-term time horizon, from two to five years; and (c) for the long-term time horizon, more than five years.
Training	Initiatives put in place by the undertaking aimed at the maintenance and/or improvement of skills and knowledge of its own workers. It can include different methodologies, such as on-site training, and online training.
Value Chain	The full range of activities, resources and relationships related to the undertaking's business model and the external environment in which it operates. A value chain encompasses the activities, resources and relationships the undertaking uses and relies on to create its products or services from conception to delivery, consumption and end-of- life. Relevant activities, resources and relationships include: a) those in the undertaking's own operations, such as human resources; b) those along its supply, marketing and distribution channels, such as materials and service sourcing and product and service sale and delivery; and c) the financing, geographical, geopolitical and regulatory environments in which the undertaking operates. Value chain includes actors upstream and downstream from the undertaking. Actors upstream from the undertaking (e.g., suppliers) provide products or services that are used in the

of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (OJ L 328, 21.12.2018, p. 82).

Defined term	Definition
	development of the undertaking's products or services. Entities downstream from the undertaking (e.g., distributors, customers) receive products or services from the undertaking.
Wage	Gross wage, excluding variable components such as overtime and incentive pay, and excluding allowances unless they are guaranteed
Water consumption	The amount of water drawn into the boundaries of the undertaking (or facility) and not discharged back to the water environment or a third party over the course of the reporting period.
Water withdrawal	The sum of all water drawn into the boundaries of the undertaking from all sources for any use over the course of the reporting period.
~~Work life balance~~	~~Satisfactory state of equilibrium between an individual's work and private life. Work life balance in a broader sense encompasses not only the balance between work and private life given family or care responsibilities, but also time allocation between time spent at work and in private life beyond family responsibilities.~~
Worker in the value chain	An individual performing work in the value chain of the undertaking, regardless of the existence or nature of any contractual relationship with the undertaking. In the ESRS, the scope of workers in the value chain include all workers in the undertaking's upstream and downstream value chain who are or can be materially impacted by the undertaking. This includes impacts that are connected to the undertaking's own operations, and value chain, including through its products or services, as well as through its business relationships. This includes all workers who are not in the scope of 'Own Workforce' ('Own Workforce' includes people who are in an employment relationship with the undertaking ('employees') and non-employees who are either individual contractors supplying labour to the undertaking ('self-employed people') or people provided by undertakings primarily engaged in employment activities (NACE Code N78)

Appendix B: List of possible sustainability ~~matters~~issues

The appendix below is an integral part of this ~~[draft]~~ Standard. ~~The compilation of sustainability topics along with their related subtopics and sub-subtopics shall be used as a basis for determining what material matters are to be reported.~~ and provides a list of possible sustainability issues.

~~Sustainability matters~~issue ~~covered in [draft] topical ESRS~~		
Topic	**Sustainability ~~matter~~issue: Sub-topic**	**Sustainability ~~matter~~issue: sub-sub topic**
Climate change	– Climate change adaptation – Climate change mitigation – Energy	
Pollution	– Pollution of air – Pollution of water – Pollution of soil – Pollution of living organisms and food resources – Substances of concern – Substances of very high concern – Microplastics	
Water and marine resources	– Water – Marine resources	– Water consumption – Water withdrawals – Water discharges – Water discharges in the oceans – Extraction and use of marine resources
Biodiversity and ecosystems	– Direct impact drivers of biodiversity loss	– Climate Change – Land-use change, fresh water-use change and sea-use change – Direct exploitation – Invasive alien species – Pollution – Others
	– Impacts on the state of species	– Examples: – Species population size – Species global extinction risk
	– Impacts on the extent and condition of ecosystems	– Examples: – Land degradation – Desertification – Soil sealing
	– Impacts and dependencies on ecosystem services	
Circular economy	– Resources inflows, including resource use – Resource outflows related to products and services – Waste	
Own workforce	– Working conditions	– Secure employment – Working time – Adequate wages – Social dialogue

~~Sustainability mattersissue covered in [draft] topical ESRS~~		
Topic	**Sustainability ~~matter~~issue: Sub-topic**	**Sustainability ~~matter~~issue: sub-sub topic**
		– Freedom of association, the existence of works councils and the information, consultation and participation rights of workers – Collective bargaining, including rate of workers covered by collective agreements – Work-life balance – Health and safety
	– Equal treatment and opportunities for all	– Gender equality and equal pay for work of equal value – Training and skills development – Employment and inclusion of persons with disabilities – Measures against violence and harassment in the workplace – Diversity
	– Other work-related rights	– Child labour – Forced labour – Adequate housing – Privacy
Workers in the value chain	– Working conditions	– Secure employment – Working time – Adequate wages – Social dialogue – Freedom of association, including the existence of work councils – Collective bargaining – Work-life balance – Health and safety
	– Equal treatment and opportunities for all	– Gender equality and equal pay for work of equal value – Training and skills development – The employment and inclusion of persons with disabilities – Measures against violence and harassment in the workplace – Diversity
	– Other work-related rights	– Child labour – Forced labour – Adequate housing – Water and sanitation – Privacy
Affected communities	– Communities' economic, social and cultural rights	– Adequate housing – Adequate food – Water and sanitation – Land-related impacts – Security-related impacts

~~Sustainability mattersissue covered in [draft] topical ESRS~~		
Topic	**Sustainability matterissue: Sub-topic**	**Sustainability matterissue: sub-sub topic**
	– Communities' civil and political rights	– Freedom of expression – Freedom of assembly – Impacts on human rights defenders
	– Rights of indigenous communities	– Free, prior and informed consent – Self-determination – Cultural rights
Consumers and end-users	– Information-related impacts for consumers and/or end-users	– Privacy – Freedom of expression – Access to (quality) information
	– Personal safety of consumers and/or end-users	– Health and safety – Security of a person – Protection of children
	– Social inclusion of consumers and/or end-users	– Non-discrimination – Access to products and services – Responsible marketing practices
Business conduct	– Corporate culture – Protection of whistle-blowers – Animal welfare – Political engagement – Management of relationships with suppliers including payment practices	
	– Corruption and bribery	– Prevention and detection including training – Incidents

Appendix C~~–~~: ~~dedicated to~~Additional~~Background information explanatory information for~~ financial market participants that are users of the information produced using this ~~[draft]~~ Standard (reconciliation with other EU Regulations)

~~126.~~245. This appendix is relevant for users of the sustainability report. The table below illustrates the Sustainable Finance Datapoints that are present in different modules of this Standard that satisfy the requests of multiple user types (banks, investors, large undertakings).

~~127.~~246. The column 'DR number and Title' identifies the disclosures present in the different modules (i.e. Basic Module, ~~Narrative PAT Module,~~ and ~~Business Partners~~Comprehensive Module) that are Sustainable Finance datapoints. The column SFDR Table 1 and/or EBA Pillar 3 and/or Benchmark Regulation illustrates how these disclosures relate to these regulations that are relevant for users of the sustainability report (banks, other investors).

Topic: Environment / Social / Governance	DR number and Title	SFDR Table 1 and/or EBA Pillar 3 and/or Benchmark Regulation
Basic Module		
~~Cross Cutting~~General information	**B1 – Basis for preparation** The undertaking shall disclose: vii. geolocation of sites owned, leased or managed.	**EBA Pillar 3**[22]
Environment	**B3 – Energy and greenhouse gas emissions** The undertaking shall disclose its total energy consumption in MWh, with a breakdown as per the table below, if it can obtain the necessary information to provide such a breakdown:	**SFDR**[23]

	Renewable	Non-renewable	Total
Electricity (as reflected in utility billings)			
Fuels			

[22] This disclosure requirement is consistent with the requirements included in Commission Implementing Regulation (EU) 2022/2453 - Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk.

[23] Regulation (EU) 2019/2088 (SFDR), mandatory indicator #5 in Table 1 of Annex I ("Share of non-renewable energy consumption and production").

Environment	**B5 – Biodiversity** The undertaking shall disclose the number and area (in hectares) of sites that it owns, that it has leased or that it manages, that are located in or near biodiversity sensitive areas.	**SFDR**[29]
Environment	**B7 – Resource use, circular economy and waste management** The undertaking shall disclose: (b) the total annual generation of waste broken down by type (non-hazardous and hazardous);	**SFDR**[30]
Social	**B9 – Workforce – Health and safety** The undertaking shall disclose the following information regarding its ***employees***: (a) the number and rate of ***recordable work-related*** accidents; and (b) the number of fatalities as a result of work-related injuries and work-related ill health.	**SFDR**[31] **Benchmark**[32]
Social	**B10 – Workforce – Remuneration, collective bargaining and training** The undertaking shall disclose: (a) the percentage gap in ***pay*** between its female and male ***employees***. The undertaking may omit this disclosure when its headcount is below 150 employees noting that this threshold will be reduced to 100 employees from 7 June 2031;	**SFDR**[33]
Governance	**B11 – Convictions and fines for corruption and bribery**	**Benchmark**[34]

[29] Regulation (EU) 2019/2088 (SFDR), mandatory indicator #7 in Table 1 of Annex I ("Activities negatively affecting biodiversity-sensitive areas")

[30] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory indicator related to principal adverse impacts as set out by indicator #9 in Table I of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ("Hazardous waste and radioactive waste ratio").

[31] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088, as reflecting an additional indicator related to principal adverse impacts as set out by indicator #2 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments ("Rate of accidents")

[32] Benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator "Weighted average ratio of accidents, injuries, fatalities" in section 1 and 2 of Annex 2.

[33] Regulation (EU) 2019/2088 (SFDR), mandatory indicator #12 in Table 1 of Annex I ("Unadjusted gender pay gap") and (EU) 2020/1816 Benchmark Regulation (EU), indicator "Weighted average gender pay gap" in section 1 and 2 of Annex II.

[34] Benchmark Regulation (EU) 2020/1816, indicator "Numbers of convictions and amount of fines for violations of anti-corruption and anti-bribery laws" in section 1 and 2 of Annex II.

	In case of convictions and fines in the reporting period, the undertaking shall disclose the number of convictions, and the total amount of fines incurred for the violation of anti-corruption and anti-bribery laws.	
Comprehensive Module		
Environment	**Consideration when reporting on GHG emissions under B3 (Basic Module)** When reporting its Scope 1 and Scope 2 emissions, if the undertaking discloses entity-specific information on its Scope 3 emissions, it shall present it together with the information required under B3 – Energy and greenhouse gas emissions.	**SFDR**[35] **Benchmark**[36]
Environment	**C3 – GHG emissions reduction target** If the undertaking has established GHG emission reduction ***targets***, it shall disclose its targets in absolute values for Scope 1 and Scope 2 emissions. In line with paragraphs 50 to 53 above and depending on the nature of its activities, the undertaking shall also provide targets for significant Scope 3 emissions. In particular, it shall provide: (a) the target year and target year value; (b) the base year and base year value; (c) the units used for ***targets***; (d) the share of Scope 1, Scope 2 and, if disclosed, Scope 3 that the target concerns; and (e) a list of main actions it seeks to implement to achieve its ***targets***.	**SFDR**[38] **Benchmark**[39]

[35] Regulation (EU) 2019/2088 (SFDR), mandatory indicators #1 and #2 in Table 1 of Annex I ("GHG emissions"; Carbon footprint")

[36] Regulation (EU) 2020/1816 Benchmark Regulation, Articles 5 (1), 6 and 8 (1).

[38] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 (SFDR) because it is derived from an additional indicator related to principal adverse impacts as set out by indicator #4 in Table II of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ("Investments in companies without carbon emission reduction initiatives")

[39]This information is aligned with the Commission Delegated Regulation (EU) 2020/1818 (Climate Benchmark Regulation), Article 6.

	In case of convictions and fines in the reporting period, the undertaking shall disclose the number of convictions, and the total amount of fines incurred for the violation of anti-corruption and anti-bribery laws.	
Comprehensive Module		
Environment	**Consideration when reporting on GHG emissions under B3 (Basic Module)** When reporting its Scope 1 and Scope 2 emissions, if the undertaking discloses entity-specific information on its Scope 3 emissions, it shall present it together with the information required under B3 – Energy and greenhouse gas emissions.	**SFDR**[35] **Benchmark**[36]
Environment	**C3 – GHG emissions reduction target** If the undertaking has established GHG emission reduction ***targets***, it shall disclose its targets in absolute values for Scope 1 and Scope 2 emissions. In line with paragraphs 50 to 53 above and depending on the nature of its activities, the undertaking shall also provide targets for significant Scope 3 emissions. In particular, it shall provide: (a) the target year and target year value; (b) the base year and base year value; (c) the units used for ***targets***; (d) the share of Scope 1, Scope 2 and, if disclosed, Scope 3 that the target concerns; and (e) a list of main actions it seeks to implement to achieve its ***targets***.	**SFDR**[38] **Benchmark**[39]

[35] Regulation (EU) 2019/2088 (SFDR), mandatory indicators #1 and #2 in Table 1 of Annex I ("GHG emissions"; Carbon footprint")

[36] Regulation (EU) 2020/1816 Benchmark Regulation, Articles 5 (1), 6 and 8 (1).

[38] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 (SFDR) because it is derived from an additional indicator related to principal adverse impacts as set out by indicator #4 in Table II of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ("Investments in companies without carbon emission reduction initiatives")

[39]This information is aligned with the Commission Delegated Regulation (EU) 2020/1818 (Climate Benchmark Regulation), Article 6.

	If the undertaking that operates in high climate impact sectors[37] has adopted a transition plan for climate change mitigation, it may provide information about it, including an explanation of how it is contributing to reduce GHG emissions. In case the undertaking operates in high-climate impact sectors and does not have a transition plan for climate change mitigation in place, it shall indicate whether and, if so, when it will adopt such a transition plan.	**EBA Pillar 3**[40] **Benchmark**[41]
Environment	**C4 – Climate risks** If the undertaking has identified climate-related hazards and climate-related transition events, creating gross climate-related risks for the undertaking, it shall: (a) briefly describe such climate-related hazards and climate-related transition events; (b) disclose how it has assessed the exposure and sensitivity of its assets, activities and ***value chain*** to these hazards and transition events; (c) disclose the ***time horizons*** of any climate-related hazards and transition events identified; and	**Benchmark**[42] **EBA Pillar 3**[43]

[37] High climate impact sectors are those listed in NACE Sections A to H and Section L as defined in Annex I to Regulation (EC) No 1893/2006.

[40] This information is aligned with Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change transition risk: alignment metrics

[41] This information is aligned with the Regulation (EU) 2021/1119 of the European Parliament and of the Council (EU Climate Law), Article 2 (1); and with Commission Delegated Regulation (EU) 2020/1818 (Climate Benchmark Regulation), Article 2.

[42] Benchmark Regulation (EU) 2020/1816 Annex II: Environmental factors to be considered by underlying assets of the benchmark.

[43] EBA Pillar 3: ITS - Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk and EBA Pillar 3: ITS - Template 2: Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral.

	(d) disclose whether it has undertaken ***climate change adaptation*** actions for any climate-related hazards and transition events. The undertaking may disclose the potential adverse effects of climate risks that may affect its financial performance or business operations in the short-, medium- or long-term, indicating whether it assesses the risks to be high, medium, low.	
Social	**C6 – Additional own workforce metric - Human rights policies and processes** The undertaking shall disclose an answer to the following questions. (a) Does the undertaking have a code of conduct or human rights ***policy*** for its ***own workforce***? (YES/NO) (b) If yes, does this cover: i. child labour (YES/ NO); ii. forced labour (YES/ NO); iii. human trafficking (YES/NO); iv. discrimination (YES/NO); v. accident prevention (YES/NO); or vi. other? (YES/NO – if yes, specify). (c) Does the undertaking have a complaints-handling mechanism for its own workforce? (YES/ NO)	**Benchmark**[44] **SFDR**[45]
Social	**C7 – Severe human rights incidents**	**SFDR**[46] **Benchmark**[47]

[44] This information supports the needs of benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator "Exposure of the benchmark portfolio to companies without due diligence policies on issues addressed by the fundamental International Labour Organisation Conventions 1 to 8" in section 1 and 2 of Annex II.

[45] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory indicator related to principal adverse impacts as set out by indicator #11 in Table I of Annex I ("Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises") and by indicator #5 in Table III of Annex I ("Share of investments in investee companies without any grievance/complaints handling mechanism related to employee matters") and by indicator #9 in Table III of Annex I ("Share of investments in entities without a human rights policy") of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments.

[46] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory and additional indicator related to principal adverse impacts as set out by indicator #10 in Table I of Annex I and by indicator #14 in Table III of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ("Violations of UNGC principles and OECD Guidelines for Multinational Enterprises" and "Number of identified cases of severe human rights issues and incidents")

[47] This information supports the information needs of benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator "Number of benchmark constituents subject to social violations

	The undertaking shall disclose an answer to the following questions: (a) Does the undertaking have confirmed incidents in its ***own workforce*** related to: i. child labour (YES/ NO); ii. forced labour (YES/ NO); iii. human trafficking (YES/ NO); iv. discrimination (YES/ NO); or v. other? (YES/NO – if yes, specify). (b) If yes, the undertaking may describe the ***actions*** being taken to address the ***incidents*** described above. (c) Is the undertaking aware of any confirmed ***incidents*** involving ***workers in the value chain***, ***affected communities***, ***consumers*** and ***end-users***? If yes, specify.	
Governance	**C8 – Revenues from certain sectors and exclusion from EU reference benchmarks** If the undertaking is active in one or more of the following sectors, it shall disclose its related revenues in the sector(s): (a) controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons);	**SFDR**[48] **Benchmark**[49]
	(b) the cultivation and production of tobacco;	**EBA Pillar 3**[50] **Benchmark**[51]
	(c) fossil fuel (coal, oil and gas) sector (i.e. the undertaking derives revenues from exploration,	**SFDR**[52]

(absolute number and relative divided by all benchmark constituents), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law" in section 1 and 2 of Annex II.

[48] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts set out by indicator #14 in Table I of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosures rules on sustainable investments ("Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)").

[49] Benchmark Regulation (EU) 2020/1818 Article 12(1): "Administrators of EU-Paris aligned Benchmarks shall exclude all of the following companies from those benchmarks: companies involved in any activities related to controversial weapons; " and Benchmark Regulation (EU) 2020/1816 Annex II: Weighted average percentage of benchmark constituents in the controversial weapons sector."

[50] EBA Pillar 3: Template 1: Banking book - Climate change transition risk: Companies in the manufacturing of tobacco products excluded from EU-Paris aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation

[51] This information supports the needs of benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1818 as set out by paragraph b) of article 12.1. and Benchmark Regulation (EU) 2020/1816 Annex II: "Weighted average percentage of benchmark constituents in the tobacco sector."

[52] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts set out by indicator

	mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and the Council17), including a disaggregation of revenues derived from coal, from oil and from gas); or	**EBA Pillar 3**[53] **Benchmark**[54]
	(d) chemicals production, if the undertaking is a manufacturer of pesticides and other agrochemical products.	**SFDR**[55] **EBA Pillar 3**[56]
	The undertaking shall disclose whether it is excluded from any EU reference benchmarks that are aligned with the Paris Agreement as described in paragraph 241 of the guidance.	**EBA Pillar 3**[57] **Benchmark**[58]
Governance	**C9 – Gender diversity ratio in governance body** If the undertaking has a governance body in place, the undertaking shall disclose the related gender diversity ratio.	**SFDR**[59] **Benchmark**[60]

#4 in Table I of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosures rules on sustainable investments ("Exposure to companies active in the fossil fuel sector")

[53] EBA Pillar 3: Template 1: Banking book - Climate change transition risk: Companies in Mining and quarrying excluded from EU-Paris aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation

[54] Benchmark Regulation (EU) 2020/1818 Article 12(1).

[55] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts set out by indicator #9 in Table II of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosures rules on sustainable investments ("Investments in companies producing chemicals").

[56] EBA Pillar 3: Template 1: Banking book - Climate change transition risk: Companies in Mining and quarrying excluded from EU-Paris aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation

[57] This disclosure requirement is consistent with the requirements in Commission Implementing Regulation (EU) 2022/2453 - template 1 climate change transition risk.

[58] This disclosure requirement is aligned with Commission Delegated Regulation (EU) 2020/1818 (Climate Benchmark Regulation), Article 12.1.

[59] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts set out by indicator #13 in Table I of Annex I of Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to disclosures rules on sustainable investments ("Board gender diversity")

[60] This information supports the information needs of benchmark administrators to disclose ESG factors subject to Commission Delegated Regulation (EU) 2020/1816 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as set out by indicator "Weighted average ratio of female to male board members" in section 1 and 2 of Annex II.

Annex 3: List of public meetings held on the VSME

- EFRAG SR TEG Meeting 17 November 2022 – EFRAG on the workstreams on SMEs.
- EFRAG SRB Meeting 14 December 2022 - EFRAG on SMEs standards approach and methodology.
- EFRAG SRB Meeting 7 February 2023 - EFRAG on the building blocks.
- EFRAG SR TEG Meeting 19 June 2023 - EFRAG on building blocks.
- EFRAG SRB Meeting 28 June 2023 - EFRAG on the role of VSME, entities in scope, building blocks approach and joint consultation of LSME and VSME
- EFRAG SR TEG Meeting 13 July 2023 – EFRAG on LSME and VSME.
- EFRAG SRB Meeting 13 September 2023 – EFRAG on LSME and VSME.
- EFRAG SR TEG Meeting 20 September 2023 – EFRAG on the feedback from the internal consultation on VSME V1.1, focus on cross cutting and Environment.
- EFRAG SRB Meeting 22 September 2023 – EFRAG on verbal update on SR TEG discussions.
- EFRAG SR TEG Meeting 29 September 2023 – EFRAG on the feedback from the internal consultation on VSME V1.1, focus on Social and Governance metrics.
- EFRAG SR TEG Meeting 2 October 2023 – EFRAG on the simplified language approach to VSME cross cutting section (V2).
- EFRAG SRB Meeting 24 October 2023 – EFRAG feedback on the simplified language approach to VSME (V3).
- EFRAG SR TEG Meeting 26 October 2023 – EFRAG detailed feedback and last red flags on VSME (V3).
- EFRAG SR TEG Meeting 8 November 2023 – EFRAG on VSME ED approval.
- EFRAG SRB Meeting 29 November 2023 – EFRAG on VSME ED approval.

Meetings held after the public consultation:

- EFRAG SRB meeting 10 July 2024 | EFRAG on the strategic orientations of the VSME after public consultation.
- EFRAG SR TEG meeting 16 July 2024 | EFRAG on the strategic orientations of the VSME after public consultation.
- EFRAG SRB meeting 17 July 2024 | EFRAG on the strategic orientations of the VSME after public consultation.
- EFRAG SR TEG meeting 12 September 2024 | EFRAG on the revised VSME after public consultation.
- EFRAG SR TEG physical meeting 19 September 2024 | EFRAG on the reviewal continuation of the revised VSME after public consultation.
- EFRAG SR TEG Webcast Meeting - 26 September 2024 | EFRAG on the reviewal continuation of the revised VSME after public consultation.
- EFRAG SR TEG meeting 07 October 2024 | EFRAG on the reviewal continuation of the revised VSME after public consultation.
- EFRAG SR TEG meeting 10 October 2024 | EFRAG on the approval initiation of the revised VSME after public consultation.
- EFRAG SRB meeting 16 October 2024 | EFRAG update on the revised VSME after public consultation.
- EFRAG SR TEG meeting 17 October 2024 | EFRAG on the reviewal continuation of the revised VSME after public consultation.
- EFRAG SR TEG meeting 22 October 2024 | EFRAG on VSME approval.
- EFRAG SRB meeting 30 October 2024 | EFRAG on VSME approval initiation.
- EFRAG SRB meeting 13 November 2024 | EFRAG on VSME approval.

Annex 4: List of internal meetings held on the VSME

- 1st EWG meeting (19 December 2022): SMEs workstream and building blocks approach, LSME and VSME approach and prioritization of work.
- SR TEG (19 January 2023): discussion on VSME, approach taken by ex PTF Cluster 8 and the C8 proposal on voluntary standard for SMEs.
- 2nd EWG meeting (19 January 2023): LSME and VSME.
- SRB meeting (27 January 2023) on approach to LSME and VSME as two separate standards.
- 3rd EWG meeting (9 February 2023): discussion on LSME and VSME Communities questionnaires and LSME working papers.
- 4th EWG meeting (8 March 2023): Discussion on VSME Community feedback and LSME working papers.
- European Issuers Smaller issuers committee (9 May 2023).
- EFRAG SR TEG Meeting (5 September 2023): EFRAG on Vienna Initiative Questionnaire Alignment with VSME V1.1.
- 5th EWG meeting (27 October 2023): discussion on VSME V3.
- Meeting with DG Grow (8 July 2024)
- Internal Meeting with Platform on Sustainable Finance (9 July 2024)
- Meeting with MEF and DG FISMA (15 July 2024)
- Meeting with DG FISMA and DG Grow (3 October 2024)

List of field test workshop events (11 events in total)

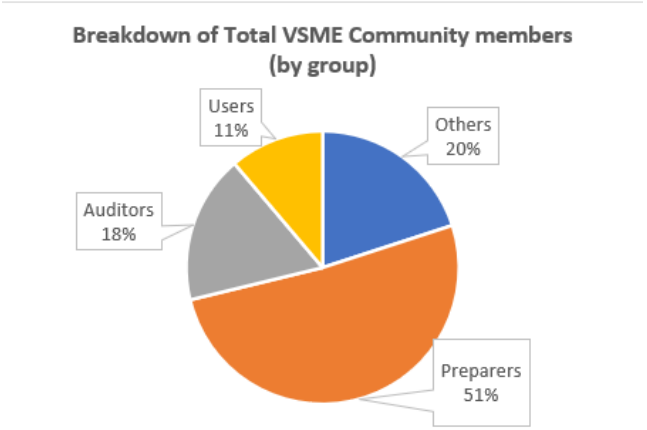
- Introductory workshop with VSME field test preparers (9 February 2024)
- VSME User field test introductory meeting (1 March 2024)
- Micro preparers option A (6 May 2024)
- Micro & Small preparers option B (6 May 2024)
- Platforms and rating agencies (7 May 2024)
- Medium preparers option B (8 May 2024)
- Medium preparers option A (13 May 2024)
- Small preparers option A (14 May 2024)
- Users: banks, user associations and other proxies for users (15 May 2024)
- Accounting firms, auditing firms, and reporting tools workshop (16 May 2024)
- Consulting services and others workshop (21 May 2024)

Annex 5: List of outreach meetings

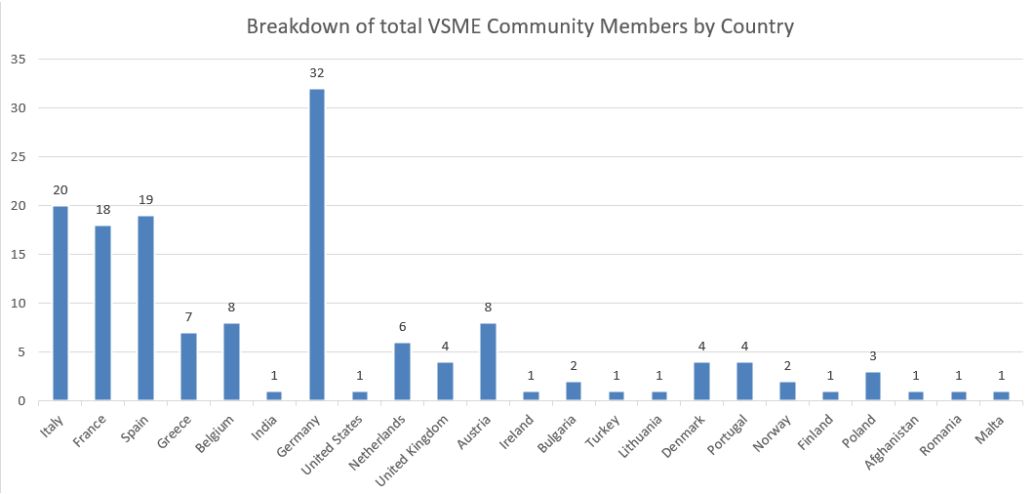
- VSME Community workshop internal + final public session (31 January 2023): presentation of the outcome of the questionnaire sent to the VSME Community members and additional questions regarding VSME.
- Meeting with Vienna Initiative (30 August 2023): Gap Analysis between VSME V1.1 and Vienna Initiative Questionnaire
- First Bank workshop (1 September 2023): Feedback on EFRAG VSME V.2
- SME UNITED and EFRAG Secretariat workshop (4 September 2023): Feedback from EFRAG VSME V.2
- 2nd VSME Community workshop internal + final public session (7 September 2023): Feedback on EFRAG VSME V.2
- FBF Questionnaire and EFRAG Secretariat (20 September 2023) on alignment with VSME V.2
- CSR Europe Workshop with EFRAG Secretariat (5 October 2023) on VSME V.2
- Business Europe meeting with EFRAG Secretariat (13 October 2023) on VSME V.2
- Second SME UNITED and EFRAG Secretariat workshop (20 October 2023) on feedback on VSME V3.
- Second Bank Workshop (23 October 2023) on feedback and alignment on VSME V3.
- CPME (French Members of SMEunited) (25 October 2023) on feedback on VSME V3.
- SME Envoys Network (11 January 2024) on VSME
- Introductory meeting with EcoVadis (12 January 2024)
- EFRAG – ILO (29 January 2024) focus on social dimension in LSME and VSME
- EFRAG User Panel meeting (1 February 2024)
- SME Envoys Network (2 February 2024)
- 4th Open-Es meeting (8 February 2024)
- ESMA on ESRS LSME ED and VSME ED (13 February 2024)
- Public consultation outreach event (20 February 2024)
- Open ES Camp event (22 February 2024)
- EcoVadis Meeting on VSME (26 February 2024)
- EIB Climate Coordination Committee – ESRS LSME ED and VSME ED (12 March 2024)
- Open ES follow up meeting (21 March 2024)
- Meeting with the Platform on Sustainable Finance (5 April 2024)
- Confartiginato Imprese meeting: Forum Sostenibilitá (10 April 2024)
- OIBR meeting (11 April 2024) – focus on VSME
- French Ministry of Economy (29 April 2024)
- Impact Europe Outreach Event (13 may 2024) – SMEs with impact: facilitating sustainability reporting.
- OECD outreach event (14 May 2024)
- Banque de France Outreach event (13 May 2024)
- Autorités Françaises (19 June 2024) Focus on the public consultation
- New Zealand Reporting Authority – SME climate related disclosures (19 June 2024)
- External event SAGE (10 September 2024)
- Bank Workshop (16 September 2024) – Focus on additional disclosures requested by banks in public consultation
- SMEunited Workshop (23 September 2024) – Focus on revised VSME after public consultation
- IFASS meeting (25 September 2024) – focus on SME reporting
- CSR Europe Meeting (3 October 2024) EACB LSME and VSME (16 October 2024)
- OECD Annual Conference (4 November 2024) – SME Sustainability Reporting
- Orgalim Biannual Corporate Sustainability Task Force meeting (6 November 2024) - VSME & LSME
- EEN Budapest (6-8 November 2024)

Annex 6: Breakdown of the VSME community members

1. The EFRAG VSME community provides input to the EFRAG Secretariat and consists of 146 members. These have been broken down by category: auditors, preparers, users and others. The graph below provides a graphical representation of the percentages that these categories represent within the total number of community members.



2. The graph below illustrates the breakdown by country of the total VSME community members.



Annex 7: Comparison of SFDR, Benchmark Regulation and Pillar 3 datapoints in the VSME and ESRS Set 1

VSME Datapoints	ESRS Set 1 Datapoint	Explanation
Basic Module		
B3 – Energy and greenhouse gas emissions (SFDR and Benchmark) The undertaking shall disclose its total energy consumption in MWh, with a breakdown as per the table below, if it can obtain the necessary information to provide such a breakdown: [TABLE] The undertaking shall disclose its estimated gross greenhouse gas (GHG) emissions in tons of CO2 equivalents (tCO2eq), considering the content of the GHG Protocol Corporate Standard (version 2004), including: (a) The scope 1 GHG emissions in tCO_2eq (from owned or controlled sources); and (b) The location-based scope 2 emissions in tCO_2eq (emissions from the generation of purchased energy, such as electricity, heat, steam or cooling). The undertaking shall disclose its GHG intensity calculated by dividing 'gross greenhouse gas (GHG) emissions' disclosed under paragraph 30 by 'turnover (in Euro)' disclosed under paragraph 24 (e) (iv).	ESRS E1-5 35. The undertaking shall provide information on its energy consumption and mix. 37. The disclosure required by paragraph 35 shall include the total energy consumption in MWh related to own operations disaggregated by: (a) total energy consumption from fossil sources;	SAME DEFINITION AS SET 1
	ESRS E1-6 44. The undertaking shall disclose in metric tonnes of CO2eq its: (a) gross Scope 1 GHG emissions; (b) gross Scope 2 GHG emissions; (c) gross Scope 3 GHG emissions; and (d) total GHG emissions. 53. The undertaking shall disclose its GHG emissions intensity (total GHG emissions per net revenue). 54. The disclosure on GHG intensity required by paragraph 53 shall provide the total GHG emissions in metric tonnes of CO2eq	Partially aligned due to the explicit removal of Scope 3 emissions in line with the VSME simplified approach.

VSME Datapoints	ESRS Set 1 Datapoint	Explanation
	(required by paragraph 44 (d)) per net revenue.	
B4 – Pollution of air, water and soil (SFDR) If the undertaking is already required by law or other national regulations to report to competent authorities its emissions of pollutants, or if it voluntarily reports on them according to an Environmental Management System, it shall disclose the pollutants it emits to air, water and soil in its own operations, with the respective amount for each pollutant. If this information is already publicly available, the undertaking may alternatively refer to the document where it is reported, for example, by providing the relevant URL link or embedding a hyperlink.	ESRS E2-4 The undertaking shall disclose the amounts of: (a) each pollutant listed in Annex II of Regulation (EC) No 166/2006 of the European Parliament and of the Council (European Pollutant Release and Transfer Register "E-PRTR Regulation") emitted to air, water and soil, with the exception of emissions of GHGs which are disclosed in accordance with ESRS E1 Climate Change.	SAME DEFINITION AS SET 1
B5 – Biodiversity (SFDR) The undertaking shall disclose the number and area (in hectares) of sites that it owns, has leased, or manages, in or near biodiversity sensitive areas.	ESRS SBM 3 The undertaking shall disclose: a) a list of material sites in its own operations, including sites under its operational control, based on the results of paragraph 17(a). The undertaking shall disclose these locations by: i. specifying the activities negatively affecting biodiversity sensitive areas;	Partially aligned with SET 1
B7 – Resource use, circular economy, and waste management (SFDR Table 1) The undertaking shall disclose: (a) the total annual generation of waste broken down by type (non-hazardous and hazardous); Guidance: When reporting on ***hazardous waste*** according to paragraph 38 (a), the undertaking fulfils the requirements on ***radioactive waste*** of the indicator number 9 Table #1 of Annex 1 of the Sustainable Finance Disclosure	E5 par. 39: The undertaking shall also disclose the total amount of hazardous waste and radioactive waste generated by the undertaking, where radioactive waste is defined in Article 3(7) of Council Directive 2011/70/Euratom.	SAME DEFINITION AS SET 1

VSME Datapoints	ESRS Set 1 Datapoint	Explanation
Regulation (SFDR).[13] This SFDR indicator (ratio between tonnes of radioactive and ***hazardous waste***) can be computed by using the numerator and denominator that the undertaking provides when reporting according to paragraph 38 (a).		
B9 – Workforce – Health and safety (SFDR) The undertaking shall disclose: (a) the number and rate of recordable work-related accidents. (b) the number of fatalities as a result of work-related injuries and work-related ill health;	ESRS S1-14 The disclosure required by paragraph 86 shall include the following information, where applicable broken down between employees and non-employees in the undertaking's own workforce: b) the number of fatalities as a result of work-related injuries and work-related ill health; c) the number and rate of recordable work-related accidents;	SAME DEFINITION AS SET 1
B10 – Workforce – Remuneration, collective bargaining, and training (SFDR) The undertaking shall disclose: (b) the percentage gap in pay between its female and male employees. The undertaking may omit this disclosure when its headcount is below 150 employees noting that this threshold will be reduced to 100 employees from 7 June 2031	ESRS S1-16 The disclosure required by paragraph 95 shall include: (a) the gender pay gap, defined as the difference of average pay levels between female and male employees, expressed as percentage of the average pay level of male employees;	SAME DEFINITION AS SET 1
B11 – Convictions and fines for corruption and bribery (Benchmark) In case of convictions and fines in the reporting period, the undertaking shall disclose the number of convictions and the amount of fines incurred for the violation of anti-corruption and anti-bribery laws.	ESRS G1-4 The undertaking shall disclose: (a) the number of convictions and the amount of fines for violation of anti-corruption and anti-bribery laws	SAME DEFINITION AS SET 1
Comprehensive Module		
	E1 PAR 34 (b): GHG emission reduction targets	The part of this datapoint that

[13] Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosures Regulation) (OJ L 317, 9.12.2019, p. 1).

VSME Datapoints	ESRS Set 1 Datapoint	Explanation
C3 – GHG reduction targets and climate transition (Benchmark) If the undertaking has established GHG emission reduction targets, it shall disclose its targets in absolute values for Scope 1 and Scope 2 emissions. In line with paragraphs 50 to 53 above and if it has set Scope 3 reduction targets, the undertaking shall also provide targets for significant Scope 3 emissions.	shall be disclosed for Scope 1, 2, and 3 GHG emissions, either separately or combined. The undertaking shall specify, in case of combined GHG emission reduction targets, which GHG emission Scopes (1, 2 and/or 3) are covered by the target, the share related to each respective GHG emission Scope and which GHGs are covered. The undertaking shall explain how the consistency of these targets with its GHG inventory boundaries is ensured (as required by Disclosure Requirement E1-6). The GHG emission reduction targets shall be gross targets, meaning that the undertaking shall not include GHG removals, carbon credits or avoided emissions as a means of achieving the GHG emission reduction targets;	in ESRS Delegated Act July 2023 for large undertakings also includes Scope 3 GHG emission reduction targets has been included as part of the entity specific consideration concerning scope 3.
If the undertaking that operates in high climate impact sectors has adopted a transition plan for climate change mitigation, it may provide information about it, including an explanation of how it is contributing to reduce GHG emissions.	E1 par 14: 14. The undertaking shall disclose its transition plan for climate change mitigation. 16. The information required by paragraph 14 shall include: by reference to GHG emission reduction targets (as required by Disclosure Requirement E1-4), an explanation of how the undertaking's targets are compatible with the limiting of global warming to 1.5°C in line with the Paris Agreement;	Partially aligned with Set 1. The transition plan is reserved for SMEs operating in high climate impact sectors.
C4 – Climate Risks If the undertaking has identified climate-related hazards and climate-related transition events, creating gross climate-related risks for the undertaking, it shall: (a) briefly describe such climate-related hazards and climate-related transition events;	E1 par. 64 (a), 66 and 67 c): 64. The undertaking shall disclose its: (a) anticipated financial effects from material physical risks; (b) anticipated financial effects from material transition risks;	The part of this datapoint that in ESRS Delegated Act July 2023 for large undertakings also includes anticipated financial effects from material

VSME Datapoints	ESRS Set 1 Datapoint	Explanation
(b) disclose how it has assessed the exposure and sensitivity of its assets, activities and ***value chain*** to these hazards and transition events; (c) disclose the ***time horizons*** of any climate-related hazards and transition events identified; and (d) disclose whether it has undertaken ***climate change adaptation*** actions for any climate-related hazards and transition events. The undertaking may disclose the potential adverse effects of climate risks, that may affect its financial performance or business operations in the short-, medium- or long-term, indicating whether it assesses the risks to be high, medium, low.	66. The disclosure of anticipated financial effects from material physical risks required by paragraph 64 (a) shall include: (a) the monetary amount and proportion (percentage) of assets at material physical risk over the short-, medium- and long-term before considering climate change adaptation actions; with the monetary amounts of these assets disaggregated by acute and chronic physical risk; (b) the proportion of assets at material physical risk addressed by the climate change adaptation actions; (c) the location of significant assets at material physical risk; and (d) the monetary amount and proportion (percentage) of net revenue from its business activities at material physical risk over the short-, medium- and long-term. 67. The disclosure of anticipated financial effects from material transition risks required by paragraph 64 (b) shall include: (c) a breakdown of the carrying value of the undertaking's real estate assets by energy efficiency classes;	transition risks has been deleted in line with the simplification applied to the VSME as part of its methodology.
C5 – Additional (general) workforce characteristics If the undertaking employs 50 or more ***employees***, it may disclose the number of those self-employed without personnel who are working exclusively for the undertaking, and temporary workers provided by undertakings primarily engaged in 'employment activities'.	The disclosure required by paragraph 53 shall include: (a) a disclosure of the total number of non-employees in the undertaking's own workforce, i.e., either people with contracts with the undertaking to supply labour ("self-employed people") or people provided by undertakings primarily engaged in "employment activities" (NACE Code N78).	Partially aligned to Set 1

VSME Datapoints	ESRS Set 1 Datapoint	Explanation
C6 – Additional own workforce metric - Human rights policies and processes (SFDR Table 1) The undertaking shall disclose an answer to the following questions. (a) Does the undertaking have a code of conduct or human rights ***policy*** for its ***own workforce***? (YES/NO) (b) If yes, does this cover: i. ***child labour*** (YES/ NO); ii. ***forced labour*** (YES/ NO); iii. ***human trafficking*** (YES/NO); iv. ***discrimination*** (YES/NO); v. ***accident prevention*** (YES/NO); or vi. other? (YES/NO – if yes, specify).	**S1, par. 21:** The undertaking shall disclose whether and how its policies with regard to its own workforce are aligned with relevant internationally recognised instruments, including the UN Guiding Principles on Business and Human Rights.	SAME DEFINITION AS SET 1 Missing "and how"
(c) Does the undertaking have a complaints-handling mechanism for its ***own workforce***? (YES/ NO)	**S1, par. 20:** The undertaking shall describe its human rights policy commitments that are relevant to its own workforce, including those processes and mechanisms to monitor compliance with the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises.	SAME DEFINITION AS SET 1
C7 – Severe negative human rights incidents The undertaking shall disclose an answer to the following questions:	**S1 par. 104 a) :** The undertaking shall disclose the following information regarding identified cases of severe human rights incidents (e.g., forced labour, human trafficking or child labour): (a) the number of severe human rights incidents connected to the	SAME AS SET 1 DEFINITION

VSME Datapoints	ESRS Set 1 Datapoint	Explanation
(a) Does the undertaking have confirmed incidents in its ***own workforce*** related to: i. ***child labour*** (YES/ NO); ii. ***forced labour*** (YES/ NO); iii. ***human trafficking*** (YES/ NO); iv. ***discrimination*** (YES/ NO); or v. other? (YES/NO – if yes, specify). (b) If yes, the undertaking may describe the actions being taken to address the incidents described above. (c) Is the undertaking aware of any confirmed ***incidents*** involving ***workers in the value chain***, ***affected communities***, ***consumers*** and ***end-users***? If yes, specify.	undertaking's workforce in the reporting period, including an indication of how many of these are cases of non-respect of the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work or OECD Guidelines for Multinational Enterprises. If no such incidents have occurred, the undertaking shall state this. **S2 par. 36:** The undertaking shall also disclose whether severe human rights issues and ***incidents*** connected to its upstream and downstream ***value chain*** have been reported and, if applicable, disclose these **S3 par. 36:** The undertaking shall also disclose whether severe human rights issues and ***incidents*** connected to ***affected communities*** have been reported and, if applicable, disclose these **S4 par. 35:** When preparing this disclosure, the undertaking shall consider whether severe human rights issues and ***incidents*** connected to its ***consumers*** and/or ***end-users*** have been reported and, if applicable, disclose these	
C8 – Revenues from certain sectors and exclusion from EU reference benchmarks (SFDR Table 1 + Benchmark) If the undertaking is active in one or more of the following sectors it shall disclose its related revenues in the sector(s): (a) controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons); (b) the cultivation and production of tobacco;	**ESRS 2 par 40:** Where applicable, a statement indicating, together with the related revenues, that the undertaking is active in: i. the fossil fuel (coal, oil and gas) sector, (i.e., it derives revenues from exploration, mining, extraction, production, processing, storage, refining or	The Taxonomy part of this Disclosure was explicitly excluded in the methodological approach from the Comprehensive Module of the VSME.

VSME Datapoints	ESRS Set 1 Datapoint	Explanation
(c) fossil fuel (coal, oil and gas) sector (i.e., the undertaking derives revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and the Council 17), including a disaggregation of revenues derived from coal, oil and gas; or (d) chemicals production, if the undertaking is a manufacturer of pesticides and other agrochemical products.	distribution, including transportation, storage and trade, of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and the Council17), including a disaggregation of revenues derived from coal, from oil and from gas**,** as well as the revenues derived from Taxonomy-aligned economic activities related to fossil gas as required under Article 8(7)(a) of Commission Delegated Regulation 2021/217818; ii. chemicals production, i.e., its activities fall under Division 20.2 of Annex I to Regulation (EC) No 1893/2006; iii. controversial weapons(anti-personnel mines, cluster munitions, chemical weapons and biological weapons); and/or the cultivation and production of tobacco	

VSME Datapoints	ESRS Set 1 Datapoint	Explanation
The undertaking shall disclose whether it is excluded from any EU reference benchmarks that are aligned with the Paris Agreement as described in paragraph 241 of the guidance.	**ESRS E1.1 par. AR5:** When disclosing the information required under paragraph 16 (g), 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) (53) and 12(2) of Commission Delegated Regulation (EU) 2020/1818 (Climate Benchmark Standards Regulation) (54).	Partially Aligned: reference to DNSH not included in the VSME in line with the simplification applied to the VSME as part of its methodology.
C9 – Gender diversity ratio in governance body (SFDR Table 1 and Benchmark) If the undertaking has a governance body in place, the undertaking shall disclose the related gender diversity ratio.	**GOV 1 par 21.** The undertaking shall disclose the following information about the composition and diversity of the members of the undertaking's administrative, management and supervisory bodies: (d) percentage by gender and other aspects of diversity that the undertaking considers. The board's gender diversity shall be calculated as an average ratio of female to male board members.	Simplification in line with the VSME approach.

Annex 8: Trickle-down and value chain cap

Value chain cap – legal concept

1. Under the provisions of the Corporate Sustainability Responsibility Directive (CSRD), the ESRS Set 1 for large undertakings shall not specify disclosures that would require reporting undertakings to obtain information from small and medium-sized undertakings (SMEs) in their value chain that exceeds the information to be disclosed pursuant to the LSME ESRS (art 29b 4). EFRAG refers to this as the 'value chain cap'. This concept sets a limit to the work of the standard setter in the definition of ESRS.

2. At the date of issuance of the VSME Standard, EFRAG has not finalised its technical advice on LSME ESRS.

3. While the vast majority of the SMEs in the value chain of the undertakings in the scope of ESRS Set 1 are not in scope of LSME, from a legal perspective the standard setting process cannot deviate from the limitation introduced by the legislators in the CSRD (i.e., LSME ESRS, and not Voluntary SME standard-VSME, is setting the legal cap).

How does this relate to VSME?

4. The Q&A issued by the European Commission accompanying the ESRS Delegated Act indicates that some non-listed SMEs, which are not subject to any sustainability reporting requirements under the Accounting Directive (Directive 2013/34/EU) as amended by CSRD may nevertheless receive requests for sustainability information from customers, banks, investors or other stakeholders. *EFRAG is therefore also developing simpler, voluntary standard for use by non-listed SMEs (VSME). VSME intends to enable non-listed SMEs to respond to request for sustainability information in an efficient and proportionate manner, and so facilitate their participation in the transition to a sustainable economy.* In addition, the EC SME Relief Package of September 2023 refers to *VSME as a measure to support SMEs in accessing sustainable finance*. As a result of this mandate, the objective of the VSME is to provide non-listed SMEs with a simple reporting tool to start their sustainability journey and monitor their sustainability performance and to respond to the growing request of sustainability data from business partners (which includes financial institutions) that are triggered either by ESRS Set 1 reporting obligations or to manage their sustainability risks and pledges in the lending and investment portfolios (financial institutions) or in the supply chain (other business partners). The ambition is for VSME to become a common point of reference for lenders, investors and corporate counterparts in value chain when they define their ESG data requests to SMEs. Concretely this means that, based on market acceptance, VSME is expected to de facto limit current multiple ESG data requests that would represent an important cost of preparation for SMEs, by replacing the various, multiple and uncoordinated ESG questionnaires.

How value chain datapoints of ESRS Set 1 are addressed in VSME?

5. During the development of VSME extensive discussions have taken place regarding the determination of the value chain cap and the need for proportionality, under an appropriate compromise between the expectations expressed at one and the same time by SME preparers and by users of SME information (large undertakings, financial institutions, other SMEs). Part of the discussions focused upon the so-called 'trickle down' effect which crystallises a concern related to ESRS Set 1 reporting entities requesting excessive information from SMEs in their value chain.

6. The table below provides a detailed analysis of datapoints in ESRS Set1 that have a value chain dimension (see EFRAG IG -2 - Value Chain Implementation Guidance) with reference to the 'trickle down' effect under two complementary perspectives: Perspective 1: focusing on the potential costs of preparation for SME that is due to data requests due to ESRS reporting from ESRS Set 1 preparers. This perspective looks at what are the corresponding datapoints in VSME (which has to play a role in limiting the costs of preparation for non-listed SMEs) and how proportionate they are. This perspective covers the trickle-down effect and takes account of the Set 1 provisions and guidance regarding the preparation of value chain related information (in particular in relation to the collection of data and the use of secondary data such as proxies, statistics and estimates). Perspective 2: focusing on the correspondence between value chain datapoints in ESRS Set 1 and VSME, this perspective looks at whether and to what extent there could be potential (additional) trickle-down effect on SMEs that would derive from data not covered in VSME (under one of the two modules for VSME). As a reminder, the guiding principle in developing VSME has been to simplify as much as possible the content, while maintaining the datapoints that are necessary to meet the users' needs (i.e. the users of the VSME reports). It must also be borne in mind that VSME has been drafted under a sector-agnostic approach. Specific sectorial perspectives, as well as supply chain management policies or labels or data platforms developed by certain groups of undertakings (referred to below as « specific arrangements ») may result in additional data requests, which go beyond the scope of a VSME sector agnostic standard. These are due primarily to managerial needs and do not derive from ESRS Set 1 reporting obligations, in isolation from other considerations such as business or sustainability due diligence processes. The table on the next page illustrates the specific users' needs that justify the respective datapoints in VSME[14].

7. The analysis presented in this section includes all the value chain disclosures in ESRS Set 1, irrespective of the fact that in many circumstances they are not expected to trigger direct data requests.

Detailed explanation of the conclusions on the value chain cap for both VSME under both perspectives

Value chain datapoint in ESRS Set 1	Trickle-down assessment for VSME
1. **Strategy, business model**	***Conclusion:*** **no undue effect expected from ESRS reporting[15]** • Perspective 1: since Set 1 preparers will generally use sectoral data instead of collecting direct data • Perspective 2: since covered by VSME disclosures
	Disclosures in VSME: **Basic and Comprehensive Module** • Basic Module B2 – Practices, policies and future initiatives for transitioning towards a more sustainable economy

[14] For financial market participants, an additional information need arises in relation to the obligations stemming from Article 8 Taxonomy Disclosure (Regulation 2020/852). Such disclosure is limited to own operations and does not extend to suppliers and value chain. Undertakings in scope of the CSRD are also obliged to prepare their own Article 8 Disclosure and will include it in their ESRS Sustainability statement (both for Set 1 and LSME preparers). The requirement to prepare such disclosure stems from Regulation 2020/852 and not from ESRS in isolation. Non-listed SMEs are excluded from the scope of the Regulation 2020/852. VSME does not include this disclosure, as on the basis of feedback received so far, this disclosure is too complex for a general (sector agnostic) data set.

[15] The same is also true of SBM-1 requiring a description of the undertaking's value chain and reflected as a separate row of the value chain map in the EFRAG IG 2 Value Chain_final.pdf.(EFRAG IG 2: VCIG)

Value chain datapoint in ESRS Set 1	Trickle-down assessment for VSME
and value chain (SBM-1) **Material impacts and risks and their interaction with strategy and business model (SBM-3)** **Processes to identify and assess material impacts and risks (IRO-1)**	• Comprehensive Module C2 – Description of practices, policies and future initiatives for transitioning towards a more sustainable economy • Comprehensive Module C1 – Strategy: business model and sustainability related initiatives
	Users' needs To the extent that the policies, practices and future initiatives do involve value chain counterparts, these disclosures may cover the value chain. This reflects the need to align the definition of 'impacts' with that in ESRS Set 1 as this definition 1 also covers value chain. This then avoids additional data requests outside the VSME.
	Perspective 1 The materiality assessment regarding on the upstream value chain may be validly conducted by large undertakings without direct information from specific SME suppliers. Set 1 undertakings will typically conduct the assessment using average regional or sector data to characterise the areas of potential impacts and risks associated with their value chain. Therefore, these disclosures are not expected to result in significant trickle-down effect on SMEs separately from business or sustainability due diligence processes. ***Perspective 2*** VSME does not include materiality assessment as considered too complex for non-listed SMEs. Instead, the "if applicable" principle is used.
2. **General approach to Policies, Actions and Targets (PAT)**	***Conclusion:*** no undue effect on SMEs expected from ESRS reporting ***Perspective 1***: effects on SME may be due to specific arrangements, if any ***Perspective 2***: since appropriate VSME disclosures exist to cover the corresponding information
	Disclosures in VSME: • Basic Module B2 – Practices, policies and future initiatives for transitioning towards a more sustainable economy • Comprehensive Module C2 – Description of practices, policies and future initiatives for transitioning towards a more sustainable economy
	Perspective 1 The undertaking's reporting includes upstream and/or downstream value chain information to the extent that those policies and actions involve actors in the value chain. The collection of value chain data from SMEs is due primarily to business reasons and not to ESRS Set 1 reporting (if there are no PAT, no disclosure applies). In fact, the undertaking is expected to leverage information collected for business purposes (implementation of policies and actions, setting and monitoring targets). ESRS reporting may benefit from the value chain information collected for business reasons (i.e., report to the extent that value chain is covered in the PAT), but ESRS reporting is not the cause of the trickle-down or additional preparatory costs to SMEs. When the undertaking that prepares its sustainability statement under ESRS Set 1 and it has no PAT to report for a given material matter, it simply states this fact. ***Perspective 2***

Value chain datapoint in ESRS Set 1	Trickle-down assessment for VSME
	VSME has simplified semi-narrative requirements for practices, policies and future initiatives (former PAT) that pursue a reporting objective consistent with the one in Set 1, as the ones described above. Set 1 undertaking are expected to leverage specific arrangements, i.e. information that is collected for business purposes. No disclosure is required if the SME does not have practices, policies or future initiatives to report.
3. **Transition plan for Climate (E1-1)** [16]**, Specifically, paragraph 16 (b) of ESRS E1 requires to disclose the decarbonization levers and actions in the value chain.**	***Conclusion:*** no undue effect on SMEs expected from ESRS reporting • ***Perspective 1***: effects on SME may be due to specific arrangements, if any • ***Perspective 2***: since VSME covers this disclosure.
	Disclosures in VSME: Comprehensive Module C3 – GHG reduction targets and climate transition
	Users' needs (looking at the users of the VSME) This information is included in most business partner ESG questionnaires (lenders, investors, corporate clients). They need this information to establish their own transition plan for sustainability management purposes. ESRS do not require to have a transition plan in place but to disclose the plan if it exists.
	Perspective 1 ESRS Set 1 preparers are expected to get information from suppliers to manage their transition plan and define their actions and decarbonisation levers (when they exist). The information is expected to be collected for sustainability-management purposes, when it involves its suppliers in the actions from its transition plan. Therefore, ESRS reporting of these disclosures is not expected to result in significant additional trickle-down effect on SMEs, in isolation from other considerations such as business or sustainability due diligence processes. ***Perspective 2*** VSME has very simplified requirements for transition plan, if applicable.
4. **GHG emissions (E1-6) - Scope 3**[17]	***Conclusion:*** no undue effect on SMEs expected from ESRS reporting • ***Perspective 1***: since Set 1 preparers will generally use sectoral data instead of collecting direct data • ***Perspective 2***: since covered by VSME disclosures
	Disclosures in VSME: • **Basic module** – B3 – GHG emission Scope 1 and 2 • **Comprehensive module** – Consideration when reporting on GHG emissions under B3 (Basic Module)
	Users' needs: GHG Scope 3 is considered too complex for the basic module, but an entity-specific consideration has been included in Comprehensive module, depending on the sector of the SME. GHG scope 3 emission is not a requirement for VSME unless the undertaking decides considering the sector, to report under the Comprehensive module. In this case the preparation of the disclosure depends on the availability of sector proxies or estimates.

[16] Included in row 9 of the value chain map in the draft EFRAG IG 2: VCIG.

[17] Included in row 8 of the value chain map in the draft EFRAG IG 2: VCIG.

Value chain datapoint in ESRS Set 1	Trickle-down assessment for VSME
	Perspective 1 Relevant Scope 3 figures can be calculated using average emission factors (i.e. secondary data). ESRS Set 1 preparers that have Scope 3 GHG emission reduction targets (implying that they agree with the reductions by their suppliers) may collect direct information from suppliers to monitor progress on such targets in the context of their due diligence processes. In this case, they would have more precise information from suppliers and would not have to use proxies in their ESRS report. Therefore, the ability to ask direct information from suppliers in the context of target setting and monitoring can support more and better understanding of climate actions in the supply chain, but a valid calculation Scope 3 emissions can be achieved without it. Accordingly, there is no additional trickle-down effect due to reporting, in isolation from other considerations such as business or sustainability due diligence processes. ***Perspective 2*** No requirements in VSME, but entity-specific consideration depending on sectors
5. **GHG removals (E1-7)**	***Conclusion:*** Additional information (not for ESRS reporting but for the implementation of possible specific arrangements) may be needed beyond VSME but is too specific to be covered by VSME
	Disclosures in VSME: Excluded in sector agnostic level due to the complexity.
	Perspective 1/ 2 When the SME has agreed to implement GHG removal actions as part of (or in agreement with) the GHG removal actions of a corporate client, the SME is expected to transfer information to its client in the context of the specific project. This would be additional to the VSME, as this type of information is too specific to be covered in a general (sector agnostic) standard like VSME as confirmed in the consultation).
6. Microplastics	***Conclusion:*** As for GHG removals above. ***Disclosures in VSME:*** Excluded in sector agnostic level due to the complexity.
7. Substances of concern and substances of very high concern (E2-5) [18] **(as defined in**	***Conclusion:*** As for GHG removals above. ***Perspective 1:*** effects on SME may be due to specific arrangements, if any ***Perspective 2:*** information (not for ESRS reporting but for the implementation of possible specific arrangements) may be needed beyond VSME but is too specific to be covered by a sector agnostic general questionnaire
	Disclosures in VSME: Excluded at sector agnostic level in VSME due to the complexity. Sector considerations will be covered in the consultation.

[18] Referred to as procured materials, row 7 of the value chain map in the draft EFRAG IG 2: VCIG. Resource outflows per E5-4 in row 9 of the value chain map given SME specificities and the qualitative nature of the requirement.

Value chain datapoint in ESRS Set 1	Trickle-down assessment for VSME
the REACH regulation[19])	***Perspective 1/2*** Corporate clients need the information on the sourced substances to manage their business, not for reporting purposes This has been excluded as too specific to be covered in a general (sector agnostic) standard like VSME.
8. **Resource inflows (E5-4)**	***Conclusion:*** no undue effect on SMEs expected from ESRS reporting ***Perspective 1***: effects on SME may be due to specific arrangements, if any ***Perspective 2***: Additional information (not for ESRS reporting but for the implementation of possible specific arrangements) may be needed beyond VSME but is too specific to be covered by VSME.
	Disclosures in VSME: Excluded at sector agnostic level in VSME due to the complexity. However, B 7 Resource use, circular economy, and waste management is required for SMEs operating in sectors using significant material flows for example manufacturing, construction and/or packaging process (annual mass flow of relevant materials used); in addition all SMEs are requested to report on annual generation waste and breakdown by type(hazardous/non) and annual waste diverted to reuse or recycle.
	Perspective 1/2 For certain undertakings having a knowledge of the sustainability profile of their sourced material will be likely needed, which may result in collection of data from suppliers. This would be additional to VSME, however according to the indications received so far by EFRAG this type of information is too specific to be covered in a general (sector agnostic) questionnaire like VSME.
9. **Entity-specific disclosures**	***Conclusion:*** ***Perspective 1***: Possible trickle-down effect under specific arrangements for Set 1 preparers to be able to cover material sector information and / or to disclose entity-specific disclosure, when they involve the value chain ***Perspective 2***: not applicable, as the nature of the datapoint required by large undertakings to SMEs cannot be defined (due to entity-specific nature of the disclosure).
	Disclosures in VSME: VSME par. 10 - Depending on the type of activities carried out by the undertaking, the inclusion of additional information (metrics and/or narrative disclosures) not covered in this [draft] Standard is appropriate in order to disclose sustainability issues that are common in the undertaking's sector (i.e. typically encountered by businesses or entities operating within a specific industry or field) or that are specific

[19] Regulation (EC) No 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH).

Value chain datapoint in ESRS Set 1	Trickle-down assessment for VSME
	to the undertaking, as this supports the preparation of relevant, faithful, comparable, understandable and verifiable information. This includes the consideration of information on Scope 3 GHG emissions (see paragraphs 50 to 53 of this [draft] Standard on the consideration when reporting on GHG emissions under B3). Appendix B provides a list of possible sustainability issues. This is not a 'shall' but expected to be considered in some sectors.

Summarising the potential trickle-down effect

8. In conclusion, non-listed SMEs that apply VSME will in general be able to meet the data requests defined for value chain in LSME ESRS, except for specific cases. These cases correspond to value chain disclosures which are included in ESRS Set 1 (therefore SMEs may receive data requests from large undertakings relating to these disclosures, either due to their ESRS reporting obligations or for other obligations and business purposes), but are not included in the VSME, due to their excessive complexity for non-listed SMEs in general. They are principally of a sectorial nature (GHG Removals, microplastics, substances of concern/high concern, resource inflows), mainly needed for management or specific arrangement purposes.

Annex 9: Changes agreed by the EFRAG SRB on the SR TEG approved version of the VSME

Objective of this [draft] Standard and to which undertakings it applies

1. The objective of this voluntary [draft] Standard is to support micro-, small- and medium-sized undertakings in:

   (a) providing information that will help satisfy the data demands ~~needs~~ of large undertakings requesting sustainability information from their suppliers;

   (b) providing information that will help satisfy data demands from ~~lenders/credit providers~~banks and investors, therefore helping undertakings in their access to finance;

   (c) improving the management of the sustainability issues they face, i.e.~~,~~ environmental and social challenges such as pollution, workforce health and safety. This will support their competitive growth and enhance their resilience in the short-, medium- and long-term; and

   (d) contributing to a more sustainable and inclusive economy.

2. This [draft] Standard is voluntary. It ~~and~~ applies to micro-[1], small- and medium-sized undertakings whose securities are not admitted to trading on a regulated market in the European Union (not listed). [[~~Article 3 of Directive 2013/34/EU~~]] defines ~~and distinguishes~~ three categories of small- and medium-sized undertakings based on their balance sheet total, their net turnover and their average number of ***employees*** during the financial year.

   (a) An undertaking is micro if it does not exceed two of the following thresholds:

      i. €450,000 in balance sheet total~~;~~;

      ii. €900,000 in net turnover; and~~;~~ ~~and~~

      iii. an average of 10 employees.

   (b) An undertaking is small if it does not exceed two of the following thresholds:

      i. €5 million in balance sheet total~~;~~;

3. These undertakings fall outside the scope of the Corporate Social Reporting Directive (CSRD) but are encouraged to use this [draft] Standard ~~to prepare and share with whomever such sustainability information may concern~~. This [draft] Standard covers the same sustainability issues as the European Sustainability Reporting Standards (ESRS) for large undertakings. However, it is ~~based upon the key concept of~~ proportionality~~te~~ and therefore takes into account micro-, small- and medium-sized undertakings' fundamental characteristics. Micro- undertakings are welcome to use only certain parts of this [draft] Standard as highlighted in paragraph 5-(a).

4. Consistency with ESRS for large undertakings has been carefully considered in the preparation of this [draft] Standard~~,~~ while defining proportionate requirements. This [draft] Standard has no legal authority~~,~~ unlike the ESRS for large undertakings.

[1] This includes self-employed, non-incorporated undertakings and listed micro undertakings.

~~Modules that constitute~~Structure of this [draft] Standard

5. This [draft] Standard ~~includes~~ has ~~two~~three modules that the undertaking can use ~~as the basis for preparation of~~to prepare its sustainability report:

   (a) **Basic Module:** Disclosures B-1 and~~,~~ B-2 and Basic Metrics (B-3 to B-11). This module is the target approach for micro-undertakings and constitutes a minimum requirement for other undertakings; and~~.~~

   (b) **Comprehensive Module:** ~~T~~this module sets datapoints ~~to be reported~~ in addition to disclosures B-1-B-11, which are likely to be requested by ~~included in data requests from~~ lenders, investors and corporate clients of the undertaking.

   Paragraph 24 below illustrates the available options for the preparation of a sustainability report using this [draft] Standard by adopting one or more of these modules. Once chosen, a module shall be complied with in its entirety (with flexibility allowed under paragraph 22)~~;~~, however, each item of disclosure~~s~~ shall be provided only when it is applicable to the undertaking's specific circumstances.

6. Applying the B~~B~~asic M~~M~~odule is a prerequisite for applying the C~~C~~omprehensive M~~M~~odule.

7. Appendix A *Defined terms* includes the definitions of the terms used in this [draft] Standard. Throughout the VSME Standard, the terms ~~that are~~ defined in the glossary of definitions (Appendix A) are ~~put~~ set in ***bold italic~~s~~***, except when a defined term is used more than once in the same paragraph.

Principles for the preparation of the sustainability report (Basic and Comprehensive Module)

Complying with this Standard

8. This [draft] Standard sets requirements that allow the undertaking to provide relevant information on:

   (a) how ~~its business~~it has had and is likely to have a positive or negative ***impact*** on people or on the environment in the short-, medium- or long-term; and

   (b) ~~which and~~ how environmental and social issues have affected or are likely to affect its financial position, performance and cash flows in the short-, medium- or long-term.

9. The ~~sustainability report~~undertaking shall ~~provide~~ report information that is relevant, faithful, comparable, understandable and verifiable.

10. Depending on the type of activities carried out by the undertaking, the inclusion of additional information (metrics and/or narrative disclosures) not covered in this [draft] Standard is appropriate in order to disclose sustainability issues that are common in the undertaking's sector (i.e. typically encountered by businesses or entities operating within a specific industry or field) or that are specific to the undertaking, as this supports the preparation of relevant, faithful, comparable, understandable and verifiable information. This includes the consideration of information on Scope 3 GHG emissions (see paragraphs 5048 to 531 of this [draft] Standard on the consideration when reporting on GHG emissions under B3). Appendix B provides a list of possible sustainability issues.

11. The undertaking may complement the metrics from the B~~B~~asic and C~~C~~omprehensive modules with additional qualitative and/or quantitative information~~,~~ where appropriate~~,~~ in accordance with paragraph 10 above.

Comparative information

12. The undertaking shall report cComparative information in respect of the previous year~~, shall be included in the report~~ except for metrics ~~being~~ disclosed for the first time. The undertaking shall report ~~inclusion of~~ comparative information ~~shall begin~~from the second year of reporting ~~and continue henceforth~~.

If applicable principle

13. Certain disclosures only apply to specific circumstances[2]. In particular, the instructions provided in each disclosure specify the circumstances and~~following instructions specify that, in these circumstances,~~ the information that is to be reported only if considered 'applicable' by the undertaking. When one of these disclosures is omitted, it is assumed to not be applicable.

Inclusion of subsidiaries in the reported data

14. If the undertaking is a parent company of a group, it is recommended that it prepares its sustainability report on a consolidated basis, including ~~the~~ information ~~of~~ from its subsidiaries.

15. If the parent undertaking has prepared its sustainability report on a consolidated basis, including ~~the~~ information ~~of~~ from its subsidiaries, the subsidiary undertakings are exempted from reporting.

Timing and location of the sustainability report

16. If a sustainability report is prepared ~~on the demand~~to meet the needs of large undertakings or lenders that require an update annually, it shall be prepared ~~on an annual basis~~annually. If the undertaking prepares financial statements, it shall be prepared with a period of time that is consistent with the preparation of the financial statement~~it shall be make available its sustainability report for issuance at the same time as the financial statements if they are prepared~~. ~~In case~~If specific datapoints did not change from the previous reporting year, the undertaking shall either disclose the information provided for that specific datapoint from the previous year or indicate that no changes have occurred.~~may indicate that no changes occurred and refer to the information provided for that specific datapoint from the previous year.~~

17. The primary function of this report is to inform actual or potential business counterparties. The u~~U~~ndertaking~~s~~ may decide to make its sustainability report ~~also~~ available to the public. In this case, the undertaking may present its sustainability report in a separate section of the management report if ~~the latter is required by applicable law and regulations or if the management report is prepared voluntarily~~it has one. Otherwise, the undertaking may present its sustainability report ~~in~~ as a ~~different~~ separate document.

18. To avoid publishing the same information twice, the undertaking may refer in its sustainability report to disclosures published in other documents that can be accessed at the same time as the sustainability report[3].

Classified and sensitive information ~~and information on intellectual property, know-how or results of innovation~~

19. When the provision of the disclosures in this [draft] Standard ~~would~~ require disclosing ***classified*** or ***sensitive information***, the undertaking may omit such information. If the undertaking decides to omit such information, it shall ~~simply~~ state that this is the case under disclosure B~~-~~1 (see paragraph 24).

Coherence and linkages with disclosures in financial statements

20. ~~When~~ If the undertaking also prepares financial statements, the information provided in its sustainability report following this [draft] Standard:

    (a) shall be coherent with what is reported in the financial statements for the same period; and

    (b) ~~may~~ be presented in a way that facilitates the understanding of the linkages that exist with the information reported in financial statements, for example~~,~~ by using appropriate cross-references.

[2] For example~~:~~, the legal requirement to disclose specific information, or~~;~~ already voluntarily disclosing specific information through an Environmental Management System~~, etc~~.

[3] In ~~the~~ a future online tool version of the VSME Standard, the undertaking may refer to disclosures published in other documents rather than the sustainability report using incorporation by reference. Such~~The~~ reference is made by including the page number of the relevant source, provided ~~that~~that the ~~pdf~~ PDF format of the source document is also made available in the online tool version.

Basic Module

21. The undertaking shall report on its environmental, social and ***business conduct*** issues (together "sustainability issues") using the B1 to B11 disclosures below.

22. The If the undertaking that wants to provide more comprehensive information, it may also integrate the metrics required from B1 to B11 with disclosures, selecting them from the CComprehensive MModule.

23. Additional guidance on disclosures Instructions supporting the preparation of metrics B1 to B11 is are available in the Basic Module guidance on pages 16 through 44 of this [draft] Standardparagraphs 66 to 221.

23. **Basic Module – Cross-cutting Metrics**

B1 – Basis for preparation

24. The undertaking shall disclose:

(a) which of the following options it has selected in the preparation of its sustainability report using this [draft] Standard:

i. OPTION A: Basic Module (only); or

ii. OPTION B: Basic Module and Comprehensive Module;

(b) if the undertaking has omitted a disclosure as it is deemed confidential ***classified*** or ***sensitive information*** (see paragraph 19), the undertaking shall indicate the disclosures that hasve been omitted.

(c) whether the sustainability report has been prepared on an individual basis (i.e., the report is limited only only to the information of the undertaking's information only) or on a consolidated basis (i.e., the report includes information of about the undertaking and its subsidiaries);

(d) in the case of a consolidated report, the list of the subsidiaries, including their registered address,[4], covered in the consolidated sustainability report; and

(e) the following information:

i. the undertaking's legal form;

ii. NACE sSector classification code(s);

iii. size of the balance sheet (in Eeuros);

iv. turnover (in Eeuros);

v. number of ***employees*** in headcount or full-time equivalents;

vi. country of primary operations and location of significant asset(s); and

vii. geolocation of ***sites*** owned, leased or managed.

25. The undertaking shall disclose the key elements of its business model and strategy, including:

(a) a description of significant groups of products and/or services offered;

(b) a description of significant market(s) the undertaking operates in (such as B2B, wholesale, retail, countries);

(c) a description of its main business relationships (such as key suppliers, customers distribution channels and ***consumers***); and

(d) if the strategy has key elements that relate to or affect sustainability issues, a brief description of those key elements.

26.25. If the undertaking has obtained any sustainability-related certification ESG certificate or label, it shall provide a brief description of those (including, where relevant, the issuers of the certification such as certificate or label issuers, date, and rating score).

[4] The registered address is the official address of the undertaking.

B 2 – Practices, policies and future initiatives for transitioning towards a more sustainable economy

27.

26. If the undertaking has put in place specific practices, policies or future initiatives for transitioning towards a more sustainable economy, it shall state so. The undertaking shall state whether it has:

(a) practices. Practices in this context may include, for instance, efforts to reduce the undertaking's water and electricity consumption, to reduce GHG emissions or to prevent pollution, and initiatives to improve product safety as well as; current initiatives to improve working conditions and equal treatment in the workplace, sustainability ***training*** for the undertaking's workforce, and partnerships related to sustainability projects;

(b) ***formal policies*** on sustainability issues, whether they are (and if they are publicly available, and) as well as any separate environmental, social or governance policy policies for addressing sustainability issues;

(c) any future initiatives or forward-looking plans that are being implemented on sustainability issues; and

(d) ***targets*** to monitor the implementation of the ***policy policies*** and the progress achieved towards meeting such targets.

28. Such practices, policies and future initiatives include what the undertaking does to reduce its negative ***impacts*** and to enhance its positive impacts on people and the environment, in order to contribute to a more sustainable economy. Appendix B provides a list of possible sustainability issues. When there are policies in place or future initiatives being implemented, the undertaking may indicate who is responsible for monitoring those in the governance body.

27. The undertaking can may use the template found in paragraph 787 to report these disclosuresthis information.

29.28. If the undertaking also reports on the Comprehensive module, it shall complement the B2 with the datapoints found in C2.

Basic Module metrics – Environment metrics

B 3 – Energy and greenhouse gas emissions

30.29. The undertaking shall disclose its total energy consumption in MWh, with a breakdown as per the table below, if availableif the undertakingit can obtain the necessary information to provide such a breakdown:

	Renewable	Non-renewable	Total
Electricity (as reflected in utility billings)			
Fuels			
Total			

(a) The undertaking shall disclose its estimated ***gross greenhouse gas (GHG) emissions*** in tons of CO_2 equivalent (tCO_2eq) considering the content of the GHG Protocol Corporate StandardGHG Protocol Corporate Standard (version 2004), including:

30.

(b)(a) the Scope 1 GHG emissions in tCO_2eq (from owned or controlled sources); and

(c)(b) the ***location-based Scope 2 emissions*** in tCO_2eq (i.e., emissions from the generation of purchased energy, such as electricity, heat, steam or cooling).

31. The undertaking shall disclose its GHG intensity calculated by dividing '***gross greenhouse gas (GHG) emissions***' disclosed under paragraph 302 by 'turnover (in Euros)' disclosed under paragraph 24 (e) (iv).[5]

B-4 – Pollution of air, water and soil

32. ~~When~~ If the undertaking is already required by law or other national regulations to report to competent authorities its ~~pollutants~~ emissions of pollutants, or ~~when~~ if it ~~already~~ voluntarily reports on them according to an Environmental Management System, it shall disclose the pollutants ~~(with the respective amounts)~~ it emits to air, water and soil in its own operations, with the respective amount for each pollutant. If this information is already publicly available, the undertaking may alternatively refer to the document where it is reported, for example, by providing the relevant URL link or embedding a hyperlink.

B-5 – Biodiversity

33. The undertaking shall disclose the number and area (in hectares) of ***sites*** that it owns, has leased, or manages in or ***near*** a ***biodiversity sensitive area~~s~~***.

34. The undertaking may disclose metrics related to ***land-use***:

    (a) total use of land (in hectares)~~;~~;

    (b) total sealed area~~;~~;

    (c) total ***nature-oriented area*** on-site~~;~~; and ~~and~~

    (d) total ***nature-oriented area*** off-site.

B-6 – Water

35. The undertaking shall disclose its total ***water withdrawal***, i.e.~~,~~ the amount of water drawn into the boundaries of the organisation (or facility); in addition, the undertaking shall separately present the amount of water withdrawn at ***sites*** located in areas of high water~~-~~stress.

36. ~~If applicable~~If the undertaking has production processes in place which significantly consume water (e.g.~~,~~ thermal energy processes like drying or power production~~;~~, production of goods, agricultural irrigation, etc.), it~~,~~ ~~the undertaking~~ shall disclose its ***water consumption***~~,~~ calculated as the difference between its ***water withdrawal*** and water discharge from its production processes.

B-7 – Resource use, circular economy and waste management

37. The undertaking shall disclose whether ~~and if yes how~~ it applies ***circular economy principles*** and, if so, how it applies these principles.

38. The undertaking shall disclose:

    (a) the total annual generation of waste broken down by type (non-hazardous and hazardous)~~;~~;

    (b) the total annual waste diverted to ***recycling*** or reuse; and

    (c) if the undertaking operates in a sector using significant material flows (for example manufacturing, construction, packaging or others), the annual mass-flow of relevant materials used.

[5] In ~~the~~ a future online tool version of the VSME Standard, this will be automatically calculated.

Basic ~~metrics~~ Module – Social ~~mattersmetrics~~

B-8 – Workforce – General characteristics

39. The undertaking shall disclose the number of ***employees*** in headcount or full-time equivalent for the following metrics:

    (a) type of employment contract (temporary or permanent);~~;~~

    (b) gender; and~~; and~~

    (c) country of the employment contract, if the undertaking operates in more than one country.

40. If t~~T~~he undertaking employs 50 or more ***employees***, it shall disclose the employee turnover rate ~~over~~ for the reporting period ~~for undertakings that employ at least 50 employees~~.

B-9 – Workforce – Health and safety

41. The undertaking shall disclose the following information regarding its ***employees***:

    (a) the number and rate of ***recordable work-related*** accidents; and

    (b) the number of fatalities as a result of work-related injuries and work-related ill health.

B-10 – Workforce – Remuneration, collective bargaining and training

42. The undertaking shall disclose:

    (a) whether the ***employees*** receive ~~a~~ ***pay*** that is equal or above applicable minimum ***wage*** for the country it reports in, determined directly by the national minimum wage law or through a ***collective bargaining*** agreement;

    (b) the percentage gap in ***pay*** between its female and male ***employees***. The undertaking may omit this disclosure when its headcount is below 150 employees ~~and~~ noting that this threshold will be reduced to 100 employees from 7 June 2031;

    (c) the percentage of ***employees*** covered by ***collective bargaining*** agreements; and

    (d) the average number of annual ***training*** hours per ***employee***, broken down by gender.

Basic ~~metrics~~ Module – ~~Business conduct~~Governance metrics

B-11 – Convictions and fines for corruption and bribery

43. In case of convictions and fines in the reporting period, the undertaking shall disclose the number of convictions, and the total amount of fines incurred for the violation of anti-corruption and anti-bribery laws.

Comprehensive Module

44. This module provides disclosures ~~that are expected~~ to address in a comprehensive way the information needs ~~of~~by the undertaking's business partners, such as investors, lenders and corporate clients in addition to the ones included in the ~~basic module~~Basic Module. The disclosures in this module reflect the financial market participants and corporate clients' respective obligations under relevant laws and regulations. ~~At the same time,~~ They also reflect the information needed by the business partners, ~~in order to~~to assess the sustainability ~~(~~risk~~)~~ profile of the undertaking, e.g. as a (potential) supplier or a (potential) borrower.

Disclosures in the Comprehensive Module

45. The text below provides the list of disclosures from C-1 to C-~~9~~7 to be considered and reported upon, if they are applicable to the undertaking's business and organisation. When not reported upon, a disclosure shall be assumed to be 'not applicable' for the undertaking.

46. Additional guidance on ~~Instructions supporting the preparation of~~ disclosures C-1 to C-~~9~~7 ~~are~~ is available in ~~paragraphs 224 to 256~~the Comprehensive Module guidance on pages 45 through 48 of this [draft] Standard.

Comprehensive Module – Cross-cutting Metrics

C-1 – Strategy: Business Model and Sustainability – Related Initiatives

47. The undertaking shall disclose the key elements of its business model and strategy, including:

(a) a description of significant groups of products and/or services offered;

(b) a description of significant market(s) the undertaking operates in (such as B2B, wholesale, retail, countries);

(c) a description of main business relationships (such as key suppliers, customers distribution channels and ***consumers***); and

(d) if the strategy has key elements that relate to or affect sustainability issues, a brief description of those key elements.

C-2 – Description of practices, policies and future initiatives for transitioning towards a more sustainable economy

48. If the undertaking has put in place specific practices, ***policies*** or future initiatives for transitioning towards a more sustainable economy, which it has already reported under disclosure B2 in the Basic Module, it shall briefly describe them using. The undertaking may use the template found in paragraph 225~~XX~~.

49. The undertaking may indicate, if any, the most senior level of the undertaking accountable for implementing them.

~~46.~~

Comprehensive Module - Environmental Metrics

~~Entity specific c~~Consideration when reporting on GHG emissions under B-3 (Basic Module)

~~47.~~50. Depending on the type of activities carried out by the undertaking, disclosing a quantification of its Scope 3 GHG emissions can ~~yield relevant information~~be appropriate (see paragraph 10 of this [draft] Standard) ~~and~~ to yield relevant information on the undertaking's ***value chain impacts*** on climate change.

51. Scope 3 emissions are ***indirect GHG emissions*** (other than Scope 2) that derive from an undertaking's ***value chain***. They include the activities that are upstream of the undertaking's operations (e.g.~~,~~ purchased goods and services, purchased capital goods, transportation of purchased goods, etc.) and activities that are downstream of the undertaking's operations (e.g.~~,~~ transport and distribution of the undertaking's products, use of sold products, investments, etc.).

48.52. If the undertaking decides to provide this metric, it should refer to the 15 types of Scope 3 GHG emissions identified by the GHG Protocol Corporate Standard and detailed by the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. When it reports on Scope 3 GHG emissions, the undertaking shall include~~s~~ significant Scope 3 categories (as per the Corporate Value Chain (Scope 3) Accounting and Reporting Standard) based on its own assessment of relevant Scope 3 categories. Undertakings can find further guidance on specific calculation methods for each category in the GHG Protocol's "*Technical guidance for Calculating Scope 3 Emissions*".

49.53. When reporting its Scope 1 and Scope 2 emissions, if the undertaking discloses entity-specific information on its Scope 3 emissions, it shall present it together with the information required under "B-3 – Energy and greenhouse gas emissions."

~~Disclosure~~ C-313 – GHG reduction targets and climate transition

50.54. If the undertaking has established GHG emission reduction ***targets***, it shall disclose its targets in absolute values for Scope 1 and Scope 2 emissions. In line with paragraphs 5049 to 531 above and depending on the nature of its activities, the undertaking shall also provide targets for significant Scope 3 emissions. ~~If the undertaking has set GHG emission reduction targets, it shall provide its GHG emission reduction targets in absolute value for scope 1, scope 2 and, if applicable, significant scope 3 emissions.~~ In particular, it shall provide:

(a) t~~T~~he target year and target year value;

(b) the base year and base year value;

(c) the units used for ***targets***;

(d) the share of ~~the~~ Sscope 1, ~~s~~Scope 2 and, if disclosed, Sscope 3 ~~concerned by~~that the target concerns; and

(e) a list of main actions it seeks to implement to achieve its ***targets***.

51.55. If the undertaking that operates in high climate impact sectors[6] has adopted a transition plan for climate change mitigation, it may provide information about it, including an explanation of how it is contributing to reduce GHG emissions.

52.56. In case the undertaking operates in high-climate impact sectors and does not have a transition plan for climate change mitigation in place, it shall indicate whether and, if so, when it will adopt such a transition plan.

~~Disclosure~~ C-424 – Climate risks

53.57. If the undertaking has identified climate-related hazards and climate-related transition events, creating gross climate-related risks for the undertaking, it shall:

(a) briefly describe such climate-related hazards and climate-related transition events;

(b) disclose how it has assessed the exposure and sensitivity of its assets, activities and ***value chain*** to these hazards and transition events;

(c) disclose the ***time horizons*** of any climate-related hazards and transition events identified; and

(d) disclose whether it has undertaken ***climate change adaptation*** actions for any climate-related hazards and transition events.

54.58. The undertaking may disclose the potential adverse effects of ~~physical~~climate risks~~,~~ that may affect its financial performance or business operations in the short-, medium- or long-term, ~~with an indication as to~~indicating whether ~~the undertaking~~it assesses ~~that~~ the risks to be ~~is~~ high, /medium,/ low.

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[6] High climate impact sectors are those listed in NACE Sections A to H and Section L as defined in Annex I to Regulation (EC) No 1893/2006.

Comprehensive Module - Social Metrics

~~Disclosure~~ C ~~5~~35 – Additional (general) ~~W~~workforce ~~(General) Additional~~ characteristics

~~55.~~59. If the undertaking employs 50 or more ***employees***, ~~the undertakingit~~ may disclose the female ~~-~~ to ~~-~~male ratio at management level for the reporting period.

~~56.~~60. If the undertaking employs 50 or more ***employees***, ~~the undertakingit~~ may disclose the number of those self-employed without personnel ~~that~~ who are working exclusively for the undertaking, and temporary workers provided by undertakings primarily engaged in ~~"~~employment activities~~"~~.

~~Disclosure~~ C ~~6~~46 – Additional own workforce metric - Human rights policies and processes

~~57.~~61. The undertaking shall disclose an answer to the following questions ~~:~~

(a) Does the undertaking have a code of conduct or human rights ***policy*** for its ***own workforce***? (YES/NO)

(b) If yes, does this cover ~~(dropdown menu)~~:

i. ~~C~~child labour (YES/ NO);

ii. ~~F~~forced labour (YES/ NO);

iii. h~~H~~uman trafficking (YES/ NO);

iv. d~~D~~iscrimination (YES/ NO);

v. a~~A~~ccident prevention (YES/ NO); or

vi. o~~O~~ther? (YES/NO ~~–~~, if yes, specify).

(c) Does the undertaking have a complaints ~~-~~handling mechanism for its ***own workforce***? (YES/ NO)

~~Disclosure~~ C ~~7~~57 – Severe negative human rights incidents

~~58.~~62. The undertaking shall disclose an answer to the following questions:

(a) Does the undertaking have confirmed incidents in its ***own workforce*** related to: ~~:~~

i. c~~C~~hild labour (YES/ NO);

ii. ~~F~~forced labour (YES/ NO);

iii. h~~H~~uman trafficking (YES/ NO);

iv. d~~D~~iscrimination (YES/ NO); or

v. ~~O~~other? (YES/NO ~~–~~, if yes, specify).

(b) If yes, the undertaking may describe the ***actions*** being taken to address the ***incidents*** described above.

(c) Is the undertaking aware of any confirmed ***incidents*** involving ***workers in the value chain***, ***affected communities***, ***consumers*** and ***end-users***? If ~~s~~yes, specify, ~~explain~~.

Comprehensive Module ~~–~~ Governance Metrics

~~Disclosure~~ C ~~8~~61 – Revenues from certain sectors and exclusion from EU reference benchmarks

~~59.~~63. If the undertaking is active in one or more of the following sectors, it shall disclose its related revenues in the sector(s):

(a) controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons); ~~or~~

(b) the cultivation and production of tobacco; ~~or~~

(c) fossil fuel (coal, oil and gas) sector (i.e. ~~,~~ the undertaking derives revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels as defined in Article 2, point (62), of

Regulation (EU) 2018/1999 of the European Parliament and the Council 17), including a disaggregation of revenues derived from coal, ~~from~~ oil and ~~from~~ gas; or

(d) chemicals production~~,~~ if the undertaking is a manufacturer of pesticides and other agrochemical products.

~~60.~~64. The undertaking shall disclose whether it is excluded from any EU reference benchmarks that are aligned with the Paris Agreement.

~~Disclosure~~ C ~~9~~72 – Gender diversity ratio in the governance body

~~61.~~ If the undertaking has a governance body in place, the undertaking shall disclose the related gender diversity ratio.

65.

Basic Module: Guidance

62.66. The guidance below is intended as part of an ecosystem that will include also the development of further implementation guidance by EFRAG, further digital tools and implementation support (educational activities, stakeholders' engagement) that aim ~~at~~ to ~~facilitating~~ facilitate the understanding of some of the technical elements ~~present~~ in the guidance.

67. This guidance supports undertakings that wish to apply ~~the preparation of the Metrics in~~ the Basic Module.

~~63.~~ Basic Module Guidance – Cross-cutting Metrics

~~Metric~~ B1 – Basis for Preparation

64.68. When reporting on the legal form of the undertaking according to national legislation under paragraph 24(e)(i), the undertaking can~~shall~~ choose from one of the following undertaking structures:

(a) p~~P~~rivate limited liability undertaking

(b) s~~S~~ole proprietorship

(c) p~~P~~artnership

(d) c~~C~~ooperative

(e) o~~O~~ther (please specify~~/ depending~~based~~ ~~ on country ~~specificity for~~specifications for legal forms).

~~65. When reporting on the NACE code(s) of the undertaking under paragraph 24(e)(ii), it is also recommended to identify the NACE code with the highest possible level of detail for each operational, administrative, or management unit.~~

66.69. When reporting on the NACE code(s) of the undertaking under paragraph 24(e)(ii), NACE codes (Nomenclature statistique des activités économiques dans la Communauté Européenne) are ~~a~~ classifications of economic activities used in the European Union. They provide a standardized framework for classifying economic activities into sectors, enabling comparability and a common understanding among the various EU countries.

67.70. The NACE code consists of a number of digits ranging from 2 to 5~~,~~ depending on the level of specificity with which the economic activity is identified. The list of NACE codes can be found in the following document: REGULATION (EC) No 1893/2006.

Level Nr	Identifier	Description
1	Section	Sections are identified by an alphabetic letter, and they define 21 general economic areas~~,~~ such as agriculture, manufacturing industry~~,~~ or commerce.
2	Division	The division is identified by a two-digit numerical code and identifies a specific sector within the general economic area. There are a total of 88 divisions.
3	Group	The group is identified by a three-digit numerical code (also considering the division's two digits) and defines a specific area within the sector. There are about 270 groups.
4	Class	The class is identified by a four-digit numerical code (considering the digits of division and group) and defines a specific activity within the group. There are about 450 classes.

68.71. When reporting the number of ***employees*** under paragraph 24 (e)(v), full-time equivalent (FTE) is the number of full-time positions in an undertaking. It can be calculated by dividing an employee's scheduled hours (total effective hours worked in a week) by the employer's hours for a full-time workweek (total hours performed by full-time employees). For example, an employee

who works 25 hours every week for a company where the full-time week is 40 hours represents a 0,625 FTE (i.e. 25/ 40 hours).

~~69.~~72. Headcount is the total number of people employed by the undertaking at a given time.

~~70.~~73. When reporting on the country of primary operations and the location of significant assets under paragraphs 24 ~~(e)(vi) and 24(e)and (vii)~~, the undertaking shall disclose this information for each of its ***sites***~~,~~ using the table below:

Sites	Address	Postal Code	City	Country	Coordinates (geolocation)
Registered Office (e.g.)					
Warehouse (e.g.)					
Industrial Plant (e.g.)					

~~71.~~74. The geolocation of an undertaking is expected to be a valuable datapoint for stakeholders for the assessment of risks and opportunities connected to the SME, particularly in relation to the sustainability issues of ***climate change adaptation***, water, ecosystems~~,~~ and biodiversity.

~~72.~~75. The geolocation shall be provided in spatial points for single units~~,~~ or polygon points defining the boundaries of a larger, less unit-like ***site***, such as a farm, mine or facility. The undertaking may also provide a cluster of points to allow for the easy identification of the concerned area. The spatial points shall be provided as coordinates, with five decimal places (e.g. 0° 00′ 0.036″).

76. When disclosing the geolocation of ***sites*** owned, leased, or managed, the undertaking shall include the coordinates of the sites in the table shown in paragraph ~~75~~731. The undertaking may use web mapping tools (e.g. google maps, apple maps) to identify the coordinates of sites that it owns, leases~~,~~ or manages. The undertaking may also use any appropriate software tools or platforms to further establish the perimeter or area of larger sites.

~~73.~~

~~When describing the main consumers and supplier relationships under paragraph 25 (c), the undertaking shall disclose the estimated number of suppliers, and their related sectors and geographies (i.e. countries).~~

~~Examples of s~~In relation to paragraph 2~~5~~6, s~~S~~ustainability-related certification can include registered eco-labels from an EU, national or international labelling scheme, corresponding to the main activity of an SME. For instance, the EU Ecolabel covers specific ~~sector~~ products, such as textiles and footwear, coverings (e.g.~~,~~ wood floor coverings), cleaning and personal care products, electronic equipment, or furniture. The undertaking may consult the EU Ecolabel Product Groups and Product Catalogue for further information.

77.

~~74.~~

~~Metric~~ B-2 – Practices, policies and future initiatives for transitioning towards a more sustainable economy

78. ~~Under paragraphs 27-29 undertakings shall provide information related to their policies, actions and targets related to their operations, if they have them in place. Paragraph 30 suggests~~ U~~u~~ndertakings ~~to~~ may use the following template to report on B-2 datapoints.

	Do you have existing sustainability practices policies/ ~~practices/~~ future initiatives that address any of the following sustainability issues? [YES/NO]	Are they publicly available? [YES/NO]	Does the policy have any ~~future initiatives/~~targets? [YES/NO]
Climate Change			
Pollution			
Water and Marine Resources			
Biodiversity and Ecosystems			
Circular Economy			
Own Workforce			
Workers in the Value Chain			
Affected Communities			
Consumers and end-users			
Business conduct			

~~75.~~

~~[illegible]~~	~~Do you have existing sustainability policies/ practices that addresses any of the following sustainability issues?~~	~~Is it publicly available? [YES/NO]~~	~~Please briefly describe the practices/ policies and consequent actions (in case the policy or action covers~~	~~Does the policy have any targets? [YES/NO, if yes specify targets]~~	~~Indicate who is responsible in the governance body. [if any]~~

	[YES/NO]		suppliers or clients, the undertaking shall mention it)		
Climate Change					
Pollution					
Water and Marine Resources					
Biodiversity and Ecosystems					
Circular Economy					
Own Workforce					
Workers in the Value Chain					
Affected Communities					
Consumers and end-users					
Business conduct					

76.79. If the undertaking is a cooperative, it may disclose:

(a) the effective participation of workers, users or other interested parties or communities in governance;
(b) 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); and

(c) any limits to the distribution of profits connected to the mutualistic nature or to the nature of the activities consisting in services of general economic interest (SGEI).

Guidance for own workforce, workers in the value chain, affected communities and consumers and end/users

80. In order to understand the sustainability ~~matters~~issues that relate to social and human rights, refer to Appendix B for a list of possible sustainability ~~matters~~ issues. This list could help identify if the policies or practices are aimed at addressing negative human rights ***impacts*** in a comprehensive way or if they are limited to certain groups of affected stakeholders (for example, workers in the upstream ***value chain***). As part of this disclosure undertakings may also disclose whether they have a process to address human rights related complaints.

~~(c)~~

Basic Module Guidance ~~–~~ Environmental Metrics

~~Metric~~ B ~~3~~ – Energy and greenhouse gas emissions

Impacts on climate: energy usage and greenhouse gas emissions

~~77.~~ 81. Under paragraphs 2~~9~~31 and 3~~0~~2, the undertaking reports on its climate ***impacts***, providing information about its energy use and ***greenhouse gas emissions***. This guidance for disclosure B-3 does not constitute an additional datapoint to the disclosures described in paragraphs 2~~9~~31 (on energy consumption) and 3~~0~~2 (on GHG emissions) but rather reinstates an overarching objective and provides context ~~of~~ for the ~~B~~Basic disclosure B-3.

Energy consumption

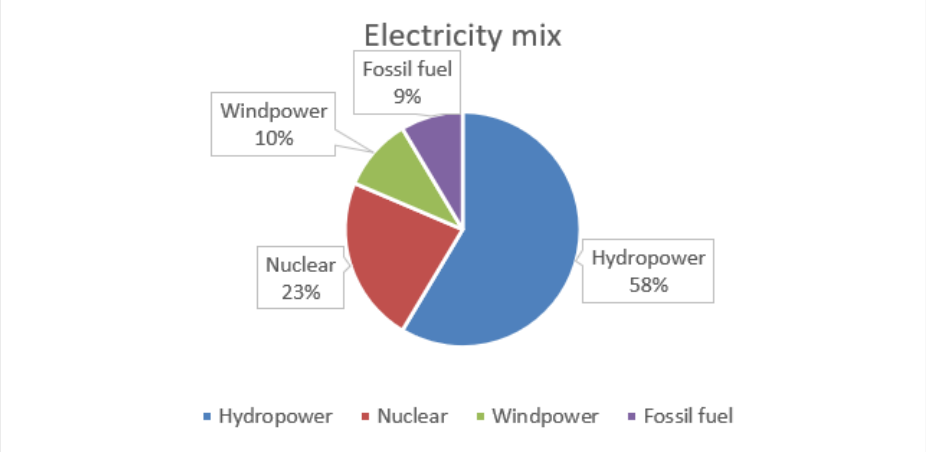
~~78.~~ 82. Climate related ***impacts*** are significantly driven by energy consumption. Therefore, it is relevant to disclose both the quantity as well as the type – e.g.~~,~~ fossil fuels such as coal, oil~~,~~ and gas versus ***renewable energy*** – and mix of energy consumed. Examples of energy disclosures are total energy consumption broken down by fossil fuels and electricity. Other breakdowns may be reported such as consumption of purchased or self-generated electricity from renewable sources. An example of the information requested in paragraph 2~~9~~31 follows.~~:~~

	Renewable Energy Consumption (MWh)	**Non-renewable Energy Consumption (MWh)**	**Total 202(x) Energy consumption (MWh)**
Electricity (as reflected in utility billings)	300	186	486
Fuels	3	7	10
Total	303	193	496

~~79.~~ 83. In case the undertaking purchases fossil fuels (e.g.~~,~~ natural gas, oil) or renewable fuels (e.g.~~,~~ biofuels, such as biodiesel and bioethanol) to generate electricity, heat or cooling for its own consumption, it has to avoid double counting. Therefore, the undertaking accounts for the energy content of the purchased fuel only as fuel consumption, but it does not account for, or report on, its electricity and heat consumption produced from that fuel yet again. In case of electricity generation from renewable energies such as solar or wind – and where no fuel use is~~n~~ necessary – the undertaking accounts for the amount of electricity generated and consumed as electricity consumption.

~~80.~~ 84. The undertaking shall not offset its energy consumption by its energy production even if on ***site*** generated energy is sold to and used by a third party. The undertaking shall also avoid double counting fuel consumption when disclosing self-generated energy consumption. If the

undertaking generates electricity from either a non-renewable or renewable fuel source and then consumes the generated electricity, the energy consumption shall be counted only once under fuel consumption. The share of ***renewable energy*** consumption can be calculated based on guarantees of origin, renewable energy certificates, or electricity composition as stated in the electricity bill. The electricity bill may refer to electricity units consumed and specify the percentage of electricity provided coming from renewable sources and it may look like the figure below.:



81.85. When preparing the information on energy consumption required under paragraph 2931, the undertaking shall exclude feedstocks and fuels that are not combusted for energy purposes. The undertaking that consumes fuel as feedstocks can disclose information on this consumption separately from the required disclosures.

Conversion between different energy units

82.86. Undertakings are to report their energy consumption in terms of final energy, which is understood as the amount of energy delivered to the undertaking, for example, the Megawatt-Hours (MWh) of electricity purchased from the utility steam received from a nearby industrial plant or diesel purchased at petrol stations. Electricity explicitly refers to heat, steam and cooling. Fuels include anything burned, e.g. gas, natural gas, biomass, etc.

83.87. Paragraph 2931 indicates MWh as the unit of choice for measuring energy consumption. In case of fuel or biomass, a conversion to MWh is necessary for data expressed in other units such as energy content (e.g. kJ, Btu), volume (e.g. litres, m³) or mass (e.g. metric tonnes, short tonnes).

84.88. For fuel consumption measured by mass (e.g. wood, coal), the undertaking should

(a) obtain the Net Calorific Value (e.g. kJ/metric ton, TJ/Gg) of the fuel (it can be a typical value published by reliable sources, e.g. IPCC, or may be provided by the supplier or attained internally);

(b) convert the Net Calorific Value to MWh/ton, for example,

1 TJ = 1,012 J = 277.78 MWh ; 1 Gg = 109 g = 1,000 t

11.9 TJ/Gg = 11.9 * 277.78/1000 t = 3.31 MWh/ton; and

(c) calculate the energy content of the mass, for example,

1,245,345 t * 3.31 MWh/ton = 4,117,111 MWh.

85.89. For liquid fuel, the undertakings should:

(d) convert volume information to mass, multiplying volume by fuel density, for example,

Diesel = 4,456,000 l; Diesel density = 0.84 kg/l

4,456,000 (l) * 0.84 (kg/l) = 3,

43,040 kg = 3,743 t;7calculate the energy content, multiplying mass by Net Calorific Value, for example,73,743 [t] * 43 [TJ/Gg] = 3,743 t * 43 TJ/(1,000 [t]) = 160.95 [TJ] ; and7convert TJ to MWh, for example~~,~~

(e) convert TJ to MWh, for example~~,~~

1 TJ = 1,012 J = 277.778 MWh

160.95 [TJ] = 277.78 [MWh/TJ] * 160.95 [TJ] = 44,708 MWh.

Documentation Source:

Data	*Documentation Source*
CDP	CDP Technical Note: Conversion of fuel data to MWh https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/000/477/original/CDP-Conversion-of-fuel-data-to-MWh.pdf?1479755175

Greenhouse gas emissions

~~86.~~ 90. As for gross ***greenhouse gas emissions*** (GHG) arising from the undertaking's activities, the requirement in paragraph 30~~2~~ builds on the definitions and rules of the GHG Protocol, the leading accounting standard for GHG emissions. Under paragraph 30~~2~~, undertakings are to report on their Scope 1 and Scope 2 emissions. Scope 1 GHG emissions cover direct emissions from owned or controlled sources. Scope 2 emissions are ***indirect GHG emissions*** resulting from the activities of the reporting company (as they derive from the undertaking's consumed energy) which, however, occur at sources owned or controlled by another company. Further guidance is provided in the sections below on how to calculate Scope 1 and 2 emissions.

~~87.~~ 91. Scope 1 and 2 emissions may be reported in the following format.

	202(x) GHG emissions (tCO_2e)
Scope 1	45
Scope 2	6
Total	51

~~88.~~ 92. The GHG Protocol is a global standard for measuring, reporting and managing GHG emissions while ensuring consistency and transparency. The ~~C~~corporate standard covers ~~S~~scope 1, ~~S~~scope 2 and ~~S~~scope ~~-~~3 emissions guidance for companies and other organisations (NGOs, government, etc.).

~~89.~~ 93. To ensure a fair account of the undertaking's emissions, the GHG Protocol has set a list of reporting principles:

(a) r~~R~~elevance: ensuring that the GHG inventory reflects the GHG emissions of the organisation.

(b) c~~C~~ompleteness: ensuring that the GHG inventory account for all ~~the~~ GHG emission sources and activities within the chosen boundary~~;~~

(c) c~~C~~onsistency: ensuring the consistency of the methodology used to allow for comparisons over time~~;~~

(d) t~~T~~ransparency: disclosing the assumptions, references and methodology used when computing GHG emissions; and~~,~~

(e) a~~A~~ccuracy: ensuring that GHG emissions data is sufficiently precise to allow users to make decisions.

94. In alternative to the GHG Protocol, undertakings may resort to ISO 14064-1, should it be better suited to their reporting needs.

~~90.~~ 95. When reporting on GHG emissions, it is important to set the appropriate boundaries to ensure that the GHG inventory is correct and to avoid double counting emissions. The GHG Protocol defines two main types of boundaries – organisational or operational boundaries.~~:~~

(a) Organisational boundary: the GHG Protocol defines it as the boundaries that determine the operations owned or controlled by the reporting undertaking~~,~~ depending on the consolidation approach taken. There are two approaches to consolidation of emissions ~~-~~ – the equity or control approach. The undertaking will choose the approach that reflects its circumstances.

(b) The equity share approach relates to accounting for GHG emissions from operations according to its shares of equity in the operation.

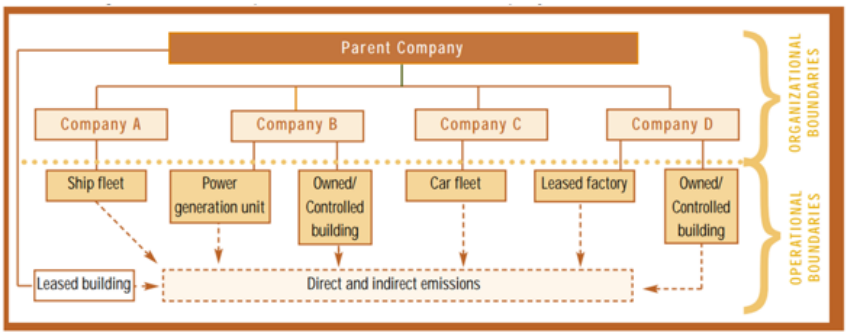
(c) When using the control approach, the undertaking accounts for GHG emissions from operations over which it has either financial or operational control. Companies will use either the operational control or financial control criteria when using this approach to consolidate and capture its emissions in the report.

i. Financial control means that the undertaking has financial control over the operation if the former has the ability to direct the financial and operating policies of the latter with a view to gaining economic benefits from its activities.

ii. Operational control means that an undertaking has operational control over an operation if the former or one of its subsidiaries has ~~the~~ full authority to introduce and implement its operating policies at the operation.

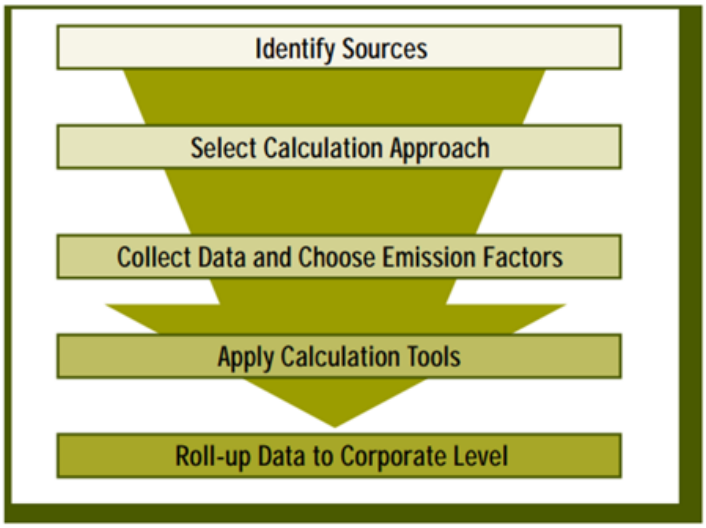
(d) Operational boundary: the GHG Protocol defines it as the boundaries that determine the direct and indirect emissions associated with operations owned or controlled by the reporting company. This assessment ~~allows~~ offers an undertaking the ability to establish which operations and sources cause direct (S~~s~~cope 1) and indirect emissions (S~~s~~cope 2 and Scope 3)~~,~~ and to decide which indirect emissions to include ~~that are a consequence of~~ resulting from its operations.

(e) ~~The b~~Boundary considerations need to follow the principles detailed above (consistency over time, transparency in documenting them and completeness)~~,~~ and ~~is~~ are visualised in the ~~picture~~ image below[7].



[7] Greenhouse Gas Protocol Corporate Standard: https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf

~~91.~~ 96. The GHG Protocol also introduces guidance as well as steps to follow to identify, calculate and track GHG emissions~~,~~ as visualised in the ~~picture~~ image below[8].



~~92.~~ 97. Different tools have been developed by private and public initiatives to help undertakings in developing their GHG emissions inventory and facilitating challenges related to its preparation:

(a) c~~C~~alculation tools and guidance by the GHG Protocol: https://ghgprotocol.org/calculation-tools-and-guidance

(b) SME Climate hub: https://smeclimatehub.org/start-measuring/

(c) Business Carbon Calculator by Normative: https://businesscarboncalculator.normative.io/en/

(d) Carbon Trust SME Carbon Footprint Calculator: https://www.carbontrust.com/our-work-and-impact/guides-reports-and-tools/sme-carbon-footprint-calculator

(e) UK Business Climate hub: https://businessclimatehub.uk/carbon-footprint-calculators/

Scope 1 and location-based Scope 2 emissions guidance

~~93.~~ 98. Typical Scope 1 emissions include CO_2 (as well as CH_4 and N_2O) emissions associated with fuel combustion (for example~~,~~ in boilers, furnaces, vehicles, etc.) and fugitive emissions from air conditioning and industrial processes.

~~94.~~ 99. ***Location-based Scope 2*** includes emissions from electricity, heat, steam and cooling purchased or acquired and consumed by the reporting company. It reflects the average emissions intensity of grids on which the energy consumption occurs and uses mostly grid-average emission factor data. Typical sources of Scope 2 emissions relate to any equipment that consumes electricity (electrical engines, lights, buildings, etc.), heat (heating in industrial processes, buildings, etc.), steam (industrial processes) and cooling (industrial processes, buildings, etc.).

~~95.~~ 100. Evaluating GHG emissions can be done in several ways, including by the calculation approach, measurement, or a combination of measurement and calculations. One ~~frequent~~ common approach is based on ~~calculation~~ calculating with use of emission factors (EF) – which may incorporate the global warming potential (GWP) of the GHG. Direct measurement using sensors (flow and concentration) can also be applied. The table below summarises the most common methods.

GHG evaluation method	Details	Necessary data

[8] Greenhouse Gas Protocol Corporate Standard: https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf

Measuring	Multiplying the quantities of gas directly measured by their respective global warming potential.	Direct quantity of gas emitted obtained from gas measurement (flow, concentration, volume) Global warming potential (GWP) of the gases
Calculating	Multiplying the activity data by the emission factor (EF) that integrates the global warming potential (GWP)	Activity data Emission factors (EF)

~~96.~~ 101. The table above introduces the following terms:

~~a.~~ (a) activity data, which typically corresponds to the quantity of fuel consumed. It may be expressed in energy units (e.g. MWh), volume (e.g. m³ or l) or mass (e.g. tonnes or kg.). These can be accessed by the undertaking by reviewing fuel purchase receipts~~,~~ or utility bills~~.~~

~~b.~~ (b) global warming potential, which ~~quantify~~ quantifies the ***impact*** of the given GHG on the climate compared to an equivalent unit of carbon dioxide~~,~~ and

~~c.~~ (c) emission factors (FE), quantifying how much GHG is emitted per unit of activity. The emission factors frequently take into account the GWP of the GHG, in which case the undertaking does not need to consider the latter.

~~97.~~ 102. The table below summarises ~~the~~ non-exhaustive sources where both emission factors (FE) and global warming potential (GWP) can be easily accessed by ~~the~~ undertakings. Undertakings may also refer to authoritative national sources that may be more relevant to their ~~situation~~circumstances.

Emission factors (FE)	ADEME – Base Empreinte® IPCC – Emissions Factor Database IPCC – Guidelines for National Greenhouse Gas Inventories Association of Issuing Bodies (AIB) – Residual Mix Grid Emission Factors JRC – Historical GHG emissions factor for electricity consumption Life-cycle electricity production emission factors USEPA GHG emission factors Hub Emission Factors and reference values published by the Government of Canada IEA's Annual GHG emission factors for World countries from electricity and heat generation (2022 data set, paid data set)
Global warming potential (GWP)	IPCC – Global Warming Potential

~~98.~~ 103. The undertakings can also find more guidance and tools on how to act and report on their GHG emissions and climate ***impacts*** by visiting https://smeclimatehub.org/.

Example of Scope 1 emission calculation

~~99.~~ 104. Company A burns Nr. 4 fuel oil in an industrial boiler. For its financial accounting, it keeps track of its costs, and for GHG accounting purposes, it keeps track of volumes (m³) as reflected in their fuel receipts. From the receipts, it determines the annual volumes of fuel oil bought, and it keeps track as well of the fuel oil inventory on the first calendar day of the year. In 2023 it purchased 100 m³ of fuel oil. Based on its records, on 1 January 2023 it had 2.5 m³ in its reservoirs, and on 1 January 2024 it had 1 m³. Thus, it determines (through purchase and measurement of inventory) that during 2023 it consumed 101.5 m³ of fuel oil.

~~100.~~105. Using the IPCC list of emissions factors (Table 2.3, page 2.18), it estimates its emission factor to be a fifty-fifty blend of diesel oil and residual oil as 75.75 t CO_2/TJ, and by using published statistics on energy, determine~~d~~ that its net calorific value of the fuel is 0.03921 TJ/m³. Given that the CO_2 GWP equal~~s~~ one, its CO_2 emission for this specific Scope 1 source is:

101.5 m³ * 0.03921 TJ/m³ * 75.75 t CO_2/TJ * 1 = 301.5 t CO_2

~~101.~~106. For the purpose of completeness ~~of~~ in this example, the CH_4 and N_2O emissions are also calculated. Checking the IPCC list of emission factors shows that~~,~~ these are, respectively, 3 kg of CH_4/TJ and 0.6 kg of N_2O/TJ, ~~thus~~ the emissions ~~will be~~thus being:

CH_4 emissions = 101.5 m³ * 0.03921 TJ/m³ * 3 kg CO_2/TJ * 29.8 = 0.36 tCO_2e

N_2O emissions = 101.5 m³ * 0.03921 TJ/m³ * 0.6 kg CO_2/TJ * 273 = 0.65 tCO_2e

~~102.~~107. As mentioned, CH4 and N2O emissions add around 1 tCO_2e to the CO_2 value of 301.5 tCO_2, which amounts to about 0.3% of the total. This could be considered well within an acceptable reporting error and so could not have been calculated and reported. Global Warming Potentials for CH_4 and N_2O are derived from the IPCC's Sixth~~6th~~ Assessment Report, Chapter 7SM[9].

Example of Scope 2 emission calculation

~~103.~~108. Company A occupies an office building of 2000 m² in Paris, where it pays the electricity consumed for the central heating and cooling, lighting, computers and other electric equipment such as appliances. With its utility bills, it has estimated that the building consumed 282 MWh of electricity in 2022. By using the emission factor provided by nowtricity.com for France in 2022, it has estimated its Scope 2 emissions for its building electricity consumption to be

$$Emissions_{GHG} = 282\,000\ [kWh] * 73\left[\frac{g\ CO_2eq}{kWh}\right] = 20.6\ \text{t}\ CO2_2eq$$

~~104.~~ Undertakings may also want to provide their market-based Scope 2 figures. Emission factors for market-based Scope 2 emissions reflect the contractual arrangements of the undertaking with its energy suppliers. Market-based emission factors can be provided by their electricity or heat suppliers as well as supported by their own purchase of Energy Attribute Certificates or Power Purchase Agreements (PPAs) or the use of residual-mix emission factors.

109.

~~Metric~~ B 4 – Pollution of air, water and soil

Guidance on which undertakings need to report on pollution and what pollutants ~~do~~ undertakings need to report on.

~~105.~~110. Paragraph 32 establishes that~~,~~ ~~if applicable,~~ the undertaking shall disclose the pollutants it emits to air, water and soil in its own operations if such information is already required to be reported by law to competent authorities or under an Environmental Management System. This means that the undertaking will~~,~~ first~~,~~ assess whether it already reports such information, either as a legal requirement or voluntarily. If it already reports information on pollutants emissions (or is legally required to do so), the undertaking will then provide further information on such emissions~~,~~ according to the requirements in paragraph 324. However, if the undertaking does not yet report such information (and is not legally required to do so), it is simply required to state this to be the case.

~~106.~~111. ~~To further clarify the point above, the metrics to be disclosed under this paragraph refer to information that the undertaking is already mandated to provide by law. This requirement was conceived to avoid any additional reporting burden on undertakings.~~ In general, this requirement is expected to apply to undertakings that are operators of an industrial installation or intensive livestock farm covered by the Industrial and Livestock Rearing Emissions Directive (IED 2.0),

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[9] Smith, C., Z.R.J. Nicholls, K. Armour, W. Collins, P. Forster, M. Meinshausen, M.D. Palmer, and M. Watanabe, 2021: The Earth's Energy Budget, Climate Feedbacks, and Climate Sensitivity Supplementary Material. In Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change ([Masson-Delmotte, V., P. Zhai, A. Pirani, S.L. Connors, C. Péan, S. Berger, N. Caud, Y. Chen, L. Goldfarb, M.I. Gomis, M. Huang, K. Leitzell, E. Lonnoy, J.B.R. Matthews, T.K. Maycock, T. Waterfield, O. Yelekci, R. Yu, and B. Zhou (eds.)]). Available ~~from~~ on https://www.ipcc.ch/.

amending the Industrial Emissions Directive (IED). The IED 2.0 applies to some 75,000 installations in Europe, covering activities such as burning fuel in boilers with rated power of more than 50 MW, founding in metal foundries, processing of non-ferrous metals, production of lime, manufacturing of ceramic products by firing, production of plant protection products or biocides, rearing of any mix of pigs or poultry representing 380 livestock units or more, tanning of hides, slaughterhouses, etc. In these cases, the installation must already report to the competent authority the pollutants released to air, water and soil, and the data is publicly available at the Industrial Emissions Portal Regulation (IEPR), replacing the European Pollutant Release and Transfer Register (E-PRTR). Companies that operate in more than one facility do not have to report on their consolidated company-wide emissions under the EPRTR, as they report only at facility level. This [draft] Standard requires the reporting of the total amount of pollutants of all the facilities. Similarly, companies owning but not operating in a facility do not have to report to the E-PRTR but are expected to reflect their facility-owned emissions in their sustainability report.

~~107.~~ 112. ~~-~~Likewise, if an undertaking has been identified as having to monitor and report on the pollutants listed in the E-PRTR under an Environmental Management System~~,~~ such as, for example, ~~an such as~~ an Eco-Management and Audit Scheme (EMAS) or ISO 14001 certification.~~,~~ T~~t~~hese are in principle relevant aspects for the undertaking to include in its sustainability report.

~~108.~~ 113. If an undertaking has only one facility or operates in only one facility, and if its pollution data is already publicly available, the undertaking may refer to the document where such information is provided instead of reporting it once again. Likewise, if the undertaking publishes an organisation-wide report~~,~~ such as, for example, an EMAS report ~~,~~ that incorporates pollution data, it can include it in the sustainability report by reference.

~~109.~~ 114. To report information on pollutants in the sustainability report, the undertaking should indicate the type of pollutant material being reported alongside the amount emitted to air, water and soil in a suitable mass unit (e.g.~~,~~ t or kg).

~~110.~~ 115. Below can be found an example of how undertakings may present information on their emissions to air, water and soil divided by pollutant type.

Pollutant	**Emissions (kg)**	**Medium of release (air, water, soil)**
e.g.~~,~~ Cadmium and compounds	10	Water
Type of pollutant 2		
Type of pollutant 3		

~~111.~~ 116. As for the types of pollutants that need to be considered when reporting under paragraph 3~~2~~4, the undertaking may refer to the following main pollutants that are currently covered under EU law. Nevertheless, each undertaking shall consider the specific pollutants covered by the legislation in their respective jurisdictions.

~~112.~~ 117. Examples of key pollutants to air (Dir. 2024/299; Reg. 2024/1244; EC, 2024; EEA, 2022) are: sulphur oxides (Sox/SO2 – e.g.~~,~~ from energy generation and heating in manufacturing), nitrogen oxides (NOx/NO2 – e.g.~~,~~ from transport), non-methane volatile organic compounds (NMVOC – e.g.~~,~~ from agricultural activities), carbon monoxide (CO – e.g.~~,~~ from fossil fuel combustion), ammonia (NH3 – e.g.~~,~~ manure application and storage), particulate matter (PM10 – e.g.~~,~~ from combustion in manufacturing, transport, agricultural activities), heavy metals (Cd, Hg, Pb, As, Cr, Cu, Ni, Zn), POPs (total PAHs, HCB, PCBs, dioxins/furans), ozone-depleting substances or 'ODS' (chlorofluorocarbons 'CFCs', hydrochlorofluorocarbons 'HCFCs', halons), black carbon (BC – e.g.~~,~~ from energy consumption), etc.

~~113.~~ 118. ~~-~~According to the Guide ~~f~~For Business on air pollutants emissions adopted by the Alliance for Clean Air, the major sources of emissions of air pollutants in the private sector (that are also highly impactful for the entire ***value chain***) include: (a) electricity generation from fossil fuel or biomass combustion (which may be done externally, distributed through a national grid, then consumed along the value chain activities); (b) direct stationary fossil fuel or biomass combustion within an undertaking's activities or industrial processes, or the operation of stationary machinery

or other activities that require fuel combustion; (c) transport (freight, road, rail, shipping and aviation, off-road vehicles such as those used in agriculture or construction); (d) industrial processes (all other emissions that ~~are~~ do not ~~stemming~~ stem from fuel combustion and that occur during industrial processes); (e) agriculture (livestock and manure management, crop production such as crop residue burning, manure and fertiliser application); (f) waste disposal (e.g.~~,~~ landfilling, incineration or open burning, or composting).

~~114.~~119. The Guide represents an example of a simple methodology for developing a company's air pollutant emission inventory and calculating the emissions of respective air pollutants. This methodology is divided into the following steps~~,~~ excluding the mapping of the ***value chain*** as under the VSME ~~S~~standard the information required ~~for~~ by this Disclosure Requirement is to be reported at the level of the reporting company: (1) identifying emission sources within the value chain~~,~~; (2) identifying methodologies for quantifying emissions~~,~~; (3) collecting activity data~~,~~; (4) identifying emissions factors, and~~;~~ (5) quantifying emissions. The guide provides a mapping of sources of pollution to methodologies for calculating information on emissions stemming from the main air pollutants (table below).

Sources of pollution	**Methodology for quantifying emissions** **(Section in the guidance)**
~~115.~~ Electricity	~~116.~~ Section 4,1
~~117.~~ Fuel combustion	~~118.~~ Section 4,2
~~119.~~ Transport	~~120.~~ Section 4,3
~~121.~~ Industrial processes	~~122.~~ Section 4,4
~~123.~~ Agriculture	~~124.~~ Section 4,5
~~125.~~ Waste	~~126.~~ Section 4,6

~~127.~~120. Below is an example of a calculation method for air pollutant emissions using the method for manufacturing taken from the Guide above. In the example considered~~,~~ Mp is the quantity of material M used in (or produced by) a company's ***value chain*** produced using process p (tonnes, litres); EFk,p is the emission factor for pollutant k for process p (g unit production-1); Emk,p are emissions of the specific pollutant k for process p (g).

$$Em_{k,p} = M_p * EF_{k,p}$$

~~128.~~121. For instance, a medium-sized chocolate manufacturer producing 1.750 tonnes of chocolate in 2022 would apply the default emission factor of 2 to calculate its emissions of NMVOCs, which would result in the following calculation:

1.750 tonnes of chocolate * 2 (emission factor of NMVOCs) = 3.500 tonnes of emissions of NMVOCs.

~~129.~~122. Transport may be another significant source of air pollution within own operations and at ***value chain*** level. In this case, to estimate the emission of a particular pollutant from road transport, for example, the entity will need to use the following formula, where~~:~~ FCv,f is the fuel consumption of vehicle type v using fuel f (kg); EFk,v,f is the emission factor for pollutant k for vehicle type v~~,~~ and fuel f (g vehicle-km-1); Emk,v,f represents the emissions of the specific pollutant k for vehicle type v~~,~~ and fuel f (g).

$$Em_{k,v,f} = FC_{v,f} * EF_{k,v,f}$$

~~130.~~123. For example, a light commercial vehicle (LCV) running on diesel that travelled a total of 2.800 km in 2022~~,~~ produced the following amount of PM10 emissions (PM10 emission factor of 1,52 g/kg):

2.800 km * 1,52 = 4.256 grammes of emissions of PM_{10}.

~~131.~~ 124. Fuel combustion is an additional critical source of air emissions. In this case an example of a formula may be the following, where~~:~~ FCn is the fuel n consumed within the source category (Gj); EFk is the emission factor for this pollutant k (g/Gj); and Emk are emissions of the specific pollutant k (g).

$$E_{mk} = FC_n * EF_k;$$

~~132.~~ 125. For example, a company consuming 3.000.000 grammes of fuel in 2020 will have an EF of 0,67 for SO2, resulting in:

3.000.000 * 0,67 = 2.010.000 grammes of emissions of SO_2. from fuel combustion in 2020.

~~133.~~ 126. Examples of key pollutants to water (Reg. 2024/1244; Dir. 2000/60/EC; Dir. 2006/118/EC; Dir. 91/676/EEC; Dir. 2010/75/EU; and ~~&~~ amendment Dir. 2024/1785; EEA, 2024) are: nitrogen (N), phosphorus (P), heavy metals (Cd, Hg, Pb~~,~~ as well as As, Cr, Cu, Ni, Zn), POPs and pesticides, BTEX (benzene, toluene, ethylbenzene, xylenes) and other Volatile Organic Compounds (VOCs), substances unfavourably influencing the oxygen balance (measured using parameters such as BOD, COD, etc.), total organic carbon (TOC), etc.

~~134.~~ 127. Pesticides and nutrients (e.g.~~,~~ N and P) may be released through agricultural activities (EEA, 2023; UNEP, 2023) (e.g.~~,~~ manure or inorganic fertiliser application). Heavy metal concentrations may stem from mining and wastewater discharges. TOC is a generic indicator of water contamination with organic matter which indicates the presence of living material, for example in wastewater, but also surface and groundwater (usual concentration levels of less than 10 mgl^{-1} and 2 mgl^{-1}~~,~~ ~~–~~respectively). COD widely indicates the presence of industrial effluents or sewage, with values that are typically lower than 20 mgl^{-1} in unpolluted waters and industrial wastewaters reaching values of up to 60.000 mgl^{-1}. BOD is normally used to determine pollution by organic matter in surface waters as well as for the efficiency of sewage treatment, and it usually features values around 2 mgl^{-1} in unpolluted waters and 10 mgl^{-1} and more in polluted waters. The release of VOCs can be the result of spills to water.

~~135.~~ 128. As for the methodology used to measure emissions to water, the EEA recommends a simple estimation technique~~,~~ similar to the one used for the afore-mentioned air pollutants. In the formula below~~,~~: ARa is the activity rate for activity a (to be chosen based on the specific activity or process; e.g.~~,~~ see Mp in the air emissions calculation above); EFp,a is the emission factor for pollutant p for activity a; and Emissionsp,a are emissions of the specific pollutant p for activity a.

$$Emissions_{p,a} = AR_a * EF_{p,a}$$

~~136.~~ 129. Examples of key pollutants emitted to soil (Reg. 2024/1244; Dir. 86/278/EEC) are: N, P, heavy metals (e.g.~~,~~ land application of ~~applications~~ sewage sludge), BTEX and other VOCs, POPs and pesticides.

~~137.~~ 130. Overall, the private sector sources of soil pollution are mainly the products or by-products of industrial processes (e.g.~~,~~ production of chemicals, energy, textiles manufacturing), accidental spills of petrol-derived products, livestock and agricultural activities (e.g.~~,~~ irrigation with untreated wastewater, poultry rearing), production and treatment of wastewater, production and processing of metals and minerals, and transportation (FAO, 2021).

~~138.~~ 131. Several national manuals have been developed to support companies in the calculation of their emissions to air, water and soil, For example, in Australia and South Africa entities are presented with a few estimation options to choose from, depending on their possibilities: direct measurement (e.g.~~,~~ sampling, continuous monitoring system), mass balance, engineering calculations, emission factors (same formula as above for air and water emissions), etc. The general approach to calculating such emissions is to: 1) identify the emission sources within the facility (combustion, manufacturing, solvent evaporation, storage, fugitive); 2) make a stock of the information available; 3) identify in the list of estimation methods the most suitable one for the specific process under evaluation, the information available, and the measuring tools that can be acquired to get the data that is needed; 4) gather the data required for each method; and 5) calculate emissions. The manuals provide several formulas and examples for each emissions' calculation method.

~~139.~~ 132. A list of emission factors for air pollutants can be found at the dedicated webpage of the EEA. Although emission~~s~~ factors are more commonly used for air pollution, certain ones for surface

water discharge and land disposal for specific processes were made available by the WHO. Additional emission factors for POPs may be consulted here.

~~140.~~133. It is to be noted that the requirements under paragraph 324 are only applicable to SMEs operating in specific sectors. Undertakings that are involved in the provision of services (e.g.~~,~~ operating in co-working or shared facilities~~,~~ or remotely), for instance, are typically not included in the scope of this disclosure. By contrast undertakings carrying out production activities (e.g.~~,~~ chemicals) generally have ***impacts*** in terms of pollution and are, therefore, expected to report under this disclosure. The table below (adapted from the EMAS User Guide) provides examples of sectoral impacts, including for office services, for which pollution-related aspects may not be significant.

Activity	Environmental aspect	Environmental impact
Transport	- consumed machine oils, fuel consumption - vehicle emissions - tyre abrasion (fine dust)	- **soil, water, air pollution** - greenhouse effect, noise
Construction	- primary raw material (resource) consumption - air emissions, noise, vibrations, etc. From construction machinery - land consumption	- raw material availability - noise, **soil, water, air pollution** - destruction of ground cover - biodiversity loss
Office services	- consumption of materials, (e.g.~~,~~ paper, toner) - electricity consumption (leads to indirect CO_2 emissions)	- generation of mixed municipal waste - greenhouse effect
Chemical industry	- primary raw material (resource) consumption - wastewater - emissions of volatile organic compounds - emissions of ozone-depleting substances	- raw material availability - **water pollution** - photochemical ozone - **destruction of the ozone layer**

Documentation Sources:

Data	*Documentation Source*
EMAS User Guide	https://green-business.ec.europa.eu/document/download/98357f3d-f891-416e-81ea-a26f3ff3c61f_en?filename=PDF%20version%20C_2023_7207EN_annexe_acte_autonome_cp_part1_0.pdf
A Practical Guide For Business: Air Pollutant Emission Assessment	https://www.ccacoalition.org/sites/default/files/resources/files/CCAC%20SEI%20-%20A%20Practical%20%20Guide%20For%20Business%20-%20Updated_Final%202023.pdf

Regulation (EU) 2024/1244 (IEPR)	https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L_202401244
Directive 2010/75/EU (IED) & amendment in Directive (EU) 2024/1785 (IED 2.0)	https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02010L0075-20110106 https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ%3AL_202401785#d1e40-42-1
Calculating emissions to water – a simplified method	https://www.eionet.europa.eu/etcs/etc-icm/products/etc-icm-reports/calculating-emissions-to-water-a-simplified-method
Emission Estimation Technique Manual (Australia)	https://www.dcceew.gov.au/sites/default/files/documents/softdrink.pdf
A guide to reporting and estimating emissions for the integrated pollutant and waste information system	https://sawic.environment.gov.za/documents/297.pdf
EMEP/EEA air pollutant emission inventory guidebook 2023	https://efdb.apps.eea.europa.eu/?source=%7B%22query%22%3A%7B%22match_all%22%3A%7B%7D%7D%2C%22display_type%22%3A%22tabular%22%7D
Summary of techniques for estimating releases of chemicals from products (OECD)	https://www.oecd.org/content/dam/oecd/en/publications/reports/2017/01/resource-compendium-of-prtr-release-estimation-techniques-part-4-summary-of-techniques-for-estimating-releases-of-chemicals-from-products_a3b37c3f/29018220-en.pdf

~~Metric~~ B ~~5~~ – Biodiversity

Guidance on how to identify sites in or near biodiversity sensitive areas

~~141.~~ 134. Paragraph 3~~5~~ stipulates that the undertaking shall disclose the ***sites*** it operates in that are located in or ***near biodiversity ~~-~~ sensitive areas***. Biodiversity sensitive areas are defined as such by special nature protection regulation at European or international level. These comprise areas belonging to the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas ('KBAs') as well as other protected areas designated as requiring special protection by governmental authorities (e.g. forest ~~–~~ protected areas or areas lying within river basin districts).~~—~~

~~142.~~ 135. To identify protected areas and ***biodiversity sensitive areas***, the undertaking may refer to databases such as the World Database on Protected Areas (WDPA) (a global database to help identify marine and terrestrial protected areas), the World Database on Key Biodiversity Areas, and the IUCN Red List of Threatened Species. The undertaking may also ~~refer to~~use tools~~,~~ such as the Integrated Biodiversity Assessment Tool (IBAT).

~~143.~~ 136. ~~***Near,***~~ iIn the ontext of B5 – Biodiversity, the undshall o an area that is (partially) overlapping or adjacent to a ***biodiversity sensitive area***.

~~144.~~ 137. The following table shows how information on ***sites*** in or near ***biodiversity sensitive areas*** can be presented.

Location	**Area** (hectares)	**Biodiversity sensitive Area**	**Specification**

			(located in/near biodiversity sensitive areas)
Country – Site name 1			
Country – Site name 2			
Country – Site name 3			
...			

Documentation Sources:

Data	*Documentation Source*
Natura 2000 Network of protected areas	https://natura2000.eea.europa.eu/
Key Biodiversity Areas – IUCN	https://www.keybiodiversityareas.org/sites/search
UNESCO – World Heritage Centre	https://whc.unesco.org/en/list/

*Guidance on how to calculate and report land-**use***

~~145.~~138. A ***'sealed area'*** is to be understood as an area where the original soil has been covered (e.g.~~,~~ roads, buildings, parking lots), making it impermeable and resulting in an ***impact*** on the environment.

~~146.~~139. Green area or '***nature-oriented area***' is an area that primarily preserves or restores nature. Near natural/green areas may be located on the organisation's ***site*** and may include roofs, facades, water~~-~~drainage systems or other features designed, adapted~~,~~ or managed to promote biodiversity. Near-natural areas may also be located off the organisation~~'~~s site if they are owned or managed by the organisation and primarily serve to promote biodiversity.

~~147.~~140. When disclosing according to paragraph 3~~4~~6, the undertaking ~~should~~ shall not only consider local ***impacts***~~,~~ but also direct and indirect impacts on biodiversity (e.g.~~,~~ through raw material extraction, procurement, supply chain, production and products, transportation and logistics, and marketing and communications).

~~148.~~141. The following table shows how information on how ***land-use*** may be presented.

Land-use type	**Area** (hectares or m²)		
	Previous year	**Reporting year**	**% change**
Total sealed area			

Total nature-oriented area on-site			
Total nature-oriented area off-site			
Total use of land			

Documentation Sources:

Data	*Documentation Source*
EMAS Guidance	EU Commission Regulation 2018/2026 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018R2026&rid=2 User's guide https://green-business.ec.europa.eu/document/download/98357f3d-f891-416e-81ea-a26f3ff3c61f_en?filename=PDF%20version%20C_2023_7207EN_annexe_acte_autonome_cp_part1_0.pdf

~~Metric~~ B ~~6~~ – Water

Guidance on how to calculate and report on water withdrawals and water consumption

~~149.~~142. ***Water withdrawal*** relates to the amount of water an undertaking draws into its organisational boundaries from any source during the reporting period. In practice, for most undertakings this relates to the amount of water taken from the public water supply network as indicated in the utility bills. However, where applicable, water withdrawal also includes amounts of water taken from other sources such as groundwater from own wells, water taken from rivers or lakes~~,~~ or water received by other undertakings. In the specific case of undertakings operating in agriculture, water withdrawal would include rainwater if collected directly and stored by the undertaking.

~~150.~~143. ***Water withdrawal*** data can be retrieved from measurements~~,~~ using flow meters or water bills; indeed, in practice~~,~~ for most undertakings water withdrawal relates to the amount of water taken from the public water supply network as indicated in the utility bills. In cases in which direct measurements are not feasible~~,~~ or are deemed not sufficient and therefore need to be complemented, data on water withdrawal can be estimated~~,~~ using, for example, calculations~~,~~ models, and industry standards.

~~151.~~144. ~~As an~~For example, in the case of a shared office or coworking space, a possible method to calculate the ***water withdrawal*** could be to retrieve the overall water withdrawal of the building from the water bill~~,~~ and calculate the water withdrawal per ***employee*** with the following equation:

Water withdrawal per employee daily (L) = annual water withdrawal (L) / (n. of employees in the whole shared building x n. of working days).

The undertaking could then multiply the water withdrawal per employee for the number of its employees and the days they worked in the reporting year to obtain the final number required in the datapoint.

To make a numerical example applying the proposed formula, the annual water withdrawal retrieved from the water bill of a coworking space is 1296 m3 (corresponding to 1296000 L), coworking space where 100 employees of different companies work together for an assumed number of 240 days a year. The assumption on the average number of days worked can be based on national statistics, for example. The water withdrawal per employee daily would be in this case:

wWater withdrawal per employee daily = 1296000 L / (100x240) = 54 L

152.145. Assuming now that that the ***employees*** of the reporting undertaking are 25, and that they use the coworking space for 220 days a year, the yearly ***water withdrawal*** of the undertaking in the coworking space would be the water withdrawal per employee multiplied for the number of its employees and the days worked, therefore 54Lx25x220 = 297000 L (corresponding to 297 m3).

153.146. This calculation could be useful when it i's possible to access to the water bill of the shared building. This simple calculation method has some limitations, as it does not consider, for example, differences in use between different parts of the building (e.g. a 7seven-floor building could have six6 floors dedicated to offices and one floor with a canteen or a restaurant), that which the undertaking might be able to overcome, if further additional data are available, further refining the basic calculation provided above as an example.

154.147. An alternative option way to obtain ***water withdrawal*** data in the example of shared offices, when it is not possible to retrieve the water bill, could be to calculate it using fixture flow rates and occupancy data as primary inputs. A possible formula could be:

$$\text{Total water withdrawal} = \sum(\text{Flow Rate} \times \text{Number of Uses per Day} \times \text{Number of Days per Year} \times \text{Occupancy})$$

where:

a) flow rates or each fixture can be retrieved from the project documentation or labels of the fixtures, for example, or estimated basing on average data publicly available, if more accurate information are is not retrievable;

b) the number of uses per day can be estimated basing based on averages publicly available;

c) 'number of days' stands for the number of operational days for the reporting undertaking in a year;

d) 'occupancy' represents the number of ***employees*** of the undertaking using the office; it' is often calculated as fFull-tTime eEquivalent (FTE); and

e) the sign ∑ indicates that the calculations for each fixture should be summed up to obtain the TTotal water withdrawal of the reporting undertaking operating in a shared office.

155.148. An additional possible additional source that could support the reporting of ***water withdrawal*** for undertakings operating in shared offices is the JRC Level(s) indicator 3.1: Use stage water consumption user manual and as well as additional related documents and calculation sheets (see PG Section Documents | Product Bureau (europa.eu)). Furthermore, the undertaking could consult EMAS Reference Document for the Public Administration sector and EMAS Reference Document for the Construction sector, as well as rating systems like the National Australian Built Environment Rating System (NABERS), and certifications like the Building Research Establishment Environmental Assessment Method (BREEM), the Leadership in Energy and Environmental Design (LEED) and the German Sustainable Building Council (DGNB) System for Buildings In Use, that which might provide useful indications in their methodologies on how to further refine the calculation for water withdrawal in offices and shared spaces.

156.149. The provided examples to obtain ***water withdrawal*** data in the case of shared offices can be transposed to and applied by undertakings operating in different sectors, with the adjustments that might be necessary for the sectoral and entity-specific situation the undertaking operates in. EMAS Sectoral Reference Documents (SRDs) could be consulted for sector-specific methodology and indicators on water withdrawal, as well as industry standards and benchmarks.

157.150. ***Water consumption*** is the amount of water drawn into the boundaries of the undertaking that is not discharged or planned to be discharged back into the water environment or to a third party. This typically relates to water evaporated – e.g., in thermal energy processes like drying or

power production – water embedded in products – e.g.~~,~~ in food production – or water for irrigation purposes – e.g.~~,~~ used in agriculture or for watering company premises.

~~158.~~151. Water discharge means, for example, the amount of water transferred directly to receiving water bodies such as lakes or rivers, the public sewer or to other companies for cascading water use. It can be seen as the water output of the undertaking.

~~159.~~152. ***Water consumption*** can therefore be calculated as:

Water consumption = Water Inputs – Water Outputs

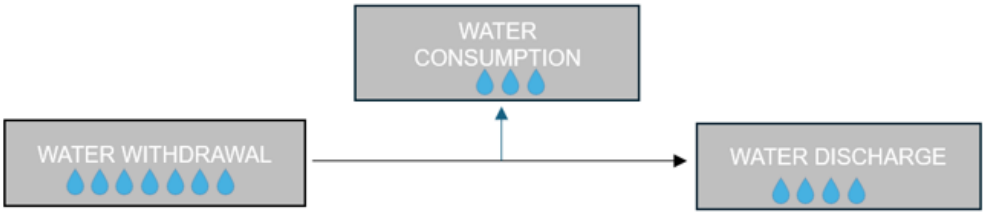
or in other words:

Water consumption = (Water withdrawal) – Water discharges.

For undertakings that solely withdraw water from the public water network and discharge it into the sewer, water consumption will be close to zero and can therefore be omitted from the report.

More broadly, the applicability of the disclosure requirement on water consumption relates to ~~the~~ information ~~being~~ already requested by law, already reported, and/or appropriate for the sector.

~~160.~~153. A schematic view of the relationship between ***water withdrawal***, ***water consumption*** and water discharge can be seen ~~here~~in the image below.~~:~~



~~161.~~154. The undertaking may provide additional explanatory information to contextualise its ***water withdrawal***s or consumption. For example, the undertaking may highlight if rainwater is collected and used as a replacement ~~of~~ for tap water or if water is discharged into other parties for cascading use.

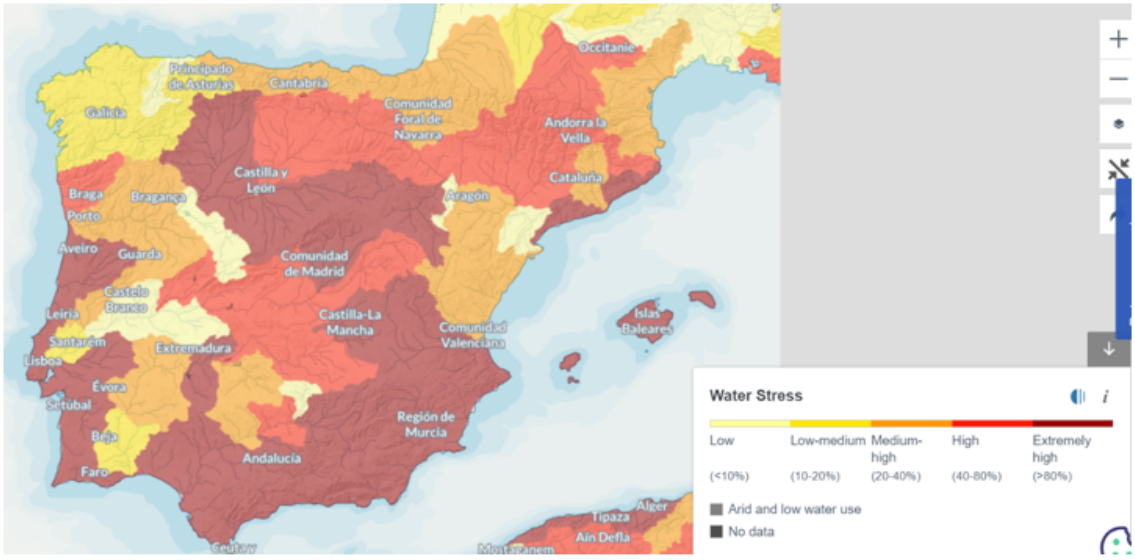
~~162.~~155. Below can be found an example of how undertakings may present quantitative information on their withdrawals, discharges and consumption of water divided by ***site*** location.

	Water withdrawal E.g.~~,~~ m³	**Water consumption** E.g.~~,~~ m³ (if applicable)
All sites		
Sites in areas with water stress		

Guidance for determining ~~if~~ whether the undertaking ***operates in an area of high-water stress***

~~163.~~156. The undertaking can consult local (e.g. national, regional) water authorities of the place(s) it operates in to inform its assessment of ~~the~~ water resources for the specific location(s), including the identification of areas of high-water stress. The undertaking can also consult publicly available and free tools that map out water scarcity globally. One such tool is the WRI's Aqueduct Water Risk Atlas, ~~that~~ which provides an interactive map of a water stress indicator (the 'baseline water stress', ~~that~~ which measures the ratio of total water demand to available renewable surface and groundwater supplies) at sub-basin level. With the help of this tool, undertakings can consult the water stress baseline set for different river basins globally. Values of the baseline water stress indicator above 40% indicate an area of ~~high water~~high-water stress.

~~164.~~157. By way of illustration, the map below shows the main Iberian River basins and their water stress classification according to the WRI Aqueduct.



In this image several water basins in the Iberian Peninsula, along with their water stress classification, can be observed. Most of the southern part of the peninsula sits in an area of significant high-water stress – with the exception of the Guadiana basin (in yellow). Thus, if the undertaking has operations within the Guadalquivir basin (e.g.~~,~~ the Andalucia region, which has a significant high-water stress level), the undertaking would have to disaggregate its ***water consumption*** for that region/water basin. But if its operations take place within the southern part of the Guadiana river basin (where there is low water stress), then it would not be necessary to disaggregate its water consumption for that region/water basin.

~~165.~~158. Other possible tools that undertakings can consult to determine their location in water stressed areas are the static map (and related dataset) provided by the European Environment Agency (EEA) Water Exploitation Index plus (WEI+) for summer and Urban Morphological Zones (UMZ) and the interactive map Water exploitation index plus (WEI+) for river basin districts (1990-2015), both presenting the water stress indicator WEI+~~,~~ that measures total ***water consumption*** as a percentage of the renewable freshwater resources~~,~~ at sub-basin level. WEI+ values equal or greater than 40% generally indicate situations of ~~high water~~high-water stress. It ~~i~~'s worth underlining that WRI Aqueduct bases its baseline water stress indicator on water demand, while the EEA indicator of water stress WEI+ is based on water consumption.

Documentation Sources:

Data	*Documentation Source*
Water withdrawal in shared offices (measurement)	'Water use in your business', South Staff Water
Water withdrawal in shared offices (measurement, estimation)	Level(s) indicator 3.1: Use stage water consumption user manual: introductory briefing, instructions and guidance (Publication version 1.1), JRC
Water withdrawal (general)	EMAS User Guide
Water withdrawal in SMEs	EMAS "easy" for small and medium enterprises

Water stress – WRI Aqueduct	Technical Note - Aqueduct 4.0: Updated decision-relevant global water risk indicators, WRI
Water stress – WEI+	Water scarcity conditions in Europe (Water exploitation index plus) | European Environment Agency's home page (europa.eu)

~~Metric~~ B ~~7~~ – Resource use, circular economy and waste management

Guidance on circular economy principles

~~166.~~159. When disclosing information on its products, material use and waste management, the undertaking may provide information in relation to ***circular economy principles***. Circular economy principles are articulated in the paragraphs below. The key principles outlined by the Ellen Macarthur Foundation are underlined below while the key principles considered by the European Commission are *italicised*.

Eliminate waste and pollution – this can be done through process improvements and also through design considerations at the level of *usability, reusability, repairability, disassembly* and *remanufacturing*.

Circulate products and materials (at their highest value) – *reusability* and ***recycling*** are key for product circulation, but this is enhanced if special consideration is given to circularity at the design phase for issues such as usability, reusability, repairability, remanufacturing and disassembly. Factors such as the incorporation of biomaterials and their *recirculation via the biological cycle* can also be considered, for example~~,~~ using biodegradable crop covers instead of plastics in agriculture.

Regenerate nature – whenever possible, human activities should seek to regenerate nature and improve or restore key ecological functions (i.e.~~,~~ drainage, habitat provision, thermal regulation, etc.) that may have been lost due to previous human activities.

Guidance on total waste generation and waste diverted to recycling or reuse

160. The requirements in paragraph 3~~8~~9 may be omitted by undertakings that generate only household waste. In such cases, the undertaking will only state that it generates this type of waste.

~~167.~~161. When reporting on ***hazardous waste*** according to paragraph 3~~8~~40 (a), the undertaking fulfils the requirements on ***radioactive waste*** of ~~the~~ indicator number 9 from Table #1 of Annex 1 of the Sustainable Finance Disclosure Regulation (SFDR)~~.~~[10]. This SFDR indicator (ratio between tonnes of radioactive and ***hazardous waste***) can be computed by using the numerator and denominator that the undertaking provides when reporting according to paragraph 3~~8~~40 (a).

~~168.~~162. SMEs must disclose hazardous and ***radioactive waste*** if their operations involve generating such waste. Applicability depends on the presence of hazardous or radioactive materials in business processes.

~~169.~~163. U~~The u~~ndertakings are recommended to classify their ***hazardous waste*** using the European Waste Catalogue (EWC), which categori~~z~~es waste by type. Any waste marked with an asterisk (*) is classified as hazardous in the EWC, normally with reference to 'containing hazardous ~~substances~~'substances'. For example:

(a) m~~M~~edical sector: contaminated sharps like needles and syringes used in medical settings (~~"~~wastes whose collection and disposal is subject to special requirements in order to prevent infection'~~"~~ EWC Code 18 01 03*), cytotoxic and cytostatic medicines (EWC Code 18 01 08*),

[10] Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosures Regulation) (OJ L 317, 9.12.2019, p. 1).

spent radiopharmaceuticals, and certain diagnostic equipment containing radioactive materials;~~.~~

(b) m~~M~~anufacturing sector: u~~U~~sed lubricants and oils classified as hazardous (EWC Code 13 02 05*);~~.~~

(c) c~~C~~onstruction sector: a~~A~~sbestos-containing materials (EWC Code 17 09 03*), soil and stones containing hazardous substances (EWC Code 17 05 03*), and

(d) ~~B~~batteries and accumulators: l~~L~~ead batteries (16 06 01*), Ni-Cd batteries (16 06 02*), batteries containing m~~M~~ercury ~~containing batteries~~ (16 06 03*).

~~170.~~164. Nevertheless, a waste is considered hazardous if it displays one or more of the hazardous properties listed in Annex II of the Waste Framework Directive. For easier reference, ~~there~~ these are presented below together with the respective pictograms to help identify hazardous properties such as flammability, toxicity~~,~~ and corrosiveness, which may lead to waste being classified as hazardous.

~~171.~~165. ***Radioactive waste*** also has or can have hazardous properties that render it hazardous, namely carcinogenic, mutagenic or toxic for reproduction. Nevertheless, radioactive substances are subject ~~of~~ to separate regulations within the EU[11]. Companies using radioactive materials with ~~a~~ the ~~possibility~~ ability ~~to of generate~~ generating radioactive waste subject to EU regulation ~~will~~ should be aware of it. Radioactive waste should be identified based on the presence of radionuclides at levels above regulatory clearance thresholds.

~~172.~~166. ***Radioactive waste*** can be present in a variety of ~~situations~~items~~,~~ such as medical, research and industrial equipment, smoke detectors, or sludges.

~~173.~~167. Hazard Pictograms for each hazard class are presented below~~:~~.

Hazard pictogram	**Pictogram statement, symbol and class**	**What does it mean?**
	“~~“~~Gas under pressure~~”~~” *Symbol: Gas cylinder* Physical Hazard	• Contains gas under pressure; may explode if heated~~.~~ • Contains refrigerated gas; may cause cryogenic burns or injury~~.~~
	“~~“~~Explosive~~”~~” *Symbol: Exploding bomb* Physical Hazard	• Unstable explosive • Explosive; mass explosion hazard • Explosive; severe projection hazard • Explosive; fire, blast or projection **hazard** • May mass explode in fire

[11] EU's Radioactive Waste and Spent Fuel Management Directive (2011/70/Euratom). For more information ~~check~~ see the EU's webpage on Radioactive Waste and spent fuel.

	“Oxidising” *Symbol: Flame over circle* Physical Hazard	• May cause or intensify fire; oxidiser. • May cause fire or explosion; strong oxidiser.
	“Flammable” *Symbol: Flame* Physical Hazard	• Extremely **flammable gas** • Flammable gas • Extremely flammable aerosol • Flammable aerosol • Highly flammable liquid and vapour • Flammable liquid and vapour • Flammable solid
	Corrosive *Symbol: Corrosion* Physical Hazard / Health Hazard	• May be corrosive to metals • Causes severe skin burns and eye damage
	“Health hazard/Hazardous to the ozone layer” *Symbol: Exclamation mark* Health Hazard	• May cause respiratory irritation • May cause drowsiness or dizziness • May cause an **allergic skin reaction** • Causes serious eye **irritation** • Causes skin irritation • Harmful if swallowed • Harmful in contact with skin • Harmful if inhaled • Harms public health and the environment by destroying ozone in the upper atmosphere

	"Acute toxicity" *Symbol: Skulls and Crossbones* Health Hazard	• Fatal if swallowed • Fatal in contact with skin • Fatal if inhaled • Toxic: if swallowed • Toxic in contact with skin • Toxic if inhaled
	"Serious health hazard" *Symbol: Health Hazard* Health Hazard	• May be fatal if swallowed and **enters airways** • Causes **damage to organs** • May cause damage to organs • May damage fertility or the unborn child • Suspected of damaging fertility or the unborn child • May cause cancer • Suspected of causing cancer • May cause **genetic defects** • Suspected of **causing genetic defects** • May cause allergy or asthma symptoms or breathing difficulties if inhaled
	"Hazardous to the environment" *Symbol: Environment* Environmental Hazard	• Very toxic to aquatic life with long-lasting **effects** • Toxic to aquatic life with long-lasting effects

Pictograms that indicate hazardous properties, Annex V, from the Classification, Labelling and Packaging (CLP) Regulation ((EC) No 1272/2008

~~174.~~168. When presenting information on its waste generation or diversion from disposal, the undertaking should preferably report such information in units of weight (e.g.~~,~~ kg or tonnes). Nevertheless, should ~~it~~ the units of weight be considered an inappropriate unit by the undertaking, they may alternatively disclose the afore-mentioned metrics in volumes (e.g.~~,~~ m3) instead.

~~175.~~169. When disclosing information on the total annual waste diverted to ***recycling*** or reuse, the undertaking should consider the waste that is sorted and sent to recycling or reuse operators (e.g. the~~,~~ amount of waste put into recycling container~~,~~ or sorting of waste into certain categories of

materials and their delivery to waste treatment facilities), rather than the waste that gets effectively recycled or reused.

176.170. When disclosing information on waste, the undertaking may adopt the following tables.

	Waste generated (e.g., tonnes)		
	Total waste generated, of which:		
		Waste diverted to recycle or reuse	*Waste directed to disposal*
Non-hazardous waste			
Type of waste1			
Type of waste2			
...			
Hazardous waste			
Type of waste1			
...			

177.171. Examples of ***hazardous wastes*** that small businesses may generate include batteries, used oils, pesticides, mercury-containing equipment and fluorescent lamps.

178.172. The undertaking may provide further breakdowns specifying further types of non-hazardous and ***hazardous wastes***. In doing so, it may consider the list of waste descriptions found in the European Waste Catalogue's social metrics.

Guidance on the annual mass-flow of relevant materials used

179.173. The annual mass-flow is an indicator aligned with the EMAS requirements on efficiency of material consumption, and it illustrates an undertaking's dependency on specific materials in its operations (e.g., wood and steel for the construction industry). The undertaking is here required to provide information on the materials it uses, including both the materials acquired from suppliers and those sourced internally from production. To compute the annual mass-flow of the relevant materials it has used, the undertaking will need to first identify the specific key materials on which its operations are dependent and for which material efficiency needs to be evaluated (e.g., material efficiency of wood). If different types of materials are used, the undertaking will need to provide separately the annual mass-flow (i.e., total weight for each relevant material used;, e.g., tonnes of wood purchased) for each key material in an appropriate manner, for example by breaking it down by the use to which they are put (EMAS, 2023). The mass flow of relevant materials used will result from the sum of the weight of all used materials, including raw materials, auxiliary materials, input materials, semi-finished products, or others (excluding energy sources and water) and provide the total weight for each relevant material used (e.g., tonnes of wood purchased). The mass flow of relevant materials used will result from the sum of the weight of all used materials, including raw materials, auxiliary materials, input materials, semi-finished products, or others (excluding energy sources and water).This indicator is to be preferably expressed in units of weight (e.g., kilograms or tonnes), volume (e.g., m^3) or other metric units commonly used in the sector.

Guidance on how to identify manufacturing, constructions and /or packaging processes

~~180.~~ 174. To identify manufacturing, construction and/or packaging processes, the undertaking may refer to the activities that fall under "Section C – Manufacturing", Section F – "Construction" as well as Class "N82.92 'Packaging activities'" of Annex I to Regulation (EC) No 1893/2006.[12]

Basic Module Guidance — Social Metrics

~~Metric~~ B 8 – Workforce – General characteristics

~~181.~~ 175. Full-time equivalent (FTE) is the number of full-time positions in an undertaking. It can be calculated by dividing an ***employee***'s scheduled hours (total effective hours worked in a week) by the employer's hours for a full-time workweek (total hours performed by full-time employees). For example, an employee who works 25 hours every week for a company where the full-time week is 40 hours represents a 0,625 FTE (i.e. 25/ 40 hours).

~~182.~~ 176. Headcount is the total number of people employed by the undertaking at a given time.

Guidance on how to present information about employees' contract types

~~183.~~ 177. The following table shows how information on ***employees*** may be presented by type of employment contract.

Type of contract	Number of employees (headcount or full-time equivalents)
Temporary contract	
Permanent contract	
Total employees	

~~184.~~ 178. The following table shows how information on ***employees*** may be presented by gender.

Gender	Number of employees (headcount or full-time equivalents)
Male	
Female	
Other	
Not reported	
Total employees	

~~185.~~ 179. In some European Union Member States, it is possible for people to legally register themselves as having a third gender, often neutral, which is to be categorised as "other" in the table above. If the undertaking is disclosing data about ***employees*** where this is not possible, it may explain this and indicate that the "other" category is not applicable. The "not reported" category applies to employees who do not disclose their gender identity.

~~186.~~ 180. The following table shows how information on ***employees*** may be presented by countries.

Country (of employment contract)	Number of employees (headcount or full-time equivalents)
Country A	
Country B	
Country C	
Country D	
Total employees	

~~187.~~ 181. Definitions and types of employment contracts may vary depending on the country. If the undertaking has ***employees*** working in more than one country, it shall use the legal definitions stipulated in the national laws of the countries where the employees are based in to calculate country-level data. Such country-level data shall then be added up to calculate total numbers, disregarding differences in national legal definitions.

[12] L_2006393EN.01000101.xml (europa.eu).

~~188.~~182. ***Employee*** turnover refers to employees who leave the organis~~z~~ation voluntarily or due to dismissal, retirement~~,~~ or death in service.

~~189.~~183. In order to calculate the ***turnover*** rate, the formula below should be used.~~:~~

$$\frac{Number\ of\ employees\ who\ left\ during\ the\ reporting\ year}{Average\ number\ of\ employees\ during\ the\ reporting\ year}\ x\ 100$$

~~Metric~~ B~~-~~9 – Workforce – Health and safety

Guidance on the rate of recordable work-related accidents

~~190.~~184. Based on the assumption that one full-time worker works 2,000 hours per year, the rate indicates the number of work-related accidents per 100 full-time workers over a yearly time frame. If the undertaking cannot ~~directly~~ calculate directly the number of hours worked, it may estimate this on the basis of normal or standard hours of work.

~~191.~~185. In order to calculate the rate of ***recordable work-related*** accidents ~~for~~ of ***employees***, the formula below should be used.~~:~~

$$\frac{Number\ of\ work\ related\ accidents\ in\ the\ reporting\ year}{Total\ number\ of\ hours\ worked\ in\ a\ year\ by\ all\ employees}\ x\ 200{,}000$$

Example

~~192.~~186. Company A reported three work-related accidents in the reporting year. Company A has 40 ***employees***, and a total number of 80,000 hours (40 x 2,000) worked in a year.

The rate of ***recordable work-related*** accidents is 3/80,000 x 200,000 = 7.5.

Guidance on the number of fatalities resulting from work-related injuries and work-related ill health

~~193.~~187. Work-related injuries and work-related ill health arise from exposure to dangers at work.

~~194.~~188. In case of teleworking, injuries and ill health are work-related if the injury or ill health is directly related to the performance of work rather than the general home environment.

~~195.~~189. In case of injuries and ill health that occur while a person is travelling for work, these are considered work-related if the ***employee*** was performing work activities in the interest of the employer at the time of the injury or ill health. Accidents taking place when travelling, outside of the undertaking's responsibility (i.e.~~,~~ regular commuting to and from work), are subject to the applicable national legislation, which regulates their categorisation as to whether they are considered work-related or not.

~~196.~~190. Mental illness is considered work-related if it has been notified voluntarily by the relevant worker and if an evaluation from a licensed healthcare professional stating that the illness in question is indeed work-related has been issued and notified, too. Health problems resulting from smoking, drug and alcohol abuse, physical inactivity, unhealthy diets~~,~~ and psychosocial factors not connected to work are not considered work-related.

~~197.~~191. The undertaking may present separately ~~the~~ fatalities resulting from work-related injuries and those resulting from work-related ill health.

~~Metric~~ B~~-~~10 – Workforce – Remuneration, collective bargaining and training

Guidance on remuneration: minimum wage

~~198.~~192. 'Minimum ***wage***' refers to the minimum compensation of employment per hour~~,~~ or another unit of time. Depending on the country, the minimum wage might be set directly by law or through ***collective bargaining*** agreements. The undertaking shall refer to the applicable minimum wage for the country it reports on.

~~199.~~193. For the lowest ***pay*** category, excluding interns and apprentices, ~~the~~ minimum ***wage*** serves as the foundation for calculating ~~the~~ entry-level wage. Therefore, ~~the~~ entry-level wage includes ~~the~~

pay equal to ~~the~~ minimum wage as well as any additional fixed payments guaranteed to ***employees*** in that category.

*Guidance on remuneration: percentage gap between female and male employee**es***

~~200.~~194. The metric for the percentage gap between female and male ***employees*** addresses the principle of gender equality, which stipulates equal ***pay*** for equal work. The pay gap is defined as the difference of average pay levels between female and male employees expressed as the percentage of the average pay level of male employees.

~~201.~~195. In order to estimate this metric, all ***employees*** shall be included in the calculation. In addition, there should be two separate average ***pay*** calculations for female and male employees. See the formula below:

$$\frac{(Average\ gross\ hourly\ pay\ level\ of\ male\ employees - average\ gross\ hourly\ pay\ level\ of\ female\ employees)}{Average\ gross\ hourly\ pay\ level\ of\ male\ employees} x\ 100$$

~~202.~~196. Depending on the undertaking's remuneration policies, ~~the~~ gross ***pay*** refers to all of the following elements:

(a) base salary, which is the sum of guaranteed, short-term, ~~and~~ non-variable cash compensation;

(b) benefits in cash, which constitute the sum of the base salary and cash allowances, bonuses, commissions, cash profit-sharing~~,~~ and other forms of variable cash payments;

(c) benefits in kind such as cars, private health insurance, life insurance~~,~~ and wellness programs; and

(d) direct remuneration, which is the sum of benefits in cash, benefits in kind and the total fair value of all annual long-term incentives.

~~203.~~197. The gross ***pay*** is the sum of all the applicable elements listed above.

~~204.~~198. The average gross hourly ***pay*** is the weekly/annual gross pay divided by the average hours worked per week/year.

Example

~~205.~~199. Company A has *X* male ***employees*** and *Y* female employees in total. Male employees' gross hourly ***pay*** is €15 and female employees' gross hourly pay is €13.

~~206.~~200. The average gross hourly ***pay*** level of male ***employees*** is the sum of all their gross hourly payments divided by the total number of male employees. The average gross hourly pay level of female employees is the sum of all their gross hourly payments divided by the total number of female employees.

~~207.~~201. The formula used to calculate the percentage ***pay*** gap between male and female ***employees*** is

$$\frac{15 - 13}{15} x\ 100 = 13.3\%$$

Guidance on collective bargaining coverage

~~208.~~202. The ***employees*** covered by ***collective bargaining*** agreements are those individuals to whom the undertaking is obliged to apply the agreement. If an employee is covered by more than one collective bargaining agreement, it only needs to be counted once. If none of the employees are covered by a collective bargaining agreement, the percentage is zero.

~~209.~~203. The percentage of ***employees*** covered by ***collective bargaining*** agreements is calculated by using the following formula~~.~~:

$$\frac{Number\ of\ employees\ covered\ by\ collective\ bargaining\ agreements}{Number\ of\ employees}\ x\ 100$$

~~210.~~204. The information required by this disclosure requirement may be reported as coverage rates if the ***collective bargaining*** coverage is between 0-19%, 20-39%, 40-59%, 60-79% or 80-100%.

~~211.~~205. This requirement is not aimed at obtaining the percentage of ***employees*** represented by a works council or belonging to trade unions, which can be different. The percentage of employees covered by ***collective bargaining*** agreements can be higher than the percentage of unionised employees when the collective bargaining agreements apply to both union and non-union members.

Basic Module Guidance – Business Conduct Metrics

~~Metric~~ B 11 – Convictions and fines for corruption and bribery

~~212.~~206. ***Corruption*** and bribery fall under the ***business conduct*** sustainability ~~matter~~issue.

~~213.~~207. Under paragraph 4~~3~~5, the undertaking shall report on the total number of convictions and the total amount of fines incurred for violating anti-corruption and anti-bribery laws.

Guidance on convictions

~~214.~~208. Convictions for the violation of anti-corruption and anti-bribery laws refers to any verdict of a criminal court against an individual or undertaking in respect of a criminal offence related to ***corruption*** and bribery~~,~~. ~~F~~for example~~,~~ where these court decisions are entered in the criminal record of the convicting European Union Member State.

Guidance on fines

~~215.~~209. Fines issued for the violation of anti-corruption and anti-bribery laws refer to mandatory monetary penalties resulting from violations of anti-corruption and anti-bribery laws imposed by a court, commission or other government authority, which are paid to a public treasury.

Comprehensive Module: Guidance

~~216.~~210. The guidance below is intended as part of an ecosystem that will include also the development of further implementation guidance by EFRAG, further digital tools and implementation support (educational activities, stakeholders' engagement and so forth), ~~that aim~~aiming ~~at to facilitating~~ facilitate some of the technical elements present in the guidance.

211. This guidance is intended to support the preparation of ~~the~~ metrics in the Comprehensive Module.

Comprehensive Module Guidance – Cross-cutting Metrics

C-1 – Strategy: Business Model and Sustainability – Related Initiatives

212. When describing the main ***consumers*** and supplier relationships under paragraph ~~47~~25 (c), the undertaking shall disclose the estimated number of suppliers, and their related sectors and geographies (i.e. countries).

C-2 – Description of practices, policies and future initiatives for transitioning towards a more sustainable economy

213. Undertakings may use the following template to report on C2 datapoints.

	If you answered YES to existing practices/policies/ future initiatives in disclosure B2, please briefly describe them along with their consequent actions. (In case the practice/ policy or future initiative covers suppliers or clients, the undertaking shall mention it)	If you answered YES to future initiatives/ targets in disclosure B2, please specify them.	You may indicate the highest senior level in the undertaking accountable for implementing them [if any]
Climate Change			
Pollution			
Water and Marine Resources			
Biodiversity and Ecosystems			
Circular Economy			
Own Workforce			
Workers in the Value Chain			
Affected Communities			
Consumers and end-users			

Business conduct	-		-

~~217.~~

Comprehensive Module Guidance — Environmental Metrics

~~Entity-specific c~~Consideration when reporting on GHG emissions under B-3 (Basic Module)

214. When determining ~~if~~ whether disclosure of Scope 3 is appropriate following paragraph 50~~49~~, the undertaking may screen its total Scope 3 GHG emissions based on the 15 ~~s~~Scope 3 categories identified by the GHG Protocol using appropriate estimates and report by incorporating this information by reference. This allows for ~~to~~the ~~identify~~ identification and ~~disclose~~ disclosure of its significant Scope 3 categories based on the magnitude of their estimated GHG emissions and other criteria provided by the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Version 2011, p. 61 and 65-68) or EN ISO 14064-1:2018 Annex H.3.2, such as financial spend, influence, related transition risks and opportunities or stakeholder views.

——SMEs operating with manufacturing, agrifood, real estate construction and~~/or~~ packaging processes are likely to have ~~relevant~~ significant Scope 3 categories (CDP, 2024), which may be considered relevant for reporting in the undertaking's sector.

~~218.~~215.

~~Disclosure~~ C-3~~1~~3 – GHG reduction and climate transition

~~219.~~216. Emission~~s~~ reductions can prove to be both a challenge and opportunity for an undertaking, as it often requires changes to the strategic and operational reality of the business. The goal of reducing emissions may require a review of strategic and financial priorities. Decarbonisation may require important initial investment ~~to~~in, for example, ~~electrify~~ electrifying a fleet of vehicles, implementing new technologies to reduce energy consumption~~,~~ or developing new product lines that are less reliant on carbon-intensive materials. On the other hand, implementing low-carbon solutions to achieve GHG emission reduction can significantly lessen the costs of purchased energy and materials. Undertakings embarking on their decarbonisation journey are often facing important adjustments to their business models or daily operations. For instance, a logistics and delivery services undertaking may need to redesign its fleet management to minimise potential service disruptions due to the need of regular vehicle charging. A consumer goods manufacturing undertaking planning to replace a component of its product with a sustainable, low-carbon alternative may need to allocate time and resources to product innovation and to searching ~~a search~~ for new suppliers. These efforts can, in turn, result in reducing costs, accessing new markets, creating new workplaces and attracting additional financing, making GHG emission reduction not only a challenge~~,~~, but also a strategic business opportunity. In this context, ***targets*** for GHG reductions ~~is~~are an important measure of responding to the ~~need of~~for a sustainable transition, as ~~it~~ they allow~~s~~ undertakings to manage the change in a systematic, controlled and organised way.

~~220.~~217. A GHG emission reduction target is a commitment to reduce the undertaking's GHG emissions in a future year compared to the GHG emissions measured during a chosen base year. ***Actions*** that may lead to emission reductions include, for instance, electrification, renewable electricity, sustainable products development, etc. Disclosure C-3 requires that the undertaking ~~to~~ disclose GHG emission reduction ***targets*** for its Scope 1 and Scope 2 emissions.

~~221.~~218. Removals and avoided emissions shall not be accounted as reduction of the undertaking's gross GHG emissions. This is due to the important distinction between accounting practices for gross GHG emissions (inventory accounting) and GHG removals and avoided emissions (project-based~~,~~ or intervention accounting). Gross GHG emissions of the undertaking are designed to track the actual emissions released to the environment, providing a consistent and comparable baseline to set up GHG ***targets***. Avoided emissions and carbon removals, on the other hand, relate to specific project activities of the undertaking, which ~~signifies~~ means that their accounting is done separately from gross GHG emissions.

~~222.~~219. To follow this practice, the undertaking needs to distinguish between its gross GHG emissions and other ***impacts*** which are not captured ~~within~~ in it, such as GHG removals and

avoided emissions. Removals refer to the withdrawal of GHG from the atmosphere as a result of deliberate human activities. Examples of such activities can include plant growth (transfer of atmospheric CO_2 through photosynthesis), ~~or~~ and direct air capture of CO_2, and are typically linked to the subsequent storage of CO_2. Avoided GHG emissions are typically referred to as emissions that would have otherwise happened, but that, as a result of the undertaking's activities, did not happen. These may include introducing new products and technologies that reduce demand for their carbon-intensive equivalents, for example, insulation solutions in a building that avoid the demand for energy services therein. More information on the concepts related to carbon removals and avoided emissions can be found in the GHG Protocol Land Sector and Removals Guidance[13], as well as the WBCSD guidance[14].

~~223.~~220. A base year is a preceding year against which the undertaking's current GHG emissions can be measured. In general, the base year should be a recent and representative year of the undertaking's GHG emissions in which there are verifiable data.

~~224.~~221. The target year is the year in the future in which the undertaking aims to achieve a certain absolute or percentage amount of GHG emission reductions. It should range over a period from one to three years from the base year to a short-term target. Longer term ***targets*** may also be included, for instance, for periods of twenty or thirty years (e.g., 2040 or 2050). Undertakings are encouraged to include target values for the short-term target year of 2030 at the least and, if feasible, for the long-term year of 2050. From 2030 onwards, it is recommended to update the base year and target year for GHG emission reduction targets after every five-year period.

~~225.~~222. To set a target, undertakings should consider the existing scientific evidence on GHG mitigation. The SBTi recommends a cross-sector target in GHG emissions reduction of -42% by the year 2030 and -90% by the year 2050 (base year 2020). The Stockholm Resilience Centre also proposes a 'carbon law' that sets out concrete steps to achieve full decarbonisation by 2050 based on a flexible way ~~to think~~of thinking about reducing carbon emissions by halving emissions every decade and increasing ***renewable energy*** roll-out exponentially. The authors argued that this roadmap would ensure a 75% chance of keeping the Earth below 2°C above pre-industrial temperatures ~~–~~, ~~–~~the target set out in the Paris agreement[15]. SBTi also proposes a streamlined target-setting route for small- and medium-sized undertakings[16]. Specific pathways also exist by sector and may be considered by undertakings when setting their GHG emission reduction ***targets***.

~~226.~~223. To achieve a quick reduction of both direct and indirect emissions, there are some simple ***actions*** that the undertaking can take. Some actions may be easy but still able to deliver a notable emission reduction and support the undertaking reaching its ***targets***. For instance, electrification of the vehicle fleet by replacing vehicles running on fossil fuel with electric vehicles will lead to emission~~s~~ reduction as soon as the previous fleet is replaced. This can mean notable emission reduction~~s~~ especially for a business that is reliant on transportation. Similarly, replacing commutes and business travels by car with low carbon alternatives, such as ~~using~~ bicycles or public transport, is an effective, simple and achievable decarbonisation action. Another area of low~~–~~hanging fruit is to review the internal energy management and update it to energy~~–~~efficient equipment and integrate maintenance into ~~the~~ routine business operations. By regularly maintaining equipment and machinery and replacing these with more energy~~–~~efficient alternatives when and where possible, the undertaking can reduce its energy consumption. Such equipment can include, for example, boilers, telecommunication systems, heat pumps, air-conditioning etc. Through regular maintenance their efficient operation can be ensured, wear and tear minimised and waste

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[13] GHG Protocol Land Sector and Removals Guidance (https://ghgprotocol.org/land-sector-and-removals-guidance)

[14] World Business Council for Sustainable Development (2023), Guidance on Avoided Emissions. (https://www.wbcsd.org/wp-content/uploads/2023/09/Climate-Avoided-Emissions-guidance_WBCSD.pdf).

[15] Rockström, J., Gaffney, O., Rogelj, J. et. al. 2017. A roadmap for rapid decarbonization. Science, Volume 355 Issue 6331. Available at: https://www.stockholmresilience.org/research/research-news/2017-03-23-curbing-emissions-with-a-new-carbon-law.html.

[16] SBTI https://sciencebasedtargets.org/small-and-medium-enterprise-sme-target-setting-process. SBTI offers resources for SMEs to set science based targets: https://sciencebasedtargets.org/small-and-medium-enterprise-sme-target-setting-process.

minimised. By also automating systems and using timers to define periods of use, the undertaking is able to lower the emissions of such equipment even further.

227.224. A climate transition plan for climate change mitigation is a set of present and future ***actions*** meant to align the undertaking's business model, strategy and operations with the key overarching global goal of limiting global warming to 1.5°C. Underpinned by a GHG reduction target compatible with that goal, the importance of having a transition plan in place lies in the ability of understanding the means by which the undertaking will move towards a low-carbon economy while keeping track of the progress made. A transition plan serves as a mechanism for accountability and transparency, prompting undertakings to develop credible pathways for mitigating climate change through their actions.

225. Establishing a credible transition plan ~~of~~ for the undertaking is something that should be supported by elements such as *(a)* identifying clear responsibilities and roles; *(b)* integrating the plan into the undertaking's business strategy and financial planning; *(c)* including information on decarbonisation levers and pathways as well as quantifiable indicators that can be monitored throughout predefined timeframes; *(d)* allowing for regular reviewing and updating after stakeholder consultations when appropriate; and *(e)* covering the entirety of its own operations and, to the largest possible extent, the ***value chain*** or else ~~provide~~ providing an explanation as to any limitation.

228.226. Undertakings that are disclosing ***targets*** according to the EMAS Regulation Annex IV B (d) may use its GHG reduction targets to fulfil the VSME requirement if it has set such targets. The undertaking may also support this disclosure through its implementation of the EMAS environmental management system and link to EN ISO 14001:2015 as set out by EMAS Regulation Annex II B A.6.2.1 and B.5 (environmental objectives).

Guidance on how to identify manufacturing, constructions and /or packaging processes

229.227. To identify manufacturing, construction and/or packaging processes, the undertaking may refer to these activities that fall under ~~"~~Section C – Manufacturing~~"~~, Section F ~~"~~Construction~~"~~ as well as Class ~~"~~N82.92 'Packaging activities'~~"~~ of Annex I to Regulation (EC) No 1893/2006.

~~Disclosure~~ C ~~4~~24 – ~~Physical~~ Climate risks ~~from climate change~~

228. ***Climate-related ~~physical risks~~hazards*** are drivers of climate-related physical risks that arise from the effects that climate change has on the undertaking. They can be classified into acute ~~physical risks~~hazards, which arise from particular events (such as droughts, floods, extreme precipitations and wildfires), and chronic ~~physical risks~~hazards (such as changing temperatures, sea level rise and soil erosion), which arise from longer ~~-~~term changes in the climate (Commission delegated regulation 2021/2139). Physical risks are a function of climate-related hazards, the exposure of the undertaking's assets and activities to these hazards, and how sensitive the undertaking is to these hazards ~~are~~. Examples of climate-related hazards are heat waves, increased frequency of extreme weather events, sea level rise, glacial lake outburst flood~~,~~ and change in precipitation and wind patterns. Climate-related physical risks can be identified and modelled by using climate scenarios that consider high emissions trajectories such as IPCC SSP5-8.5.

229. ***Climate-related transition events*** may be (according to TNFD classification) policy- and legal-based (e.g.~~,~~ enhanced emission~~s~~ reporting obligations), technology-based (e.g.~~,~~ costs of transition to lower emissions technology), market-based (e.g.~~,~~ increased cost of raw materials)~~,~~ and reputation-based (e.g.~~,~~ increased stakeholder concern).

~~—~~***Gross climate-related risks*** refer to gross physical risks and gross transition risks that may result from ~~the~~ exposure of the undertaking's assets and business activities to climate-related hazards.

~~—~~

~~—~~

230.

Comprehensive Module Guidance ~~—~~ Social Metrics

~~Disclosure~~ C ~~5~~35 – ~~Workforce (General) Additional characteristics~~Additional (general) workforce characteristics

~~230.~~231. To ~~find~~ determine the gender ratio, divide the number of female ***employees*** by the number of male employees at management level. This will ~~give you~~yield the proportion of women to men in your company.

$$Gender\ ratio = \frac{number\ of\ female\ employees\ at\ management\ level}{number\ of\ male\ employees\ at\ management\ level}$$

~~231.~~232. Management level is considered the level below the board of directors unless the undertaking has a specific definition to use.

233. For example, if there are 28 female ***employees*** and 84 male employees at management level, the gender ratio would be 1:3, meaning that for every woman at management level, there are three men.

234. Relevant factors for a undertaking to consider in deciding whether or not to disclose the number of self-employed workers and temporary workers under paragraph 602 would be: (1) the ratio of ***employees*** to self-employed and temporary workers, especially in case of significant and/or increasing reliance **or** (2) when the risk of negative social ***impacts*** on self-employed or temporary workers is greater compared to the ~~company's~~undertaking's own employees.

~~232.~~

~~233.~~235. The following table shows how information on self-employed people without personnel that are working exclusively for the undertaking and temporary workers provided by undertakings primarily engaged in employment activities may be presented.

Types of workers	Number of self-employed people and temporary workers engaged in employment activities
Total self-employed without personnel that are working exclusively for the undertaking	
Total temporary workers provided by undertakings primarily engaged in employment activities	

~~234.~~236. Undertakings can refer to NACE Code N78 for temporary workers provided by undertakings primarily engaged in "~~"~~employment activities~~"~~".

~~Disclosure~~ C~~-~~646 – Human rights policies and processes

~~235.~~237. Undertakings that have a due diligence process for human rights in place should answer positively (YES) and should clarify the contents of the policies and/or processes using the drop-down menu.

~~Disclosure~~ C~~-~~757 – Severe negative human rights incidents

~~236.~~238. A "confirmed ***incident***" refers to a legal action or complaint registered with the undertaking or competent authorities through a formal process, or an instance of non-compliance identified by the undertaking through established procedures. Established procedures to identify instances of non-compliance can include management system audits, formal monitoring programs, or ***grievance mechanisms***.

Comprehensive Module Guidance ~~—~~ Business Conduct Metrics

~~Disclosure~~ C~~-~~8 61– Revenues from certain sectors and exclusion from EU reference benchmarks

~~237.~~239. **Fossil fuels**, as defined in Article 2~~,~~ ~~point~~ (62), of Regulation (EU) 2018/1999 of the European Parliament and the Council, are non-renewable carbon-based energy sources such as solid fuels, natural gas~~,~~ and oil.

~~238.~~240. The **production of chemicals** refers to the activities listed under Division 20.2 of Annex I to Regulation (EC) No 1893/2006, i.e.~~,~~ the manufacturing of pesticides and other agrochemical products.

~~239.~~241. As defined by Article 12.1 and 12.2 of the Commission Delegated Regulation (EU) 2020/1818, the companies excluded from EU Paris-aligned Benchmarks are the following:

(a) companies that derive 1~~-~~% or more of their revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite;

(b) companies that derive 10~~-~~% or more of their revenues from the exploration, extraction, distribution or refining of oil fuels;

(c) companies that derive 50~~-~~% or more of their revenues from the exploration, extraction, manufacturing or distribution of gaseous fuels; and

(d) companies that derive 50~~-~~% or more of their revenues from electricity generation with a GHG intensity of more than 100 g CO_2 e/kWh.

~~Disclosure~~ C ~~-~~9 ~~7~~2~~-~~ Gender diversity ratio in governance body

~~240.~~242. The ***governance*** body refers to the highest decision-making authority in a company. Depending on the jurisdiction the company is in and its legal entity classification, the governance body can vary in format.

~~241.~~243. Based on the requirements in the SFDR, the gender diversity ratio of the ***governance*** body is calculated as an average ratio of female to male board members.

$$Gender\ diversity\ ratio = \frac{the\ number\ of\ female\ members}{the\ number\ \ of\ male\ members}$$

Example

~~242.~~244. The ***governance*** body of a certain SME is composed of six members, including three women. The gender diversity ratio is one – for every female member there is one male member.

Appendix A: Defined terms

This appendix is an integral part of this [draft] Standard.

Defined term	Definition
Accident prevention	Accident prevention refers to the policies and initiatives to prevent workplace accidents and ensure the safety and well-being of employees. This not only includes measures to reduce physical risks but also involves fostering a safe and inclusive work environment free from discrimination and harassment.
Actions	Actions refer to (i) actions and actions plans (including transition plans) that are undertaken to ensure that the undertaking delivers against targets set and through which the undertaking seeks to address material impacts, risks and opportunities; and (ii) decisions to support these with financial, human or technological resources.
Affected communities	People or group(s) living or working in the same geographical area that have been or may be affected by a reporting undertaking's operations or through its upstream and downstream value chain. Affected communities can range from those living adjacent to the undertaking's operations (local communities) to those living at a distance. Affected communities include actually and potentially affected indigenous peoples.
Biodiversity sensitive Area	Biodiversity sensitive areas include: Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas ('KBAs'), as well as other protected areas, as referred to in Appendix D of Annex II to Commission Delegated Regulation (EU) 2021/2139.
Business Conduct	The following matters are collectively referred to as 'business conduct or business conduct matters': (a) business ethics and corporate culture, including anti-corruption and anti-bribery, the protection of whistleblowers, and animal welfare; (b) the management of relationships with suppliers, including payment practices, especially with regard to late payment to small and medium-sized undertakings. (c) activities and commitments of the undertaking related to exerting its political influence, including its lobbying activities.
Child Labour	Work that deprives children of their childhood, potential, and dignity and harms their physical and mental development. It includes work that is mentally, physically, socially, or morally dangerous and/or interferes with their schooling (by preventing them from the opportunity to attend school).
Collective bargaining	All negotiations which take place between an employer, a group of employers or one or more employers' organisations, on the one hand, and one or more trade unions or, in their absence, the representatives of the workers duly elected and authorised by them in accordance with national laws and regulations, on the other, for: i) determining working conditions and terms of employment; and/or ii) regulating relations between employers and workers; and/or regulating relations between employers or their organisations and a workers' organisation or workers' organisations.
Corruption	Abuse of entrusted power for private gain, which can be instigated by individuals or organisations. It includes practices such as facilitation

Defined term	Definition
	payments, fraud, extortion, collusion, and money laundering. It also includes an offer or receipt of any gift, loan, fee, reward, or other advantage to or from any person as an inducement to do something that is dishonest, illegal, or a breach of trust in the conduct of the undertaking's business. This can include cash or in-kind benefits, such as free goods, gifts, and holidays, or special personal services provided for the purpose of an improper advantage, or that can result in moral pressure to receive such an advantage.
Consumers	Individuals who acquire, consume or use goods and services for personal use, either for themselves or for others, and not for resale, commercial or trade, business, craft or profession purposes.
Classified information	EU classified information as defined in Council Decision of 23 September 2013 on the security rules for protecting EU classified information (2013/488/EU) or classified by one of the Member States and marked as per Appendix B of that Council decision. EU classified information means any information designated by a EU security classification, of which the unauthorised disclosure could cause varying degrees of prejudice to the interests of the European Union or of one or more of the Member States. Classified information may be classified according to four levels: top secret, secret, confidential, restricted (based on the definition from the Council Decision).
Circular economy principles	The European circular economy principles are usability; reusability; repairability; disassembly; remanufacturing or refurbishment; recycling; recirculation by the biological cycle; other potential optimisation of product and material use.
Climate change adaptation	The process of adjustment to actual and expected climate change and its impacts.
Climate-related physical risks	Risks resulting from climate change that can be event-driven (acute) or from longer-term shifts (chronic) in climate patterns. Acute physical risks arise from particular hazards, especially weather-related events such as storms, floods, fires or heatwaves. Chronic physical risks arise from longer-term changes in the climate, such as temperature changes, and their effects on rising sea levels, reduced water availability, biodiversity loss and changes in land and soil productivity.
Direct GHG emissions (Scope 1)	Direct GHG emissions from sources that are owned or controlled by the undertaking.
Discrimination	Discrimination can occur directly or indirectly. Direct discrimination occurs when an individual is treated less favourably by comparison to how others, who are in a similar situation. Indirect discrimination occurs when an apparently neutral rule disadvantages a person or a group sharing the same characteristics.
Employee	An individual who is in an employment relationship with the undertaking according to national law or practice.
End-users	Individuals who ultimately use or are intended to ultimately use a particular product or service.
Forced Labour	All work or service which is exacted from any person under the threat of penalty and for which the person has not offered himself or herself

Defined term	Definition
	voluntarily according to the ILO Forced Labour Convention, 1930 (No.29). The term encompasses all situations in which persons are coerced by any means to perform work.
Grievance mechanism	Any routinized, state-based or non-state-based, judicial or non-judicial processes through which stakeholders can raise grievances and seek remedy. Examples of state-based judicial and non-judicial grievance mechanisms include courts, labour tribunals, national human rights institutions, National Contact Points under the OECD Guidelines for Multinational Enterprises, ombudsperson offices, consumer protection agencies, regulatory oversight bodies, and government-run complaints offices. Non-state-based grievance mechanisms include those administered by the undertaking, either alone or together with stakeholders, such as operational-level grievance mechanisms and collective bargaining, including the mechanisms established by collective bargaining. They also include mechanisms administered by industry associations, international organisations, civil society organisations, or multi-stakeholder groups. Operational-level grievance mechanisms are administered by the organisation either alone or in collaboration with other parties and are directly accessible by the organisation's stakeholders. They allow for grievances to be identified and addressed early and directly, thereby preventing both harm and grievances from escalating. They also provide important feedback on the effectiveness of the organisation's due diligence from those who are directly affected. According to UN Guiding Principle 31, effective grievance mechanisms are legitimate, accessible, predictable, equitable, transparent, rights-compatible, and a source of continuous learning. In addition to these criteria, effective operational-level grievance mechanisms are also based on engagement and dialogue. It can be more difficult for the organisation to assess the effectiveness of grievance mechanisms that it participates in compared to those it has established itself.
Greenhouse Gases (GHG)	For the purposes of this Standard, GHGs are the six gases listed in the Kyoto Protocol: carbon dioxide (CO_2); methane (CH_4); nitrous oxide (N_2O); Nitrogen trifluoride (NF_3); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs); and sulphur hexafluoride (SF_6).
Governance	The governance is the system of rules, practices and processes by which a company is directed and controlled.
Gross greenhouse gas (GHG) emissions	Gross greenhouse gas (GHG) emissions are total GHG emissions released by the undertaking into the atmosphere, without considering any deductions for carbon removals or other adjustments.
Hazardous waste	Waste which displays one or more of the hazardous properties listed in Annex III of Directive 2008/98/EC of the European Parliament and of the Council on waste.
Human trafficking	The recruitment, transportation, transfer, harbouring or reception of persons, including the exchange or transfer of control over those persons, by means of the threat or use of force or other forms of coercion, of abduction, of fraud, of deception, of the abuse of power or of a position of vulnerability or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation.

Defined term	Definition
Incident	A legal action or complaint registered with the undertaking or competent authorities through a formal process, or an instance of non-compliance identified by the undertaking through established procedures. Established procedures to identify instances of non-compliance can include management system audits, formal monitoring programs, or grievance mechanisms
Indirect GHG emissions (Scope 2)	Indirect emissions are a consequence of the operations of the undertaking but occur at sources owned or controlled by another company. Scope 2 GHG emissions are indirect emissions from the generation of purchased or acquired electricity, steam and heat, or cooling consumed by the undertaking.
Impact	Impact refers to the effect an organization has or could have on the economy, environment, and people, including effects on their human rights, as a result of the organization's activities or business relationships. The impacts can be actual or potential, negative or positive, short-term or long-term, intended or unintended, direct or indirect, and reversible or irreversible. These impacts indicate the organization's contribution, negative or positive, to sustainable development. The impacts on the economy, environment, and people are interrelated. The organization's impacts on the environment refer to the impacts on living organisms and non-living elements, including air, land, water, and ecosystems. An organization can have an impact on the environment through, for example, its use of energy, land, water, and other natural resources. The organization's impacts on people refer to the impacts on individuals and groups, such as communities, vulnerable groups, or society. This includes the impacts the organization has on people's human rights. An organization can have an impact on people through, for example, its employment practices (e.g., the wages it pays to employees), its supply chain (e.g., the working conditions of workers of suppliers), and its products and services (e.g., their safety or accessibility).
Land-use (change)	The human use of a specific area for a certain purpose (such as residential; agriculture; recreation; industrial, etc.). Influenced by land cover (grass, asphalt, trees, bare ground, water, etc). Land-use change refers to a change in the use or management of land by humans, which may lead to a change in land cover.
Location-based Scope 2 emissions	Emissions from electricity, heat, steam and cooling purchased or acquired and consumed by the reporting company, calculated using the location-based 'allocating' method, which allocates generator emissions to end-users. They reflect the average emissions intensity of grids on which the energy consumption occurs and uses mostly grid-average emission factor data. Typical sources of Scope 2 emissions relate to any equipment that consumes electricity (electrical engines, lights, buildings, etc.), heat (heating in industrial processes, buildings, etc.), steam (industrial processes) and cooling (industrial processes, buildings, etc.).
Nature-oriented area	A "nature-oriented area" is an area dedicated primarily to nature preservation or restoration. They can be located on-site and include elements like roof, façade, water drainages designed, to promote biodiversity. Nature-oriented areas can also be located outside the organisation site provided that the area is owned or (co-)managed by the

Defined term	Definition
	organisation and is primarily dedicated to promoting biodiversity. (Adapted from EMAS regulation)
Near (Biodiversity Sensitive Area)	Near, in the context of B5 – Biodiversity, shall refer to an area that is (partially) overlapping or adjacent to a biodiversity sensitive area.
Own workforce/own workers	Employees who are in an employment relationship with the undertaking ('employees') and non-employees who are either individual contractors supplying labour to the undertaking ('self-employed people') or people provided by undertakings primarily engaged in 'employment activities' (NACE Code N78).
Pay	The ordinary basic or minimum wage or salary and any other remuneration, whether in cash or in kind which the worker receives directly or indirectly ('complementary or variable components'), in respect of his/her employment from his/her employer. 'Pay level' means gross annual pay and the corresponding gross hourly pay. 'Median pay level' means the pay of the employee that would have half of the employees earn more and half less than they do.
Policy	A set or framework of general objectives and management principles that the undertaking uses for decision-making. A policy implements the undertaking's strategy or management decisions related to a sustainability issue. Each policy is under the responsibility of defined person(s), specifies its perimeter of application, and includes one or more objectives (linked when applicable to measurable targets). A policy is implemented through actions or action plans. For example, undertakings with less resources may have few (or no) policies formalised in written documents, but this does not necessarily mean they do not have policies. If the undertaking has not yet formalised a policy but has implemented actions or defined targets through which the undertaking seeks to address sustainability topics and subtopics, it shall disclose them.
Radioactive waste	Any radioactive material in gaseous, liquid, or solid form, for which no further use is foreseen, as per Article 3(7) of Council Directive 2011/70/Euratom[17].
Recordable work-related accident / Recordable work-related injury or ill health	A work-related accident is an event that leads to physical or mental harm therefore to injury or ill health. It happens whilst engaged in an occupational activity or during the time spent at work. Recordable means diagnosed by a physician or other licensed health care professionals. Work-related injury or ill health can result in any of the following: death, days away from work, restricted work or transfer to another job, medical

[17] Council Directive 2011/70/Euratom of 19 July 2011 establishing a Community framework for the responsible and safe management of spent fuel and radioactive waste.[18]Article 2(1) Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (OJ L 328, 21.12.2018, p. 82).[19] This disclosure requirement is consistent with the requirements included in Commission Implementing Regulation (EU) 2022/2453 - Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk.

Defined term	Definition
	treatment beyond first aid or loss of consciousness. Injuries that do not require medical treatment beyond first aid are generally not recordable.
Recycling	Any recovery operation by which waste materials are reprocessed into products, materials or substances whether for the original or other purposes. It includes the reprocessing of organic material but does not include energy recovery and the reprocessing into materials that are to be used as fuels or for backfilling operations.
Renewable Energy	Energy from renewable non-fossil sources, namely wind, solar (solar thermal and solar photovoltaic) and geothermal energy, ambient energy, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogas[18].
Sealed area	A sealed area means any area where the original soil has been covered (such as roads) making it impermeable. This non-permeability can create environmental impacts.
Sensitive information	Sensitive information as defined in Regulation (EU) 2021/697 of the European Parliament and of the Council of 29 April 2021 establishing the European Defence Fund. Sensitive information means information and data, including classified information, that is to be protected from unauthorised access or disclosure because of obligations laid down in Union or national law or in order to safeguard the privacy or security of a natural or legal person.
Site	The location of one or more physical installations. If there is more than one physical installation from the same or different owners or operators and certain infrastructure and facilities are shared, the entire area where the physical installation are located may constitute a site.
Targets	Measurable, outcome-oriented and time-bound goals that the SME aims to achieve in relation to material sustainability topics and subtopics. They may be set voluntarily by the SME or derive from legal requirements on the undertaking.
Time horizons	When preparing its sustainability report, the undertaking shall adopt the following time horizons: (a) for the short-term time horizon, one year; (b) for the medium-term time horizon, from two to five years; and (c) for the long-term time horizon, more than five years.
Training	Initiatives put in place by the undertaking aimed at the maintenance and/or improvement of skills and knowledge of its own workers. It can include different methodologies, such as on-site training, and online

[18]Article 2(1) Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (OJ L 328, 21.12.2018, p. 82).[19] This disclosure requirement is consistent with the requirements included in Commission Implementing Regulation (EU) 2022/2453 - Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk.

Defined term	Definition
	training.
Value Chain	The full range of activities, resources and relationships related to the undertaking's business model and the external environment in which it operates. A value chain encompasses the activities, resources and relationships the undertaking uses and relies on to create its products or services from conception to delivery, consumption and end-of- life. Relevant activities, resources and relationships include: a) those in the undertaking's own operations, such as human resources; b) those along its supply, marketing and distribution channels, such as materials and service sourcing and product and service sale and delivery; and c) the financing, geographical, geopolitical and regulatory environments in which the undertaking operates. Value chain includes actors upstream and downstream from the undertaking. Actors upstream from the undertaking (e.g. suppliers) provide products or services that are used in the development of the undertaking's products or services. Entities downstream from the undertaking (e.g. distributors, customers) receive products or services from the undertaking.
Wage	Gross wage, excluding variable components such as overtime and incentive pay, and excluding allowances unless they are guaranteed.
Water consumption	The amount of water drawn into the boundaries of the undertaking (or facility) and not discharged back to the water environment or a third party over the course of the reporting period.
Water withdrawal	The sum of all water drawn into the boundaries of the undertaking from all sources for any use over the course of the reporting period.
Worker in the value chain	An individual performing work in the value chain of the undertaking, regardless of the existence or nature of any contractual relationship with the undertaking. In the ESRS, the scope of workers in the value chain include all workers in the undertaking's upstream and downstream value chain who are or can be materially impacted by the undertaking. This includes impacts that are connected to the undertaking's own operations, and value chain, including through its products or services, as well as through its business relationships. This includes all workers who are not in the scope of 'Own Workforce' ('Own Workforce' includes people who are in an employment relationship with the undertaking ('employees') and non-employees who are either individual contractors supplying labour to the undertaking ('self-employed people') or people provided by undertakings primarily engaged in employment activities (NACE Code N78).

Appendix B: List of possible sustainability issues

The appendix below is an integral part of this [draft] Standard and provides a list of possible sustainability issues.

Sustainability issue covered in [draft] topical ESRS		
Topic	**Sustainability issue: Sub-topic**	**Sustainability issue: sub-sub topic**
Climate change	– Climate change adaptation – Climate change mitigation – Energy	
Pollution	– Pollution of air – Pollution of water – Pollution of soil – Pollution of living organisms and food resources – Substances of concern – Substances of very high concern – Microplastics	
Water and marine resources	– Water – Marine resources	– Water consumption – Water withdrawals – Water discharges – Water discharges in the oceans – Extraction and use of marine resources
Biodiversity and ecosystems	– Direct impact drivers of biodiversity loss	– Climate Change – Land-use change, fresh water-use change and sea-use change – Direct exploitation – Invasive alien species – Pollution – Others
	– Impacts on the state of species	– Examples: – Species population size – Species global extinction risk
	– Impacts on the extent and condition of ecosystems	– Examples: – Land degradation – Desertification – Soil sealing
	– Impacts and dependencies on ecosystem services	
Circular economy	– Resources inflows, including resource use – Resource outflows related to products and services – Waste	
Own workforce	– Working conditions	– Secure employment – Working time – Adequate wages – Social dialogue

Sustainability issue covered in [draft] topical ESRS		
Topic	**Sustainability issue: Sub-topic**	**Sustainability issue: sub-sub topic**
		– Freedom of association, the existence of works councils and the information, consultation and participation rights of workers – Collective bargaining, including rate of workers covered by collective agreements – Work-life balance – Health and safety
	– Equal treatment and opportunities for all	– Gender equality and equal pay for work of equal value – Training and skills development – Employment and inclusion of persons with disabilities – Measures against violence and harassment in the workplace – Diversity
	– Other work-related rights	– Child labour – Forced labour – Adequate housing – Privacy
Workers in the value chain	– Working conditions	– Secure employment – Working time – Adequate wages – Social dialogue – Freedom of association, including the existence of work councils – Collective bargaining – Work-life balance – Health and safety
	– Equal treatment and opportunities for all	– Gender equality and equal pay for work of equal value – Training and skills development – The employment and inclusion of persons with disabilities – Measures against violence and harassment in the workplace – Diversity
	– Other work-related rights	– Child labour – Forced labour – Adequate housing – Water and sanitation – Privacy
Affected communities	– Communities' economic, social and cultural rights	– Adequate housing – Adequate food – Water and sanitation – Land-related impacts

Sustainability issue covered in [draft] topical ESRS		
Topic	**Sustainability issue: Sub-topic**	**Sustainability issue: sub-sub topic**
		– Freedom of association, the existence of works councils and the information, consultation and participation rights of workers – Collective bargaining, including rate of workers covered by collective agreements – Work-life balance – Health and safety
	– Equal treatment and opportunities for all	– Gender equality and equal pay for work of equal value – Training and skills development – Employment and inclusion of persons with disabilities – Measures against violence and harassment in the workplace – Diversity
	– Other work-related rights	– Child labour – Forced labour – Adequate housing – Privacy
Workers in the value chain	– Working conditions	– Secure employment – Working time – Adequate wages – Social dialogue – Freedom of association, including the existence of work councils – Collective bargaining – Work-life balance – Health and safety
	– Equal treatment and opportunities for all	– Gender equality and equal pay for work of equal value – Training and skills development – The employment and inclusion of persons with disabilities – Measures against violence and harassment in the workplace – Diversity
	– Other work-related rights	– Child labour – Forced labour – Adequate housing – Water and sanitation – Privacy
Affected communities	– Communities' economic, social and cultural rights	– Adequate housing – Adequate food – Water and sanitation – Land-related impacts

Appendix C: Additional explanatory information for financial market participants that are users of the information produced using this [draft] Standard

245. This appendix is relevant for users of the sustainability report. The table below illustrates the Sustainable Finance Datapoints that are present in different modules of this Standard that satisfy the requests of multiple user types (banks, investors, large undertakings).

246. The column 'DR number and Title' identifies the disclosures present in the different modules (i.e. Basic Module, and Comprehensive Module) that are Sustainable Finance datapoints. The column SFDR Table 1 and/or EBA Pillar 3 and/or Benchmark Regulation illustrates how these disclosures relate to these regulations that are relevant for users of the sustainability report (banks, other investors).

<table>
<tr><th>Topic: Environment / Social / Governance</th><th>DR number and Title</th><th>SFDR Table 1
and/or
EBA Pillar 3
and/or
Benchmark Regulation</th></tr>
<tr><td colspan="3">Basic Module</td></tr>
<tr><td>Cross Cutting</td><td>B1 – Basis for preparation
The undertaking shall disclose:
vii. geolocation of sites owned, leased or managed.</td><td>EBA Pillar 3[19]</td></tr>
<tr><td>Environment</td><td>B3 – Energy and greenhouse gas emissions
The undertaking shall disclose its total energy consumption in MWh, with a breakdown as per the table below, if it can obtain the necessary information to provide such a breakdown:
<table>
<tr><th></th><th>Renewable</th><th>Non-renewable</th><th>Total</th></tr>
<tr><td>Electricity (as reflected in utility billings)</td><td></td><td></td><td></td></tr>
<tr><td>Fuels</td><td></td><td></td><td></td></tr>
<tr><td>Total</td><td colspan="3"></td></tr>
</table></td><td>SFDR[20]</td></tr>
</table>

[19] This disclosure requirement is consistent with the requirements included in Commission Implementing Regulation (EU) 2022/2453 - Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk.

[20] Regulation (EU) 2019/2088 (SFDR), mandatory indicator #5 in Table 1 of Annex I ("Share of non-renewable energy consumption and production").

Environment	**B3 – Energy and greenhouse gas emissions** The undertaking shall disclose its estimated ***gross greenhouse gas (GHG) emissions*** in tons of CO_2 equivalent (tCO_2eq) considering the content of the GHG Protocol Corporate Standard, including: (a) the Scope 1 GHG emissions in tCO_2eq (from owned or controlled sources); and (b) the location-based Scope 2 emissions in tCO_2eq (i.e. emissions from the generation of purchased energy, such as electricity, heat, steam or cooling).	**SFDR**[21] **Benchmark**[22]
Environment	**B3 – Energy and greenhouse gas emissions** The undertaking shall disclose its GHG intensity calculated by dividing 'total GHG emissions' disclosed under paragraph 30 by 'turnover (in Euros)' disclosed under paragraph 24(d)(iv).	**SFDR**[23] **Benchmark**[24]
Environment	**B4 – Pollution of air, water and soil** If the undertaking is already required by law or other national regulations to report to competent authorities its emissions of pollutants, or if it voluntarily reports on them according to an Environmental Management System, it shall disclose the pollutants it emits to air, water and soil in its own operations, with the respective amount for each pollutant. If this information is already publicly available, the undertaking may alternatively refer to the document where it is reported, for example, by providing the relevant URL link or embedding a hyperlink.	**SFDR**[25]
Environment	**B5 – Biodiversity** The undertaking shall disclose the number and area (in hectares) of sites that it owns, that it has leased or that it manages, that are located in or near biodiversity sensitive areas.	**SFDR**[26]

[21] Regulation (EU) 2019/2088 (SFDR), mandatory indicators #1 and #2 in Table 1 of Annex I ("GHG emissions"; Carbon footprint")

[22] Regulation (EU) 2020/1816 Benchmark Regulation, Articles 5 (1), 6 and 8 (1).

[23] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory indicator related to principal adverse impacts as set out by indicator #3 in Table I of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ("GHG intensity of investee companies").

[24] This information is aligned with Commission Delegated Regulation (EU) 2020/1818 (Climate Benchmark Regulation), Article 8 (1).

[25] Regulation (EU) 2019/2088 (SFDR) because it is derived from *(a)* an additional indicator related to principal adverse impacts as set out by indicator #2 in Table II of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ("Emissions of air pollutants"); *(b)* indicator #8 in Table I of Annex I ("Emissions to water); *(c)* indicator #1 in Table II of Annex I ("Emissions of inorganic pollutants"); and *(d)* indicator #3 in Table II of Annex I ("Emissions of ozone-depleting substances").

[26] Regulation (EU) 2019/2088 (SFDR), mandatory indicator #7 in Table 1 of Annex I ("Activities negatively affecting biodiversity-sensitive areas")

Environment	**B7 – Resource use, circular economy and waste management** The undertaking shall disclose: (b) the total annual generation of waste broken down by type (non-hazardous and hazardous);	**SFDR**[27]
Social	**B9 – Workforce – Health and safety** The undertaking shall disclose the following information regarding its ***employees***: (a) the number and rate of ***recordable work-related*** accidents; and (b) the number of fatalities as a result of work-related injuries and work-related ill health.	**SFDR**[28] **Benchmark**[29]
Social	**B10 – Workforce – Remuneration, collective bargaining and training** The undertaking shall disclose: (a) the percentage gap in ***pay*** between its female and male ***employees***. The undertaking may omit this disclosure when its headcount is below 150 employees noting that this threshold will be reduced to 100 employees from 7 June 2031;	**SFDR**[30]
Governance	**B11 – Convictions and fines for corruption and bribery** In case of convictions and fines in the reporting period, the undertaking shall disclose the number of convictions, and the total amount of fines incurred for the violation of anti-corruption and anti-bribery laws.	**Benchmark**[31]
Comprehensive Module		

[27] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory indicator related to principal adverse impacts as set out by indicator #9 in Table I of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ("Hazardous waste and radioactive waste ratio").

[28] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088, as reflecting an additional indicator related to principal adverse impacts as set out by indicator #2 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments ("Rate of accidents")

[29] Benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator "Weighted average ratio of accidents, injuries, fatalities" in section 1 and 2 of Annex 2.

[30] Regulation (EU) 2019/2088 (SFDR), mandatory indicator #12 in Table 1 of Annex I ("Unadjusted gender pay gap") and (EU) 2020/1816 Benchmark Regulation (EU), indicator "Weighted average gender pay gap" in section 1 and 2 of Annex II.

[31] Benchmark Regulation (EU) 2020/1816, indicator "Numbers of convictions and amount of fines for violations of anti-corruption and anti-bribery laws" in section 1 and 2 of Annex II.

Environment	**Consideration when reporting on GHG emissions under B3 (Basic Module)** When reporting its Scope 1 and Scope 2 emissions, if the undertaking discloses entity-specific information on its Scope 3 emissions, it shall present it together with the information required under B3 – Energy and greenhouse gas emissions.	**SFDR**[32] **Benchmark**[33]
Environment	**C3 – GHG emissions reduction target** If the undertaking has established GHG emission reduction ***targets***, it shall disclose its targets in absolute values for Scope 1 and Scope 2 emissions. In line with paragraphs 50 to 53 above and depending on the nature of its activities, the undertaking shall also provide targets for significant Scope 3 emissions. In particular, it shall provide: (a) the target year and target year value; (b) the base year and base year value; (c) the units used for ***targets***; (d) the share of Scope 1, Scope 2 and, if disclosed, Scope 3 that the target concerns; and (e) a list of main actions it seeks to implement to achieve its ***targets***. If the undertaking that operates in high climate impact sectors[34] has adopted a transition plan for climate change mitigation, it may provide information about it, including an explanation of how it is contributing to reduce GHG emissions. In case the undertaking operates in high-climate impact sectors and does not have a transition plan for climate change mitigation in place, it shall indicate whether and, if so, when it will adopt such a transition plan.	**SFDR**[35] **Benchmark**[36] **EBA Pillar 3**[37] **Benchmark**[38]

[32] Regulation (EU) 2019/2088 (SFDR), mandatory indicators #1 and #2 in Table 1 of Annex I ("GHG emissions"; Carbon footprint")

[33] Regulation (EU) 2020/1816 Benchmark Regulation, Articles 5 (1), 6 and 8 (1).

[34] High climate impact sectors are those listed in NACE Sections A to H and Section L as defined in Annex I to Regulation (EC) No 1893/2006.

[35] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 (SFDR) because it is derived from an additional indicator related to principal adverse impacts as set out by indicator #4 in Table II of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ("Investments in companies without carbon emission reduction initiatives")

[36]This information is aligned with the Commission Delegated Regulation (EU) 2020/1818 (Climate Benchmark Regulation), Article 6.

[37] This information is aligned with Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change transition risk: alignment metrics

[38] This information is aligned with the Regulation (EU) 2021/1119 of the European Parliament and of the Council (EU Climate Law), Article 2 (1); and with Commission Delegated Regulation (EU) 2020/1818 (Climate Benchmark Regulation), Article 2.

Environment	**C4 – Climate risks** If the undertaking has identified climate-related hazards and climate-related transition events, creating gross climate-related risks for the undertaking, it shall: (a) briefly describe such climate-related hazards and climate-related transition events; (b) disclose how it has assessed the exposure and sensitivity of its assets, activities and ***value chain*** to these hazards and transition events; (c) disclose the ***time horizons*** of any climate-related hazards and transition events identified; and (d) disclose whether it has undertaken ***climate change adaptation*** actions for any climate-related hazards and transition events. The undertaking may disclose the potential adverse effects of climate risks that may affect its financial performance or business operations in the short-, medium- or long-term, indicating whether it assesses the risks to be high, medium, low.	**Benchmark**[39] **EBA Pillar 3**[40]
Social	**C6 – Additional own workforce metric - Human rights policies and processes** The undertaking shall disclose an answer to the following questions. (a) Does the undertaking have a code of conduct or human rights ***policy*** for its ***own workforce***? (YES/NO) (b) If yes, does this cover: i. child labour (YES/ NO); ii. forced labour (YES/ NO); iii. human trafficking (YES/NO); iv. discrimination (YES/NO);	**Benchmark**[41] **SFDR**[42]

[39] Benchmark Regulation (EU) 2020/1816 Annex II: Environmental factors to be considered by underlying assets of the benchmark.

[40] EBA Pillar 3: ITS - Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk and EBA Pillar 3: ITS - Template 2: Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral.

[41] This information supports the needs of benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator "Exposure of the benchmark portfolio to companies without due diligence policies on issues addressed by the fundamental International Labour Organisation Conventions 1 to 8" in section 1 and 2 of Annex II.

[42] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory indicator related to principal adverse impacts as set out by indicator #11 in Table I of Annex I ("Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises") and by indicator #5 in Table III of Annex I ("Share of investments in investee companies without any grievance/complaints handling mechanism related to employee matters") and by indicator #9 in Table III of Annex I ("Share of investments in entities without a human rights policy") of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments.

	v. accident prevention (YES/NO); or vi. other? (YES/NO – if yes, specify). (c) Does the undertaking have a complaints-handling mechanism for its own workforce? (YES/ NO)	
Social	**C7 – Severe human rights incidents** The undertaking shall disclose an answer to the following questions: (a) Does the undertaking have confirmed incidents in its ***own workforce*** related to: i. child labour (YES/ NO); ii. forced labour (YES/ NO); iii. human trafficking (YES/ NO); iv. discrimination (YES/ NO); or v. other? (YES/NO – if yes, specify). (b) If yes, the undertaking may describe the ***actions*** being taken to address the ***incidents*** described above. (c) Is the undertaking aware of any confirmed ***incidents*** involving ***workers in the value chain***, ***affected communities***, ***consumers*** and ***end-users***? If yes, specify.	**SFDR**[43] **Benchmark**[44]
Governance	**C8 – Revenues from certain sectors and exclusion from EU reference benchmarks** If the undertaking is active in one or more of the following sectors, it shall disclose its related revenues in the sector(s): (a) controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons);	**SFDR**[45] **Benchmark**[46]

[43] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from a mandatory and additional indicator related to principal adverse impacts as set out by indicator #10 in Table I of Annex I and by indicator #14 in Table III of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments ("Violations of UNGC principles and OECD Guidelines for Multinational Enterprises" and "Number of identified cases of severe human rights issues and incidents")

[44] This information supports the information needs of benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator "Number of benchmark constituents subject to social violations (absolute number and relative divided by all benchmark constituents), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law" in section 1 and 2 of Annex II.

[45] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts set out by indicator #14 in Table I of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosures rules on sustainable investments ("Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)").

[46] Benchmark Regulation (EU) 2020/1818 Article 12(1): "Administrators of EU-Paris aligned Benchmarks shall exclude all of the following companies from those benchmarks: companies involved in any activities related to controversial weapons; " and Benchmark Regulation (EU) 2020/1816 Annex II: Weighted average percentage of benchmark constituents in the controversial weapons sector."

	(b) the cultivation and production of tobacco;	**EBA Pillar 3**[47] **Benchmark**[48]
	(c) fossil fuel (coal, oil and gas) sector (i.e. the undertaking derives revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and the Council17), including a disaggregation of revenues derived from coal, from oil and from gas); or	**SFDR**[49] **EBA Pillar 3**[50] **Benchmark**[51]
	(d) chemicals production, if the undertaking is a manufacturer of pesticides and other agrochemical products.	**SFDR**[52] **EBA Pillar 3**[53]
	The undertaking shall disclose whether it is excluded from any EU reference benchmarks that are aligned with the Paris Agreement.	**EBA Pillar 3**[54] **Benchmark**[55]
Governance	**C9 – Gender diversity ratio in governance body** If the undertaking has a governance body in place, the undertaking shall disclose the related gender diversity ratio.	**SFDR**[56]

[47] EBA Pillar 3: Template 1: Banking book - Climate change transition risk: Companies in the manufacturing of tobacco products excluded from EU-Paris aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation

[48] This information supports the needs of benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1818 as set out by paragraph b) of article 12.1. and Benchmark Regulation (EU) 2020/1816 Annex II: "Weighted average percentage of benchmark constituents in the tobacco sector."

[49] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts set out by indicator #4 in Table I of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosures rules on sustainable investments ("Exposure to companies active in the fossil fuel sector")

[50] EBA Pillar 3: Template 1: Banking book - Climate change transition risk: Companies in Mining and quarrying excluded from EU-Paris aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation

[51] Benchmark Regulation (EU) 2020/1818 Article 12(1).

[52] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts set out by indicator #9 in Table II of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosures rules on sustainable investments ("Investments in companies producing chemicals").

[53] EBA Pillar 3: Template 1: Banking book - Climate change transition risk: Companies in Mining and quarrying excluded from EU-Paris aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation

[54] This disclosure requirement is consistent with the requirements in Commission Implementing Regulation (EU) 2022/2453 - template 1 climate change transition risk.

[55] This disclosure requirement is aligned with Commission Delegated Regulation (EU) 2020/1818 (Climate Benchmark Regulation), Article 12.1.

[56] This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts set out by indicator #13 in Table I of Annex I of Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to disclosures rules on sustainable investments ("Board gender diversity")

		Benchmark[57]

[57] This information supports the information needs of benchmark administrators to disclose ESG factors subject to Commission Delegated Regulation (EU) 2020/1816 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as set out by indicator "Weighted average ratio of female to male board members" in section 1 and 2 of Annex II.

Annex 10: Timing and location of the sustainability report in European countries[20]

Type of enterprise		EU Accounting Directive	IFRS	Austria	Belgium	Germany	Ireland	Italy	Spain	Sweden
Non-listed	Micro	Minimum requirement on Financial Statements: - Balance sheet - Profit & loss account (Subject to Member States transposition law)	IFRS Foundation (2013). A Guide for Micro-sized Entities Applying the IFRS for SMEs (2009). To note: "IFRS for SME" does not refer to the EU size but is applicable to non-public accountable entities, so basically:		Social balance sheet (minimum requirements)			Same as per EU Accounting Directive. Balance sheet and profit and loss account are simplified with aggregation of accounting items. Exemption to prepare the management report and to provide social or environmental disclosure. Exemption to prepare notes to the FS, providing	Management report (no non-financial information)	Management report (no non-financial information)

[20] Sources: European Federation of Accountants and Auditors for SMEs (2018); Accountancy Europe, CSR Europa & GRI (2017); Zager & Decman (2016), Guidelines and Recommendations for Improving the Micro Entities Model of Financial Reporting

Type of enterprise		EU Accounting Directive	IFRS	Austria	Belgium	Germany	Ireland	Italy	Spain	Sweden
			unlisted-entities					some very limited disclosure.		
	Small	Financial Statements: - Balance Sheet - Profit and loss account - Management report: environmental & social aspects (subject to national transposition and option to waive obligation at national level)	IFRS SMEs	Management report (no non-financial performance information required)	Social balance sheet		Reduced Management report (no non-financial information)	Same as per EU Accounting Directive. Balance sheet and profit and loss account are simplified with aggregation of accounting items. Exemption to prepare the management report and to provide social or environmental disclosure. Moreover, exemption to	Management report (no non-financial information)	Management report (no non-financial information)

Type of enterprise		EU Accounting Directive	IFRS	Austria	Belgium	Germany	Ireland	Italy	Spain	Sweden
								prepare the cash flow statement.		
	Medium	Financial Statements: -Balance Sheet -Profit and loss account -Management report: environmental and social aspects (option to waive on national level)	IFRS SMEs	Management report (no non-financial performance information required)	Management report and; Social balance sheet	Management report	Full Management report (no non-financial information)	Same as per EU Accounting Directive. Obligation to prepare a management report, including some disclosure on environmental and employee matters.	Management report (no non-financial information)	Management report (no non-financial information)

Annex 11: Public consultation – Key findings – online survey responses

About this summary

1. EFRAG has conducted an online questionnaire-based survey to gather views from stakeholders that have participated in the public consultation of the Exposure Draft for a voluntary sustainability reporting standard for non-listed SMEs (including micro undertakings). The results of the public consultation survey that included 311 participants as preparers, users and other (consultants, accountants, etc.) are summarised in the online survey Detailed Report VSME ED public consultation.

2. In addition, EFRAG Secretariat received 26 Comment Letters (directly uploaded through the online survey), that were analysed in the online survey Detailed Report VSME public consultation. Some organisations have sent both comment letters and answered to the online questionnaire. In this case, to avoid double counting, following a consistency check between the two submissions, the online questionnaire responses have been accounted (more comparable).

3. The key messages emerged in the Detailed Report are summarised in this Executive Summary of online survey, along the following categories of stakeholders: preparers (SMEs and SMEs associations), “users” (including banks and large corporates heads of supply chains); and “others” (including standard setters, NGOs, unions/worker representatives, academics, consultants/accountants/assurance providers, associations etc.). Being VSME ED a voluntary standard that builds on “market acceptance’ specific questions were dedicated to the categories "preparers "and “users ".

4. The public consultation questionnaire was designed to receive feedback from constituents on key aspects of the EDs, including (i) the proposed architecture; (ii) the relevance of the proposed disclosures; (iii) the simplifications achieved; and (iv) the market acceptance. The questionnaire aimed to capture users' and preparers' perspectives while offering the opportunity to all other interested constituents to also provide feedback.

5. The online questionnaires consisted of three parts: Part 1 (the most critical questions that EFRAG encourages to answer in full), Part 2 (additional and more detailed technical questions that EFRAG encouraged to answer as much as possible) and Part 3 on Value Chain Cap.

6. The link to the detailed feedback from the online survey (VME ED Public Consultation) can be found here.

7. This summary uses the following terms to describe the extent to which particular feedback was shared by respondents (both when referring to total respondents or a subset of respondents).

All: 100% of respondents
Most: 80% to 99% of respondents
A majority: 50% to 79% of respondents
Some: 20% to 49% of respondents
A few: 1% to 19% of respondents
None: 0% of respondents

Part 1

8. Most of the respondents agree with the **standard setting objectives (Q1)**. There was a general call for adding digital tools, simplifying structure/language and adding guidance. Preparers suggested the importance of EU Commission action to ensure that business counterparts commit to abandon their questionnaires. The need to underscore legitimacy and legal status of the VSME was also raised by the users. Users indicated that while VSME is able

to satisfy a large proportion of questionnaires, some additional requests would remain either based on individual counterparts or transactions (by banks) or granular requests by sectors (for large undertakings).

9. On the architecture (Q2) a majority of respondents agreed on the three modules and their combination. There are general suggestions to: i) add online tools and guidance; ii) the materiality analysis is highly complex/not feasible for SME and iii) simplify the structure or adapt the disclosures for size, sector and potentially location. Some preparers suggest that BP module should be prioritised compared to Narrative PAT Module. Others suggest creating a "Basic Plus" Module with metrics from BP / PAT Modules. Users (banks/investors) support the flexibility but note that it may be a source of confusion, as such they indicate preference for Basic Module + Business Partner Module. Large undertakings users are hesitant on reliability of qualitative disclosures.

10. On the **Basic Module (Q3)**, a majority of respondents indicated support as a proportionate entry level. User respondents were the most supportive, followed by preparers, the "other" respondents were the least supportive. Suggestions included: i) further language simplification; ii) additional guidance, examples, and online templates; iii) clarification on the usage of "if applicable".

11. For **Narrative PAT Module (Q4)**, a majority of respondents supported the approach to reserve it to undertakings that have policies, actions and targets in place. Frequently mentioned concerns and suggestions from respondents were: i) need to simplify approach to materiality, guidance and tools; ii) materiality analysis is a challenge for all. Many users found the narrative nature of the module problematic, as it made it difficult to obtain the necessary information and make comparisons across respondents or over time. A more quantitative approach is preferrable (e.g. moving to a checklist of YES/NO questions). Preparers, in particular SMEs associations, consider materiality and PAT over demanding and suggest deleting or postponing it.

12. For the **Business Partners (BP) Module (Q5),** a majority of respondents agreed with the approach to be a replacement and standardisation of information requests by business partners. The following suggestions emerged across respondents type: i) delete materiality analysis from BP module, replace with "if applicable"; ii) additional guidance and tools are needed (e.g., on climate risks, transition plans, violations of OECD Guidelines); iii) too many references to extensive documents written for multinational companies (e.g., OECD guidelines), especially with English as a foreign language, iv) some metrics of BP module should be part of the Basic module. On the users side it is highlighted that BP may not cover entirely the requests by business partners, due to specific sector requests. Users also suggested to emphasise the flexibility in par.11 and 19 i.e. adopting Basic module by topping up some datapoints from PAT and BP modules. In addition, user banks associations point out that some disclosures (BP 10 and BP 11) are not required by SFDR or BMR and thus suggest removing them from the BP Module.

13. A majority of respondents identified a percentage of replacement of ESG questionnaires or ESG requests (Q6) with VSME three modules higher than 50% and for some above 80%. The user group "Large undertaking as SME's business partner" and majority of the group banks/investors indicated at 50% or above, and others such as "Rating Agency (as proxy for user)" identified a degree of coverage higher than 80% if the Basic and BP Module modules are filled out in detail. Many financial institutions acknowledge that VSME will not include all data needed to manage their sustainability risks as this is highly individual. They also suggested inclusion of further datapoints for VSME to be able to better meet their needs, as further explained later in the report. An important message was that the success of the VSME depends on a central European software interface into which the reporting companies can enter their data and from which it can be read by business counterparts.

14. On the **approach to sectors (Q7)** in VSME, Option 3 was the most selected compared to the other options. Option 3 suggests that undertakings should apply on a voluntary basis sector specific guidelines and disclosures designed for non-listed SMEs, to be issued by EFRAG as a non-authoritative annex to the future sector-ESRS. The main argument that emerged was that non-listed SMEs need to be differentiated from listed SMEs as they have different characteristics. To note that the same question was asked in the context of ESRS LSME (listed SMEs) ED public consultation whose feedback is analysed separately.

Part 2

15. *O*n the **Principles for preparation,** *(Q8)* most respondents agreed with the proposed approach. While respondents across categories agreed with the proposal to report on a **consolidated basis** *(Q10*), SME associations demanded for more flexibility for preparers to choose whether to include subsidiaries. Some users suggested that subsidiaries sometimes are irrelevant (such as when they are not consolidated for financial purposes) and insisted on transparency regarding which entities are included in the reporting. Regarding the other principles for preparation suggestions include: i) include positive impact aspects (as currently the focus is on negative impact); ii) more guidance (i.e. on the term 'comparable'); iii) flexibility on frequency of reporting (preparers indicated yearly too cumbersome), iv) add guidance on omittance of sensitive information (definitions of sensitive).

16. *On the envisaged combination of modules (Q9 market acceptance), only few respondents supported the combination Basic Module + Narrative-PAT Module. Some indicated preference for Basic Module only, some for Basic + Business Partner and some for the 3 modules. Respondents who preferred the 3 modules argued that this combination is for better transparency and accountability. Many respondents also argued that Basic Module is not sufficient as users of the sustainability reports require more information than what contained in the Basic Module. Preparers had a relatively higher preference for either 'all 3 modules' or 'Basic Module only'. "Basic Module" + "Narrative" was the least chosen option by preparers. On the users' side banks/investors indicated preference for "Basic Module + Business Partners", while large undertakings and rating agencies preferred the option "all 3 modules".*

17. *On subsidiary exemption (Q11), most respondents' users and preparers agreed; in the category "others" a majority agreed. Respondents in this category, in particular the associations of users and preparers, emphasised that since VSME is voluntary, (not in CSRD), specifying a subsidiary exemption is unnecessary. Overall, they recommend leaving the choice to the SMEs.*

18. On the additional component (including sectors/ Q12), most users agreed; in the categories preparers and "others" a majority agrees. Suggestion to define what is 'common to the undertaking's sector'. Some users and preparers also indicated additional preparatory costs on reporting entities in deciding on additional disclosures.

19. On the Basic Module (Q13-Q19) there was overall support. On the preparers' side B1, B8 and B9 were considered feasible by most respondents, while B2, B4, B5, B6, B7 and B12 were considered feasible by a majority. B11 had more respondents who considered it difficult to prepare. On B3 there are split views, with half considering it feasible and half not. On the users side all disclosures from B1 to B10, as well as B12, were considered essential by most of the respondents. On the other hand, B3 was considered the most essential for users. On B3 preparers were split, due to difficulty linked to data availability and/or collection, and the fact that this disclosure requires the need for external support and guidance.

20. In general, on all disclosures, a majority of respondents requested additional guidance, with respect to calculations and terminology. There were specific suggestions per each disclosure.

21. On the **question to users whether additional datapoints (Q14) are needed in Basic Module**, split views emerged with about half of respondents indicating that no datapoints are missing and the other half indicating that there are datapoints missing that are considered important (please see below in this report). On the questions whether respondents see **any potential in disclosures B3-B7 for better alignment with existing reporting schemes (i.e. EMAS) (Q15),** split views emerged with a tiny majority (51%) of respondents agreeing. They noted that SMEs already using EMAS should benefit from streamlined alignment with VSME ED. Harmonization with recognized standards like GRI, IFRS, and CDP is seen as beneficial. Some respondents highlighted that EMAS may be too complex and costly for SMEs. for alignment with ESRS or ISO 14001.

22. On the question (Q16) on B9 if the practice in the respondent's **country includes commuting incidents in B9 as work-related fatalities**, most respondents agreed. They noted that the legislation already defines these terms, though definitions may vary between countries. On the question (Q17) related to **B10 a)** that asks to report the relevant **ratio of the entry level wage to the minimum wage** "when a significant proportion of employees are compensated based on wages subject to minimum wage rules," and whether this provides relevant and comparable

information, a majority of respondents agreed, with some respondents disagreeing especially SMEs business associations (in category "other respondents"). There are split views among users regarding comparability of this ratio.

23. On the question on **B11** (Q18) and whether respondents agreed with the **voluntary approach** to the disclosure in B11, the majority of respondents agreed. However, in the category "other", business associations on both preparers and users side expressed disagreement, not as much with voluntary approach, but with the inclusion of B11 in Basic Module. They asked to move it outside the Basic Module, arguing that despite its voluntary nature, it imposes unrealistic expectations on SMEs.

24. On the last question, on **the guidance in VSME for the Basic Module** (Q19), a majority of respondents show support to the specific guidance provided that is regarded very useful for SMEs. However, several respondents noted areas needing further clarification, particularly on specific disclosures (e.g., B4, B5, B10) and calculation methods (e.g., GHG emissions, biodiversity impacts). More practical examples and user-friendly tools are recommended to enhance usability and comprehensive online tool to calculate metrics. Preparers also asked for educational support.

25. On the principles of materiality (Q20) to be applied to the Narrative PAT and Business Partner module (impact materiality, financial materiality and stakeholders' engagement) and whether they are considered proportionate, a majority of respondents agreed. However, the comments indicated substantial concerns about materiality. The most recurring were: i) the complexity of the materiality process and selection/engagement with stakeholders; ii) the need to provide guidance, examples, templates, tools to help SMEs; iii) since the material process poses a significant preparatory cost on SMEs, the suggestion to use sector-guidance instead or closed ended questions; iv) add positive impacts as optional, not only financial opportunities v) for preparers the financial risk is difficult.

26. On the question (Q21) related to disclose **sustainability matters listed in Annex B** of the VSME ED (which is the same as AR 16 of ESRS 1 general requirements) that are material to the undertaking and whether respondents agree with this approach, there was a mismatch between the answers provided to the closed question (agree/disagree) and the qualitative comments. In the statistics most preparers and a majority of users and "others" agreed. However, the qualitative comments indicated disagreement on the substance. The most recurring comments were the following: i) materiality analysis and sustainability matters are considered too complex; ii) need to provide guidance, examples, charts, templates, tools to help SMEs., iii) the fact that the materiality analysis is useful but heavy for SMEs, time consuming and very costly; iv) suggestion to use sector-guidance pre-defined materiality instead. Preparers indicated challenges on implementation, uncertainty and cost. SMEs business association indicated preference to prioritise Basic Module and BP Module before the Narrative PAT Module. Users indicated that PAT module is not considered attractive by SMEs and not necessary. Standard setters commented that conducting a formal materiality analysis should not be obligatory in line with the proportionality principle, as SMEs may refer to indicative tables of material topics by sector. Some NGO respondents suggested that instead of focusing on the materiality approach, the VSME standard could focus on enhanced sectoral guidance for non-listed SMEs.

27. On the question (Q22) about the **notion of "report only if applicable**" in Basic Module and in parts of the BP Module most of the respondents agreed. In the category "other" a majority agreed. The most recurring comments were: i) support the "if applicable" approach that is useful to replace materiality. ii) materiality is very demanding for SMEs; iii) there is a need to clarify the difference between the following: "material", "if applicable", "if relevant".

28. On the questions on the **approach to "financial opportunities "**as optional (Q23) most of the respondents agreed. In the category "other" a majority agreed. The most recurring comments were: i) including financial opportunities may help the undertaking to manage risk, build awareness and identify new financial options; ii) to avoid a disproportionate preparatory cost on SMEs, such reporting should remain optional.

29. On the question (Q24) regarding the **principles for the preparation** for the Narrative-PAT and Business Partners Module most respondents agreed both with time horizons and with linkages to financial report. Recurring comments on time horizons were: i) it guides the undertaking; ii) administrative preparatory cost was mentioned as SMEs find a 5-year, time horizon difficult; iii)

more flexibility is needed. On alignment with financial statements, comments were: ii) support as it avoids duplicating information; ii) it is challenging and complicated. Guidance is needed.

30. On the question (Q25) related to Narrative-PAT Module and which disclosures are considered feasible/ not feasible by preparers or essential/not necessary by users, there was a mismatch between the answers provided to the closed question (agree/disagree) and the qualitative comments. Despite a statistical result indicating that a majority of respondents consider the disclosures N1 to N5 feasible on the preparers side and essential on the user's side, the content of the comments is indicating the opposite, requiring substantial simplifications and indicating complexity and preparatory costs both on users and preparers side. Concerns were stronger in the comments of business associations both on the users and the preparers side, specifically for N2, N3 and N4 that banks associations considered not needed. N2 and N3 were considered complex by preparers associations.

31. On the question (Q26 for preparers only) if they anticipate to apply the Narrative-PAT module, having implemented policies, actions and targets (PAT) due to requests by counterparties in the value chain, the answers were split between yes and no. A tiny majority (51%) answered that this was not the case, as the request of counterparties in the value chain is seen as an additional argument since every company needs such a strategy anyway. However, many believed that counterparties have no interest in the Narrative-PAT module, but only in Basic Module and Business Partner Module.

32. On the question (Q27 for users only) if users considered that some datapoints were missing in the Narrative PAT Module, the majority of respondents answered that this is not the case.

33. On the question (Q28) about N3 (disclosure of policies, actions and targets to manage material sustainability matters) and if respondents would see potential for better alignment with other reporting schemes such as the European Eco-Management and Audit Scheme (EMAS – Regulation (EC) No. 1221/2009), there were split views and a relatively lower response rate compared to other questions. Respondents indicated being not familiar with EMAS and other schemes.

34. On the Business Partner module and the question (Q29) related to the inclusion of greenhouse gas (GHG) Scope 3 emissions as additional component (entity-specific) being material in certain sectors, a majority of respondents agreed that scope 3 should be included, the most supportive being users. Preparers indicated that additional sector guidance or calculation/software would be needed. SME associations state that it is highly difficult, and they do not support its inclusion in the standard. Users also suggested EU database and allowing use of proxy emission factors and industry averages to enable SMEs (the EFRAG Secretariat notes that the use of proxies it not only a possibility in the standard but what it is expected in general to be used). The group "other" expressed lowest support.

35. On the question (Q30) regarding **each of the disclosures in the Business Partner module, for preparers if they are feasible or difficult to prepare and for users if they are essential or not necessary**. Most of the preparers indicated that BP1, BP2, BP10 and BP11 are feasible, while BP5, BP6, BP8 and BP9 were considered feasible by the majority of preparers. On BP3, BP4 and BP7 there are split views with half of the preparers considering it feasible, and the other half difficult. On the users' side, BP1, BP2, BP3, BP4, BP5 and BP8 were considered essential by most. BP6, BP7, BP8 and BP10 were considered essential by a majority but needed some simplifications. BP11 was considered not necessary by users. Banks associations considered BP2 and BP10 not needed. In general respondents requested more guidance/instructions or calculation tools. There were also requests to drop "materiality" in this module and put everything as "if applicable".

36. On the question (Q31) to users if they agreed with the **approach** that in Business Partner modules disclosures are reported **if applicable**, **with the exception of BP 5, 7, 8, 9, 10 that are omitted when considered not material,** the majority of users did not agree. The majority (especially banks) preferred to remove materiality from the module and have all disclosures "if applicable" a few also mentioned the option "report if you have".

37. On the question (Q32) **regarding BP7, BP8 and BP9 (human rights**) and alignment to the Sustainable Finance Disclosures Regulation (SFDR) and whether there would be alternative or more suitable disclosures, the majority of respondents were supportive of the SFDR alignment or could not propose alternatives. Both users and preparers asked, however, for

simplifications (i.e. referencing existing national regulations or standards instead of international frameworks, move BP7 to Basic and reformulate under HR, merge and simplify BP8 and BP9).

38. On the question (Q33) if it would be beneficial **to split the Business Partners (BP) Module into sub-modules** depending on the nature of the user (for example "banks", "investors", "large corporates"), there were split views with a tiny majority (52%) in favour of the split. The arguments in favour were improve utility of the information, the arguments opposed were that division in sub-modules would over complexify. Associations of both prepares and users banks were in favour of split.

39. On the question (Q34) **regarding datapoints related to the EU-taxonomy regulation** considering the work of the Sustainable Finance to make a proportionate tool for EU-taxonomy available, the majority of respondents was not in favour. Many commented that it would be too complex and difficult to understand the taxonomy for SMEs, given their limited resources. General suggestion to postpone this, recognising that it may enhance market opportunities for SMEs.

40. On the question (Q35) about **the guidance developed for the Business Partners Module** and whether respondents considered it useful and sufficient, the majority agreed that this was the case. Some pointed out remaining concerns on language, calculation complexity, sector-guidance, need for clearer definitions and hyperlink, online tools to guide navigation and reporting.

41. On the question (Q36) for users whether **there any datapoint(s) were missing** from this module that users consider as essential to meet their information needs, the majority of respondents disagreed and considered that no additional datapoints were needed. Some suggested to provide distinction between data related to own operations, clients (downstream), and suppliers (upstream), another suggestion was to foster data accessibility and national authorities to identify which VSME points are already covered by national regulations, so companies quickly know if they comply with VSME via local laws.

42. On the question (Q37) for users whether **Appendix C** is clear, all the respondents mentioned that Appendix C is clear and helps reconcile the data points in VSME ED. On question (Q38) asking users whether the **VSME ED can replace the existing ESG questionnaires if additional datapoints are added,** a slight majority agreed with the question. However, a slight majority of banks/ investors stated otherwise.

43. Questions 39 and 40 provided the possibility to respondents to submit additional comments for topics that they were no questioned about but rather wished to express their opinion none the less. These comments are more general and can be found at the respective detailed answers.

Part 3

44. Concerning the **two questions on the value chain cap** (Q41 and Q42)[21], a majority of preparer and user respondents agree with current value chain cap. However, national and European SME associations as well as a majority of standard setters disagree and requested that VSME be the cap.

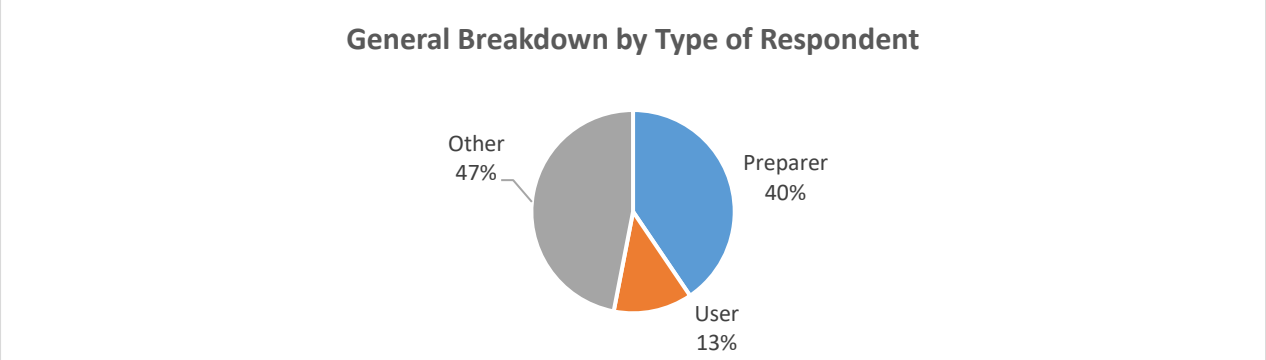
Overview of public consultation respondents

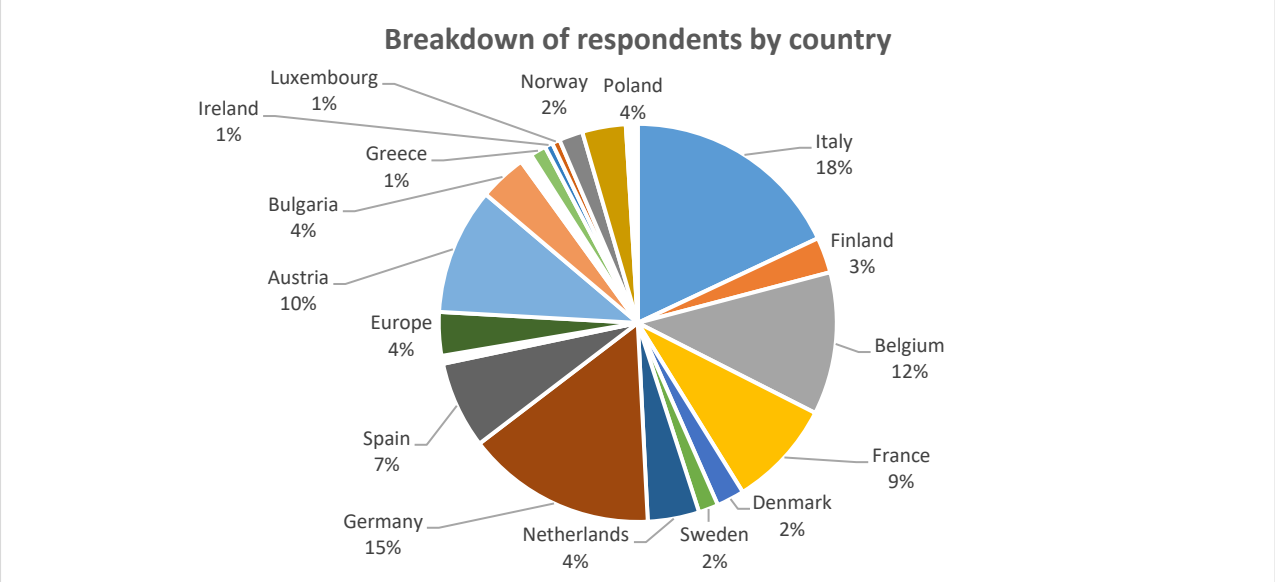
1. EFRAG registered 311 respondents to the online public consultation questionnaire.

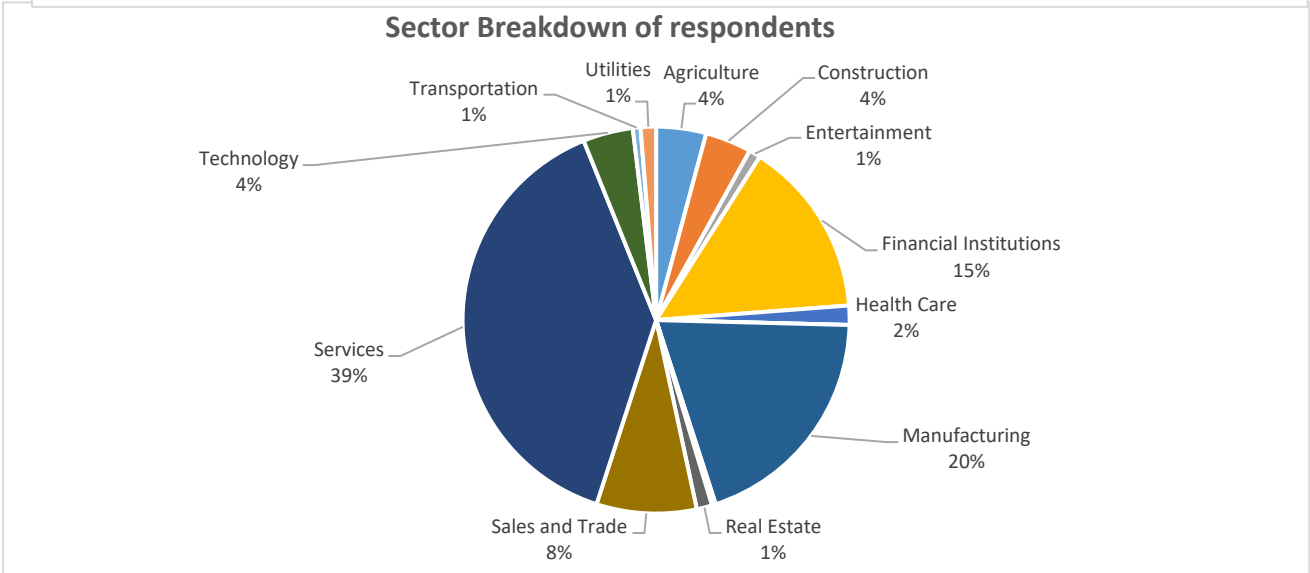
General Breakdown by Type of Respondent	Number of respondents
Preparer	126
User	39

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

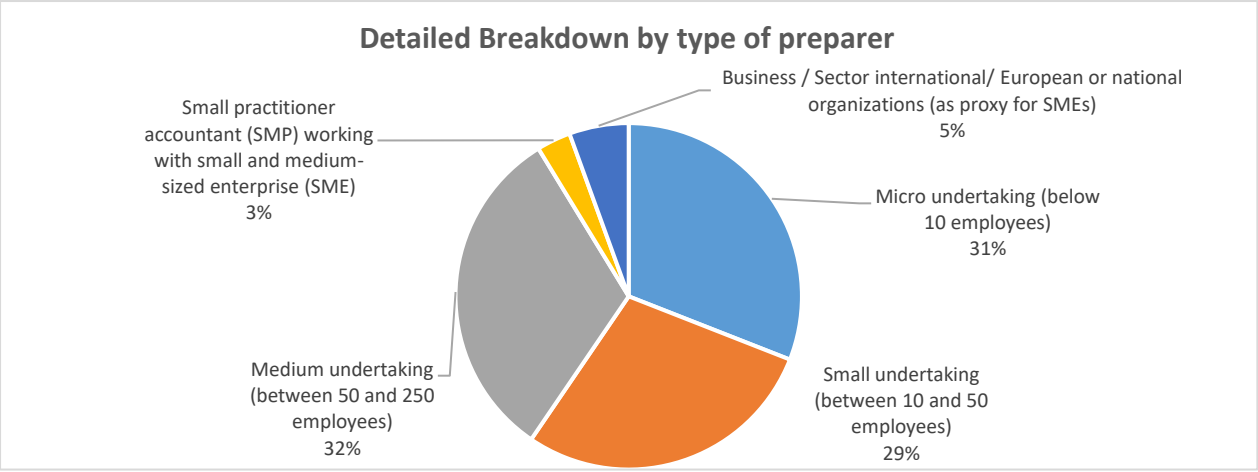
Other	146[22]

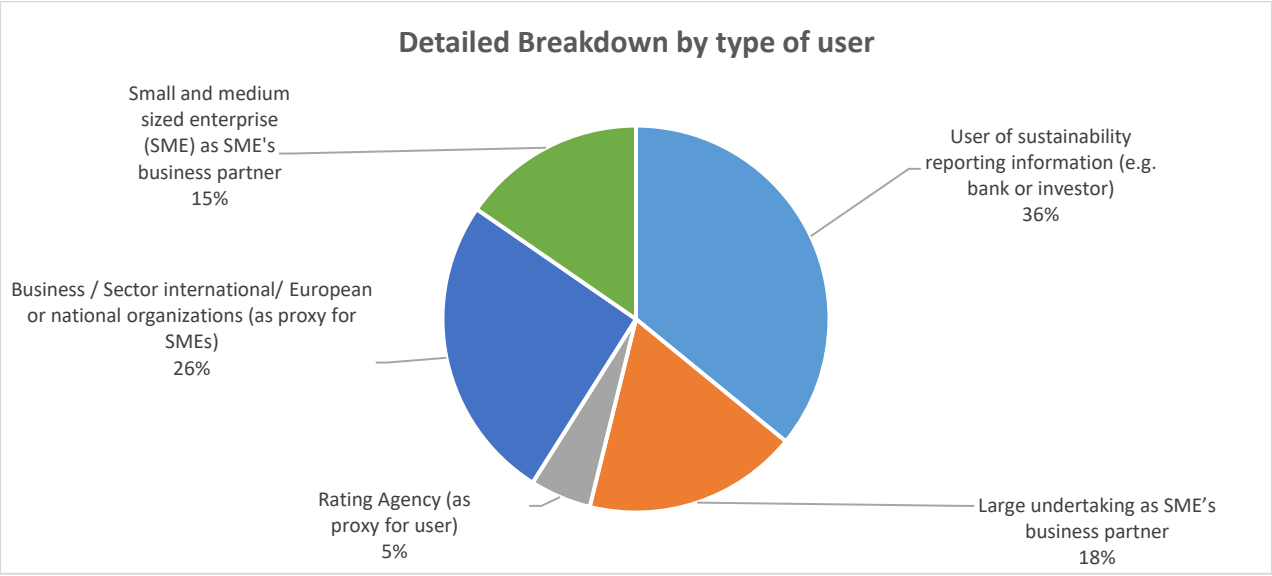


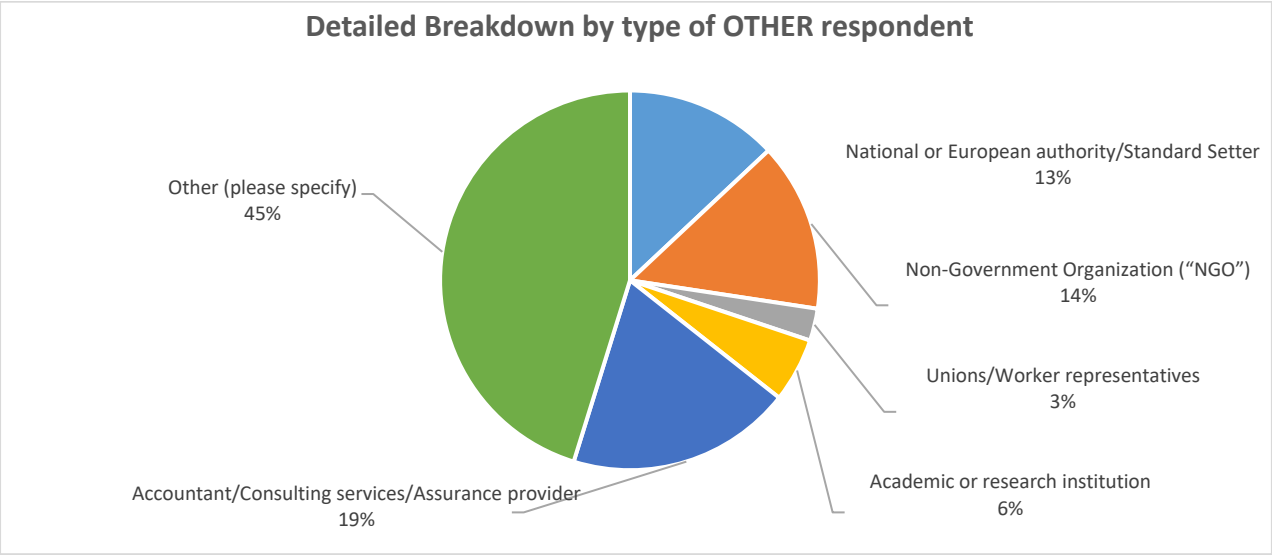




[22] The category 'Other' includes also business associations representing preparers or users, but that did a self-classification under "other, if other please specify". Hence, they have identified themselves not as preparers or users. EFRAG Secretariat considered that a reclassification could not be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


Detailed Breakdown by type of preparer
Business / Sector international/ European or national organizations (as proxy for SMEs) 5%
Micro undertaking (below 10 employees) 31%
Small undertaking (between 10 and 50 employees) 29%
Medium undertaking (between 50 and 250 employees) 32%
Small practitioner accountant (SMP) working with small and medium-sized enterprise (SME) 3%


Detailed Breakdown by type of user
User of sustainability reporting information (e.g. bank or investor) 36%
Large undertaking as SME's business partner 18%
Rating Agency (as proxy for user) 5%
Business / Sector international/ European or national organizations (as proxy for SMEs) 26%
Small and medium sized enterprise (SME) as SME's business partner 15%


Detailed Breakdown by type of OTHER respondent
National or European authority/Standard Setter 13%
Non-Government Organization ("NGO") 14%
Unions/Worker representatives 3%
Academic or research institution 6%
Accountant/Consulting services/Assurance provider 19%
Other (please specify) 45%

Annex 12: Field test – Key findings

About this summary

1. This summary includes results from the field test workshops (in total 10 plus 4 individual interviews) that were organised by EFRAG secretariat to discuss respondent's written surveys. In addition, EFRAG secretariat has conducted a specific workshop with ESG data platforms (who match online demand and supply of ESG data) participating in the field test of the VSME ED. These platforms have provided aggregated written feedback from their constituencies that are prepares (SMEs) and users (large corporates or banks as SMEs business counterparts) that can be found in specific tables of this report.

2. For each question the analysis includes insights at the aggregated level and insights by stakeholders' group (micro, small, medium preparer, consultants, rating agency, accountants, users including banks and large corporates heads of supply chains, etc.).

3. The link to the detailed feedback from the field test can be found here.

4. This report uses the following terms to describe the extent to which particular feedback was shared by respondents (both when referring to total respondents or a subset of respondents).

Most: 80% to 99% of respondents
A majority: 50% to 79% of respondents
Some: 20% to 49% of respondents
A few: 1% to 19% of respondents

5. From the preparers' perspective, the participation to the field test has taken two forms: (a) the actual preparation of (or part of) the disclosures in VSME ED, answer to the field test questionnaire and participation to workshops and/or interviews with EFRAG Secretariat; or (b) (simplified approach) pre- preparation (such as assessment of the challenges and benefits deriving from the disclosures in VSME), answer to the field test questionnaire and participation to workshops and/or interviews with EFRAG Secretariat.

6. From the users' perspective, the participation to the field test required to answer the field test questionnaire and to participate to workshops and/or bilateral interviews with EFRAG Secretariat.

7. The field test focuses on the following key elements:

   (a) The costs and challenges associated with each of the disclosures

   (b) The understandability of the guidance provided in the ED and its ability to support the implementation of the disclosure requirements; and

   (c) The expected benefits of the disclosures.

8. Preparers could choose to test one or more of the following modules: i) Basic Module; ii) Narrative-PAT Module; iii) Business Partners Module. The application of the general principles for the preparation of the sustainability report is considered as part of each module.

9. A prerequisite to participation in the field test was the completion of the consultation questionnaire as well as the field test questionnaire. The deadline for submitting answers to the field test was 21 April 2024. The field test workshops and interviews tool place in May 2024.

10. The analysis and structure of this report has been carried out by analysing the 5 questions from the field test. The same five questions have been asked for each module as follows:

Q1 – The operational challenges posed by the disclosures of each of the three modules.

Q2 – The difficulty of disclosing the metrics of each single disclosure (analysed by module). This question was directed to PREPARERS.

Q3 – The costs brought by disclosing for each module.

Q4 – The relevance of the disclosures (per module). This question was directed to USERS.

Q5 – The benefits brought by the VSME. This encompasses a variety of factors analysed in the sections in the detailed report.

Summary of the key findings

11. The participation in the field test involved a total of 111 preparers (micro, small and medium undertakings), 24 proxy for prepares and 29 users or proxy for users.

12. Four ESG data platforms were also involved in the field test through a dedicated workshop and a dedicated questionnaire template document, i.e. each platform has implemented VSME ED to collect real disclosures from members using a tailored data model. This corresponds as well to their intention to adopt VSME in the future as structured data model to collect ESG information from members. They gave both a preparer and a user-based perspective, reflecting the existence of two different types of users.

13. These platforms represent all together over 23,000 SMEs across Europe and over 100,000 large undertakings worldwide. They therefore provide a rather significant perspective on the difficulty and relevance of various disclosures. Concretely the platforms tested VSME ED by replacing it with their current online questionnaires. Through this process over 600 SMEs participated in the field test. For these reasons, platform field tests results have been provided separately in this report.

14. There is wide support for the Basic Module (30% of field test participants have chosen to use the Basic Module only, and all others either used it in combination with the Narrative PAT Module or with the Business Partner Module or both). The Basic Module is assessed to be both feasible from the preparer's point of view and useful from the users' point of view.

15. There are, however, requests for additional guidance on methodologies and online calculation tools for certain metrics (i.e. B3- Energy and Greenhouse Gas Emissions, B6- Water or B7 - Resource use, circular economy and waste management) or to add definitions for others (B10 Workforce – Remuneration, collective bargaining and training).

16. For some disclosures such as B5-Biodiversity or B11-Workers in the value chain, affected communities, consumers and end-users, the requests are either to remove those disclosures or replace part of them with other metrics.

17. In general, it was suggested to use more explicit formulation on "if applicable" (i.e. for B4). Many preparers underlined that certain disclosures are not applicable to them, and thus, they are not reported (i.e., omitted). On the other hand, the users asked that in case of omittance of a data point because it is not applicable, it shall be clear in VSME ED that this information shall be considered not material by users.

18. For the Narrative PAT Module there is a general indication that this module presents some operational challenges from the preparers' perspective. The biggest challenge connected to this module is the materiality analysis, and consequently, the disclosures N2 – Material sustainability matters and N3 – Management of material sustainability matters are perceived as to be of great difficulty. The main reason is that SMEs tend to be less equipped and would need the help of consultants or, alternatively, a very basic fundamental step-bystep guidance for materiality analysis, with very visual explanations and an online scroll-down menu to choose from. A pre-defined grid of material matters by sector was considered an important addition to help SMEs. The involvement of the top level in the process is also considered an issue as this module is connected to strategy and governance and requires stakeholders' engagement. Concerns about materiality are expressed both on the preparers and users' sides. Despite materiality remaining a relevant disclosure for certain user categories (e.g. large undertakings), users understand the difficulty it poses to SMEs. Banks/ investors have highlighted concerns associated with materiality analysis, acknowledging the complexity of this analysis for SMEs. As such, they indicated generally preferring a replacement of the undertaking materiality

analysis with a pre-defined list of sustainability matters by sector. This practice is adopted by some banks/investors as emerged in the workshops.

19. Conversely, N5 – Governance: responsibilities in relation to sustainability matters, appears to be perceived as a disclosure of low difficult, with high relevance for users, highlighting its importance within the module.

20. N1 – Strategy: business model and sustainability – related initiatives and N4 – Key stakeholders, appear to be disclosure of low difficulty, similarly to N5. However, N1 and N4 appear to have a lower relevance compared to N5 for users.

21. Overall, the Narrative-PAT Module and the Business Partners Module are perceived to have greater language complexity compared to the basic module.

22. Concerning the Business Partner Module, respondent preparers indicated some operational challenges, with a diversified view according to the various disclosures. Some disclosures such as BP1 - Revenues from certain sectors BP2 - Gender diversity ratio in governance body, BP6 - Hazardous waste and/or radioactive waste ratio, BP10 – work-life balance and BP11 – number of apprentices were considered of low difficulty by the majority of respondents.

23. However, from the user perspective BP10 – Work-life balance and BP11 – Number of apprentices have relatively low benefits.

24. Other disclosures like BP3 – GHG emissions reduction target, BP4 – Transition plan for climate change mitigation, BP5 – Physical risks from climate change, were considered of high or medium difficulty by the majority of the respondents. Arguments concern the difficulty linked to target settings (science-based) for SMEs and request for adapted or simplified guides and frameworks (i.e., climate transition plans, scenarios, physical risks).

25. From the users' perspective, BP3 is considered of high relevance by most respondents and BP4 by a majority, and BP5 is considered of medium to low importance by some especially in terms of reliability/quality of disclosure.

26. For BP7 – Alignment with internationally recognised instruments and BP8 – Processes to monitor compliance and mechanisms to address violations, preparers' views are split between low, medium, and high difficulty. The main challenges are related to legal complexities and overlaps in reconciling undertaking policy with international instruments as well as EU/national laws. Hence examples or guidance on those may increase the uptake.

27. Most of the preparers consider BP9 – Violations of OECD Guidelines for Multinational Enterprises or the UN guiding Principles as straightforward with information being relatively easy to obtain and thus seen as low in difficulty. From the users' perspectives, BP7 was perceived as of high relevance, while on BP8 there were split views on its relevance (between medium and high relevance) and for BP9 there was less support for its relevance (split between low, medium and high).

28. In general, there were requests to clarify the application of materiality analysis for this module.

29. On the costs side, respondents indicated that costs are generally higher for the first year, driven by HR costs, consultancy and IT tools. As companies gain experience and establish processes, the need for consultancy decreases, leading to lower costs in subsequent years (generally halved costs). Especially consultancy and IT costs seem to drop significantly. Many undertakings expect high costs in the first year to obtain in-house expertise and training for existing personnel. While these costs are expected to decrease in subsequent years, they will remain important.

30. On the benefit side, different types of benefits were perceived depending on the module. Most of the BM respondents stated that the main benefits (preparers and users combined) of the basic module are the synergies and increased awareness module. Most (preparers and users combined) of the Narrative-PAT module respondents stated that the main benefit this module brings is the increased awareness and monitoring of sustainability issues, in addition these respondents stated that it brings them greater access to finance. Regarding the BP module, preparers and users (combined) stated that this module brings them benefits related to having access to more clients and better market positioning / competitiveness. The perceived types of benefits brought by the BP module were estimated to bring similar benefit estimations. Users

specifically mentioned that the BP module is most beneficial with regard to the synergies it brings with other questionnaires.

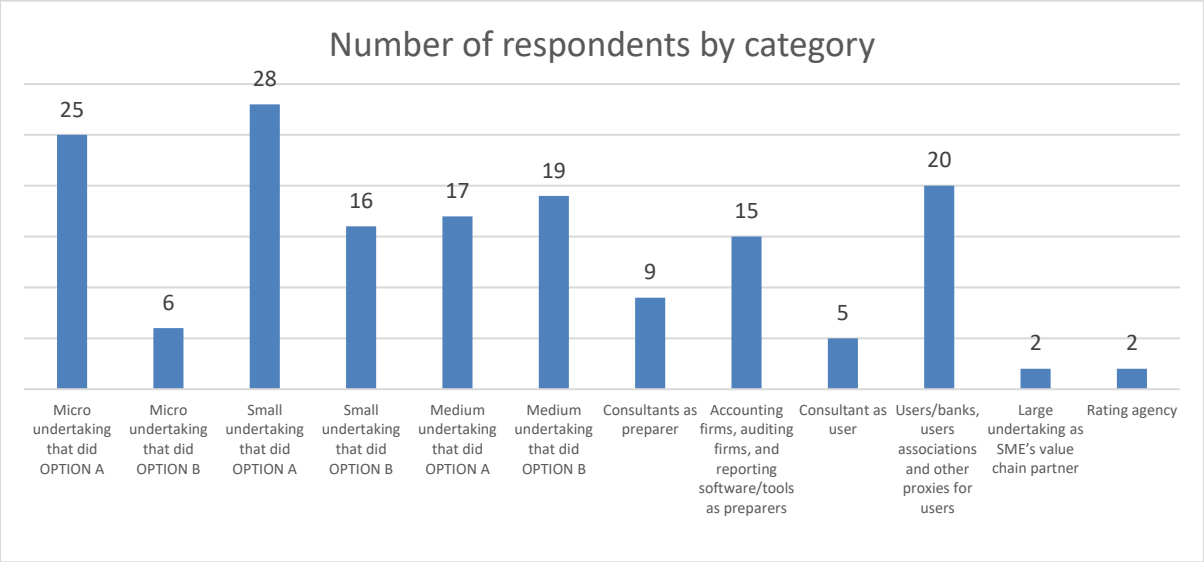
31. Finally, regarding the feedback from the online ESG data platforms (4), which represent multipliers of the users' and preparers' perspectives, the key messages are as follows. Platform preparers showcased a generally higher level of disclosure difficulty on disclosures B3, B4, B5, B11 in the Basic Module and disclosures BP3, BP4, BP5 in Business Partners Module. Essentially, these disclosures (apart from B11, which is a social metric) are heavily linked to environmental metrics. These are appearing as more challenging to disclose compared to other social metrics. Additionally, materiality, especially N3, has shown to be challenging. These difficulties were higher for smaller undertakings.

32. The most relevant disclosures for platforms were B3, B6, B9 in Basic Module and disclosures BP3 and BP4 in Business Partners Module. These disclosures were highlighted as very relevant metrics. Other disclosures from the Basic Module and Business Partners Module were generally perceived as of high to medium relevance. The only disclosure deemed of low relevance by half of the platforms was B11.

33. The relevance perceived for the disclosures in Narrative-PAT Module by platforms was split. Half considered N1 to N5 relevant, the other half considered it of either medium or low relevance. With N5 being the most relevant. 1 platform respondent stated that N1-N4 have low relevance currently as they are not collecting those metrics.

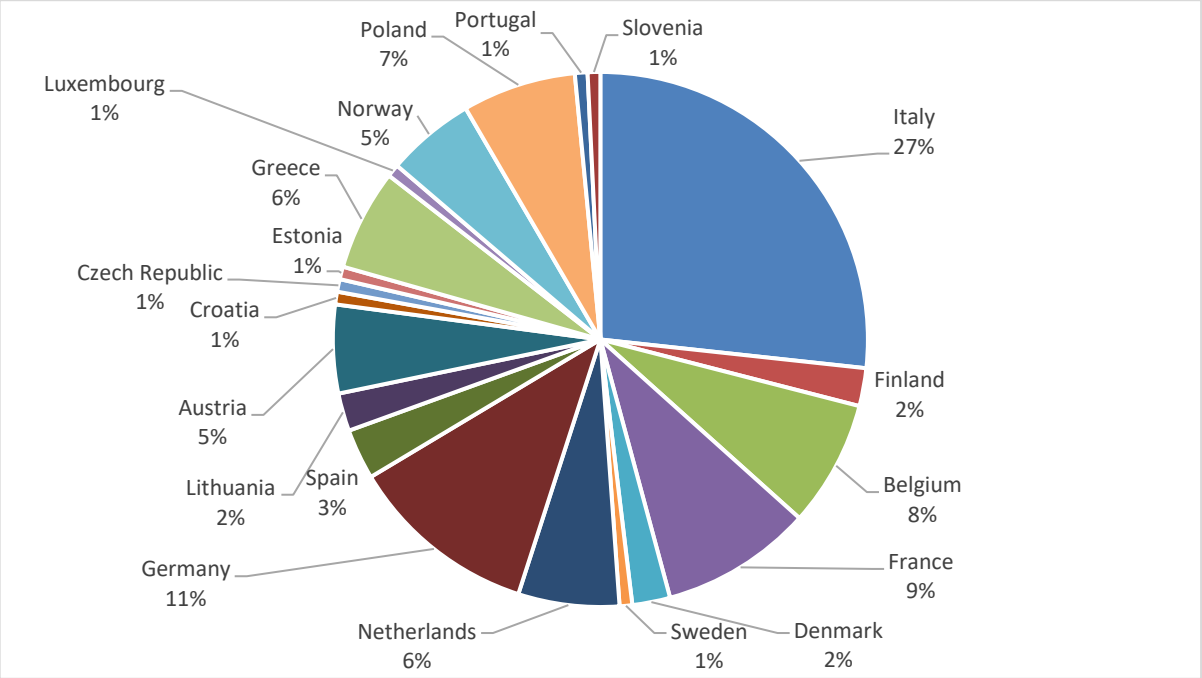
General overview of field test respondents

Breakdown by category



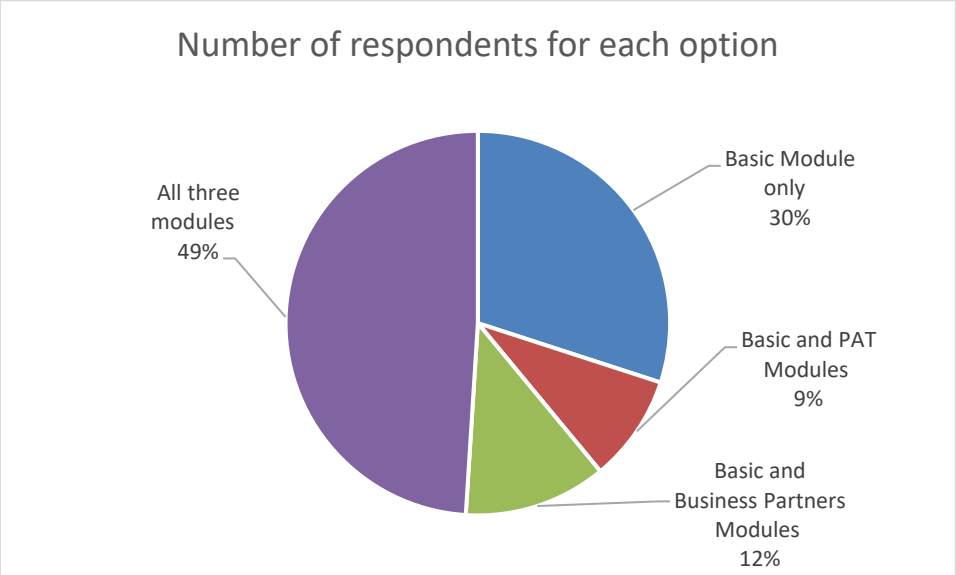
Total Number of Field Test Respondents: 164

Breakdown by country



Breakdown of respondents with modules chosen:

Module chosen	Number of respondents that selected this option
Basic Module only	50
Basic and PAT Modules	20
Basic and Business Partners Modules	14
All three modules	80



Annex 13: Executive Summary of Comment Letters Only - VSME ED Public Consultation

About this summary

1. EFRAG Secretariat has received 22 Comment Letters outside the online survey (2 of which were not published for confidentiality purposes). The result of the analysis of those letters have been summarised in this Detailed Report. Please note that 19 of the 20 comment letters refer to associations, standard setters or authorities and not to individual stakeholders. As such their weight has been considered when describing the trends in the overall conclusions.

2. This summary is organised by stakeholders' group as follows: "preparers" (business associations representing SMEs), "user" (a rating agency) and "others" (associations of accountants, standard setters, academic and authorities).

3. The link to the detailed feedback from the comment letters can be found here.

Executive Summary of feedback received outside online survey, via comment letters

4. **From the analysis of the comment letters received outside the online questionnaire, the following key messages emerged.**

5. **General feedback** on **VSME ED's objective** and its role to replace business questionnaires: the business associations representing **preparers** indicated their support for VSME as a tool to make reporting manageable and replace business partners questionnaire, but further simplification is generally needed. Suggestions included: i) language simplifications, ii) online reporting template (platform) to facilitate the exchange of info and make the standard more interactive; iii) add examples; iv) avoid references to external links (i.e. the WRI's Aqueduct Water Risk Atlas or the GHG protocol) or make sure that translation in all EU language is available; v) education support to implement VSME needed. Another suggestion was to add in the objectives that another "business counterpart "of the VSME are public authorities (i.e. sustainability information for public tenders). The **user** (rating agency) was supportive of the VSME as reporting tool and to replace business partners questionnaires to an extent but considered that business partners would still require 3rd parties to engage with SMEs, including through questionnaires, to: i) analyse the data based on their specific needs or ii) provide an opinion on the level of performance disclosed by SMEs. **Standard Setters** and **Accountants** associations generally supported the role of the VSME as a simple reporting tool, one standard setter mentioned the replacement of business partners questionnaire may be relatively low. **Authorities**: generally supported VSME as it will allow SMEs to benefit from a standardized and simple reporting framework.

6. On the **Architecture and modular approach**: business associations preparers expressed preferences for Basic Module; one business association expressly asked to stick to Basic Module only and proposed it being composed of 12 metrics (see agenda paper 05-05 – Detailed feedback from comment letters (outside online Survey)). Another indicated that SFDR datapoints shall not be included in Business Partner Module. Another asked to clarify in case of omittance because "not applicable" how CSRD companies will be able to deal with it. **User rating agency** agrees that the module combinations are adequate to accommodate the different needs. **Standard setters** support the modular approach and the flexibility. One standard setter asked for SMEs to provide information when they choose to change the adopted modules. **Accountant** associations overall supported the modular approach but two of them highlighted that the Basic Module alone would not be sufficient to cover information requests and a combination of Basic + BP Module would be necessary. **Academic**: support the modular approach, but VSME is too detailed. Authorities also support a modular approach. Some underline the importance to develop open access tool to facilitate reporting. There was one suggestion to split Business Partners Module in sub-modules according to the type of counterparts needs (bank, investor, supply chain/larger/smaller). Another suggested that some datapoints could be deleted while others shall be added.

7. **Materiality**: business associations **preparers** indicate that materiality remains difficult. There are suggestions to remove or provide more sector guidance. One suggests replacing it with a "comply or explain" approach to reduce the cost of preparation. There is **no comment from the user rating agency** on this. **Standard setters** indicated that the materiality analysis is difficult but could be kept as risk management tool for SMEs and because it only applies to PAT module, i.e. undertaking who already have PAT in place. They requested simplification and adapted guidance. **Accountant** associations deem that simplified guidance should be provided for materiality analysis being highly difficult for SMEs to understand (flow chart type) and suggest adding positive impacts. One suggests removing materiality analysis and replace it with the "if applicable approach". **Academic**: no specific views on materiality but agreement with the "if applicable approach" to replace materiality in the Basic Module. **Authorities** see the materiality as complicated. Recommendations: i) replace with interactive online tool based on Appendix B, ii) SMEs to provide brief explanations for their sustainability topic selections based on their activities and context, ii) list of sustainability matters by sector.

8. **Consolidated reporting and subsidiary exemption**, only **preparers** commented by supporting it, some indicate that due to voluntary reporting, it would be up to the companies to decide on consolidated report or gradually include subsidiaries.

9. **Timing and location**: one business association **preparer** asks to broaden reference to "other documents" also to mandatory public controls of the sustainability objectives (e.g. the verification by inspectors or public auditors of the democratic or worker/users-participated governance)". One **authority** suggests ensuring that the sustainability report shall be prepared on annual basis (alignment with Pillar 3 framework).

10. **Sector-specific dimension**: business association **preparers** support sector specific guidelines designed for non-listed SMEs. This is also supported by the user rating agency. One **standard setter** suggested that if and when EFRAG develops a sectorial ESRS adapted to SME, reference to sector in the VSME (i.e. B6, B7, BP1, BP3 among others) may need to be deleted. **Accountants** support sectors guidelines to apply both listed and non-listed SMEs, one emphasises the need to develop an implementation guidance outlining material sustainability issues per sector. **Authorities** suggest increasing the focus on sectors and provide guidance on this basis: in particular, simplify the materiality analysis by drawing up a brief guide to clarify the main material issues by sectors and by specifying how to conduct a simplified materiality assessment for SMEs.

11. **Value chain cap**: business associations **preparers** indicate that VSME should serve as "value chain cap" to ensure maximum amount of the VSME data that reporting entities can request. The user rating agency supports the value chain approach adopted by EFRAG; undue effect is not expected from ESRS reporting. **Standard setters** have split views. One standard setter agrees with LSME being the value chain cap, the other suggest VSME to be the value chain cap. An **accountant** highlighted that VSME should be the Value Chain Cap and called for greater alignment between ESRS LSME and VSME. **Academic** had no comments. **One authority** suggests that VSME could be better placed than LSME ESRS for the "cap in the value chain" role.

12. **EU Taxonomy**: one **preparer** suggests that VSME should not include additional data points to cover EU Taxonomy disclosures as the simplified methodology is work in progress. One authority suggests adding a "taxonomy module" in BP Module, based on Sustainable Finance Platform streamlined approach.

13. On the **Basic Module**: business associations **preparers** request to further simplify disclosures to ensure SMEs are able to independently disclose BM datapoints without needing external ESG experts. Additionally, there is a request by preparers to avoid using external references to EMAS, international legislation/ standards and EU law as SMEs are no familiar with these technicalities. There was a general request by some preparers to delete B11 given its complexity. One preparer requested to delete B12. For B2 there were specific requests to add datapoint relevant for cooperative enterprises specific requests. With regard to specific disclosures, specific changes were requested for disclosures B3, B9, B10; these are available in the agenda paper 05-05 – Detailed feedback from comment letters (outside online Survey). The **user** (rating agency)

suggested to provide an overview of the disclosures in VSME reported “if applicable”. To facilitate SMEs. In addition, the user analysed the disclosures that it is already covering through its own rating questionnaires. The disclosures that are partially or not currently covered in this questionnaire are: B4 (partially), B5, B6 (partially), B7 (partially), B8 (partially), B10 – B12 (partially). B3 and B9 are entirely covered. **Standard setters** asked to clarify the “if applicable” approach to be better understood in the various disclosures. Additionally, they suggested to move BP6 (BPM) into B7 (BM). For B11 Standard Setters suggested to add positive aspect as well. The more specific suggestions provided for the other disclosures can be found in the agenda paper 05-05 – Detailed feedback from comment letters (outside online Survey). Accountants suggested to delete B11. Additionally requests to align ESRS S1 definition to B8, B9, and B10, expanding the VSME definition of own workforce. For other disclosures, accountants request for more simplifications and examples on top of specific requests that can be found in the agenda paper 05-05 – Detailed feedback from comment letters (outside online Survey). **Academics** expressed no comments on the module. **Authorities** requested for simplified guidance for B3, B5 and B6. Specific requests on disclosure can be found in the agenda paper 05-05 – Detailed feedback from comment letters (outside online Survey).

Executive Summary of feedback received outside online survey, via comment letters

14. From the analysis of the comment letters received outside the online questionnaire, the following key messages emerged.

15. **General feedback** on **VSME ED's objective** and its role to replace business questionnaires: the business associations representing **preparers** indicated their support for VSME as a tool to make reporting manageable and replace business partners questionnaire, but further simplification is generally needed. Suggestions included: i) language simplifications, ii) online reporting template (platform) to facilitate the exchange of info and make the standard more interactive; iii) add examples; iv) avoid references to external links (i.e. the WRI’s Aqueduct Water Risk Atlas or the GHG protocol) or make sure that translation in all EU language is available; v) education support to implement VSME needed. Another suggestion was to add in the objectives that another "business counterpart "of the VSME are public authorities (i.e. sustainability information for public tenders). The **user** (rating agency) was supportive of the VSME as reporting tool and to replace business partners questionnaires to an extent but considered that business partners would still require 3rd parties to engage with SMEs, including through questionnaires, to: i) analyse the data based on their specific needs or ii) provide an opinion on the level of performance disclosed by SMEs. **Standard Setters** and **Accountants** associations generally supported the role of the VSME as a simple reporting tool, one standard setter mentioned the replacement of business partners questionnaire may be relatively low. **Authorities**: generally supported VSME as it will allow SMEs to benefit from a standardized and simple reporting framework.

16. On the **Architecture and modular approach**: business associations preparers expressed preferences for Basic Module; one business association expressly asked to stick to Basic Module only and proposed it being composed of 12 metrics (see agenda paper 05-05 – Detailed feedback from comment letters (outside online Survey)). Another indicated that SFDR datapoints shall not be included in Business Partner Module. Another asked to clarify in case of omittance because “not applicable” how CSRD companies will be able to deal with it. **User rating agency** agrees that the module combinations are adequate to accommodate the different needs. **Standard setters** support the modular approach and the flexibility. One standard setter asked for SMEs to provide information when they choose to change the adopted modules. **Accountant** associations overall supported the modular approach but two of them highlighted that the Basic Module alone would not be sufficient to cover information requests and a combination of Basic + BP Module would be necessary. **Academic**: support the modular approach, but VSME is too detailed. Authorities also support a modular approach. Some underline the importance to develop open access tool to facilitate reporting. There was one suggestion to split Business Partners Module in sub-modules according to the type of counterparts needs (bank, investor, supply chain/larger/smaller). Another suggested that some datapoints could be deleted while others shall be added.

17. **Materiality**: business associations **preparers** indicate that materiality remains difficult. There are suggestions to remove or provide more sector guidance. One suggests replacing it with a "comply or explain" approach to reduce the cost of preparation. There is **no comment from the user rating agency** on this. **Standard setters** indicated that the materiality analysis is difficult but could be kept as risk management tool for SMEs and because it only applies to PAT module, i.e. undertaking who already have PAT in place. They requested simplification and adapted guidance. **Accountant** associations deem that simplified guidance should be provided for materiality analysis being highly difficult for SMEs to understand (flow chart type) and suggest adding positive impacts. One suggests removing materiality analysis and replace it with the "if applicable approach". **Academic**: no specific views on materiality but agreement with the "if applicable approach" to replace materiality in the Basic Module. **Authorities** see the materiality as complicated. Recommendations: i) replace with interactive online tool based on Appendix B, ii) SMEs to provide brief explanations for their sustainability topic selections based on their activities and context, ii) list of sustainability matters by sector.

18. **Consolidated reporting and subsidiary exemption**, only **preparers** commented by supporting it, some indicate that due to voluntary reporting, it would be up to the companies to decide on consolidated report or gradually include subsidiaries.

19. **Timing and location**: one business association **preparer** asks to broaden reference to "other documents" also to mandatory public controls of the sustainability objectives (e.g. the verification by inspectors or public auditors of the democratic or worker/users-participated governance)". One **authority** suggests ensuring that the sustainability report shall be prepared on annual basis (alignment with Pillar 3 framework).

20. **Sector-specific dimension**: business association **preparers** support sector specific guidelines designed for non-listed SMEs. This is also supported by the user rating agency. One **standard setter** suggested that if and when EFRAG develops a sectorial ESRS adapted to SME, reference to sector in the VSME (i.e. B6, B7, BP1, BP3 among others) may need to be deleted. **Accountants** support sectors guidelines to apply both listed and non-listed SMEs, one emphasises the need to develop guidance outlining material sustainability issues per sector. **Authorities** suggest increasing the focus on sectors and provide guidance on this basis: in particular, simplify the materiality analysis by drawing up a brief guide to clarify the main material issues by sectors and by specifying how to conduct a simplified materiality assessment for SMEs. **Value chain cap**: business associations **preparers** indicate that VSME should serve as "value chain cap" to ensure maximum amount of the VSME data that reporting entities can request. The user rating agency supports the value chain approach adopted by EFRAG; undue effect is not expected from ESRS reporting. **Standard setters** have split views. One standard setter agrees with LSME being the value chain cap, the other suggest VSME to be the value chain cap. An **accountant** highlighted that VSME should be the Value Chain Cap and called for greater alignment between ESRS LSME and VSME. **Academic** had no comments. **One authority** suggests that VSME could be better placed than LSME ESRS for the "cap in the value chain" role. **EU Taxonomy**: one **preparer** suggests that VSME should not include additional data points to cover EU Taxonomy disclosures as the simplified methodology is work in progress. One authority suggests adding a "taxonomy module" in BP Module, based on Sustainable Finance Platform streamlined approach.

21. On the **Basic Module**: business associations **preparers** request to further simplify disclosures to ensure SMEs are able to independently disclose BM datapoints without needing external ESG experts. Additionally, there is a request by preparers to avoid using external references to EMAS, international legislation/ standards and EU law as SMEs are no familiar with these technicalities. There was a general request by some preparers to delete B11 given its complexity. One preparer requested to delete B12. For B2 there were specific requests to add datapoint relevant for cooperative enterprises specific requests. With regard to specific disclosures, specific changes were requested for disclosures B3, B9, B10; these are available in the agenda paper 05-05 – Detailed feedback from comment letters (outside online Survey). The **user** (rating agency) suggested to provide an overview of the disclosures in VSME reported "if applicable". To facilitate SMEs. In addition, the user analysed the disclosures that it is already covering through its own rating questionnaires. The disclosures that are partially or not currently covered in this

questionnaire are: B4 (partially), B5, B6 (partially), B7 (partially), B8 (partially), B10 – B12 (partially). B3 and B9 are entirely covered. **Standard setters** asked to clarify the "if applicable" approach to be better understood in the various disclosures. Additionally, they suggested to move BP6 (BPM) into B7 (BM). For B11 Standard Setters suggested to add positive aspect as well. The more specific suggestions provided for the other disclosures can be found in the agenda paper 05-05 – Detailed feedback from comment letters (outside online Survey). Accountants suggested to delete B11. Additionally requests to align ESRS S1 definition to B8, B9, and B10, expanding the VSME definition of own workforce. For other disclosures, accountants request for more simplifications and examples on top of specific requests that can be found in the agenda paper 05-05 – Detailed feedback from comment letters (outside online Survey). **Academics** expressed no comments on the module. **Authorities** requested for simplified guidance for B3, B5 and B6. Specific requests on disclosure can be found in the agenda paper 05-05 – Detailed feedback from comment letters (outside online Survey).

22. On the **Narrative-PAT Module**: **Preparers**: business associations preparers considered this module as too sophisticated/ complex for micro and small SMEs; only medium sized SMEs were considered to be capable of reporting this. Some preparers asked to remove this module from VSME due to complexity. For N1 one preparer suggested specific changes for cooperatives. For N4, phrasing suggestions were provided. For N5, there was a suggestion to omit governance-based questions as SMEs generally, do not have governance bodies. Instead, descriptive/ qualitative questions should be asked. The **User** (rating agency) indicated that all disclosures are partially covered by the rating agency's questionnaire. **Standard_setters** asked to clarify the "if applicable' approach. **Accountants** requested for the simplification of vocabulary. On N2 one accountant asked to delete financial materiality (too complex for SMEs). Some accountants also asked to move N4 – key stakeholder information to N2. **Academics** left no comments. **Authorities**: an authority suggests transforming this module into a Y/N close-ended question module. One authority supports the PAT but suggests some modifications as in agenda paper 05-05 – Detailed feedback from comment letters (outside online Survey).

23. On the **Business Partners Module**: business associators **preparers** indicate relatively low support as they consider it too difficult without external support. With regard to BP1, BP8, and BP9 there is a suggestion to avoid referencing external sources. Data requests for BP1 – BP5 and BP7 – BP10 were perceived as not fit/ adapted for SMEs. Some respondents view BP3's scope 3 data point as too complex. Some suggest the need to provide an "EU GHG calculator" for scope 3 approximations that SMEs can use. For BP4, BP8 and BP9 there is an emphasis in omitting external references within the standard. On the user (rating agency) side, BP2, BP3, BP6 and BP9 are fully covered disclosures. BP4 and BP8 are partially covered. BP1, BP5, BP7, BP10 and BP11 are not covered; for the Narrative PAT Module, N1 to N5 are partially covered, one difference is that their questionnaire includes predefined list of actions on sustainability matters tailored for size/sector. **Standard setters** asked for generally specific changes visible in the agenda paper 05-05 – Detailed feedback from comment letters (outside online Survey). **Accountants** found BP7, 8, & 9 to be a significant preparatory cost for SMEs. Additionally, accountants found BP10 and BP11 irrelevant; one suggested to delete BP10. The suggestion to merge BP3 and BP4 into one disclosure was also brought forth. Other specific changes can be consulted in the agenda paper 05-05 – Detailed feedback from comment letters (outside online Survey). **Authorities** suggested to provide specific cross-referencing to all relevant EU legislations (Pillar 3 ITS templates, SFDR datapoints, and EU Taxonomy Regulation KPIs) to facilitate the access of information for all market participants. The importance of the datapoints of this module was also underlined. 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.

Annex 14: Public Consultation - VSME ED Questionnaire

Questionnaire VSME Exposure Draft

EFRAG Public Consultation – January 2024

DISCLAIMER

This questionnaire supports the development of the Exposure Draft for a Voluntary Standard for non-listed SMEs ('VSME ED'). The purpose of this consultation is to collect feedback from a variety of stakeholders on of its content.

The VSME ED is the result of EFRAG SRB and SR TEG discussions and includes inputs from EFRAG Expert Working Group and the EFRAG VSME community as well as stakeholders outreach events. This work benefits from the research conducted by the SME working group "Cluster 8" of the EFRAG Project Task Force on European sustainability reporting standards. The following background documents are included in the package (Annex 1 and 2 available here) to help respondents framing their responses:

- **Annex 1: VSME ED**
- **Annex 2: Basis for conclusions for VSME ED** illustrating the reasoning behind the content of the ED.
- **Annex 3: Approach to Value Chain Cap in ESRS LSME ED and VSME ED (link)**

Deadline for answer is 21 May 2024 (EoD)

SURVEY INTRODUCTION

Thank you for taking the time to complete this survey.

The purpose of this survey is to receive feedback from constituents on the VSME ED. The feedback will be collated by EFRAG Secretariat and analysed by EFRAG SR TEG and SRB to finalise the VSME draft for delivery to the European Commission ('EC').

Why VSME? EFRAG's work on a voluntary standard for non-listed micro, small and medium undertakings is outside the Corporate Sustainability Reporting Directive (CSRD).

As specified in the EC Q&A accompanying the adoption of the Delegated Acts ESRS in July 2023, EFRAG is developing a simpler, voluntary standard for use by non-listed SMEs to enable non-listed SMEs to respond to requests for sustainability information in an efficient and proportionate manner as well as to facilitate their participation in the transition to a sustainable economy. The EC SME Relief Package of September 2023 refers to the VSME ED as a measure to support SMEs in accessing sustainable finance VSME ED will allow non listed SMEs (including micro) to face growing requests for ESG data and to lower the entry barrier to reporting. In addition, undertakings with no company statute (self-employed) are expected to use this VSME. The benefits of VSME will depend on market acceptance and recognition that the VSME ED is suitable to replace a substantial part of the various questionnaires (from lenders, corporates, investors) currently used to collect such information from SMEs.

Micro, small and medium undertakings are in number the vast majority of enterprises in Europe.

General approach to users' needs: When answering to the questions in this Survey and assessing the appropriateness of the proposed disclosures, respondents are invited to consider the perspective of the users' needs of this particular ED (users being primarily SMEs' business partners, i.e. lenders, other investors, corporates) and to take into account the capacities of the SMEs, especially as they are not in the scope of the CSRD. Such information is also expected to support the perspective of public interest.

In this questionnaire, if not differently specified, the terms "SMEs" and "undertaking(s)" refers to non-listed micro, small and medium undertakings in the scope of VSME ED.

If you have no opinion on a question you can skip the question.

INFORMATION ON SURVEY PARTICIPANT

First Name: _____

Last Name:_____

Name and Type of organization (Preparer, User, Other): _____

Preparers are identified as those which choose to prepare a sustainability report under the VSME ED.

Users are identified as those using the sustainability information produced by applying VSME ED (in particular those are investors, lenders, large undertakings as SME's value chain partners).m

- **If preparer:**
  - does your undertaking have a company statute? Yes/No.
  - are you subject to requirements to publish annual accounts? Yes/No.

- **If preparer,** please specify whether you are a:
  - Micro undertaking (below 10 employees)
  - Small undertaking (between 10 and 50 employees)
  - Medium undertaking (between 50 and 250 employees)
  - Small practitioner accountant (SMP) working with small and medium-sized enterprises (SMEs)
  - Business / Sector, international/ European or national organizations (as proxy for SMEs)
    - Specify which sector.
- **If user**, please specify whether you are:
  - User of sustainability reporting information (e.g. bank or investor)
  - Large undertaking as SME's business partner
  - Rating Agency (as proxy for user)
  - Public authority in processing sustainability information for tenders
  - Business / Sector, international/ European or national organizations (as proxy for SMEs)
    - Specify which sector.
  - Small and medium sized enterprise (SME) as SME's business partner
- **Other**:
  - National or European authority/Standard Setter
  - Non-Government Organization ("NGO")
  - Unions/Worker representatives
  - Academic or research institution
  - Accountant/Consulting services/Assurance provider
  - Other (please specify)

"Other" respondents can choose to respond either as Preparers (proxy) or as Users (proxy). In this case, in addition they can provide complementary comments to cover the other perspective, using the last open question in Part 2 of the questionnaire.

Main country of operations (choose from menu)

Main sector of operations (choose from menu)

Depending on the group you have selected, you will be asked different questions.

SURVEY STRUCTURE

This survey is structured as follows:

A) Part 1: VSME ED – General key questions (**CRITICAL, please consider answering all questions**) (If you only wish to complete Part 3, please page through the questionnaire to there).

B) Part 2: VSME ED – Detailed questions on principles and datapoints in the 3 modules (**ADDITIONAL, please complement your answers in part 1 by answering part 2 as much as possible**) (If you do not wish to complete this part, please page through to Part 3 on the Value chain cap or the submission page as relevant).

C) Part 3: Value chain cap (Separate section on the role of VSME and LSME in respect to the trickle-down effect) value chain cap as determined by the ESRS LSME) (Please note that here you are requested to choose whether you want to respond in brief on this topic or in a more detail. Please note that the questions on the value chain cap here are the same as in the LSME questionnaire in part A2 and if you respond to both questionnaires, you do not need to repeat your answers.)

You can choose to answer any part on its own or combination with the other parts.

Survey instructions

Some questions in the survey will appear depending on your previous answers or choices. You will now be able to save your responses before final submission. **Please note that EFRAG only considers completed surveys - partial submissions cannot be technically processed. You will receive an email with your response on submission.**

QUESTIONS

PART 1: General Key Questions (CRITICAL)

Objective, simplifications and modules

Please refer to the text of VSME ED in Annex 1 and to the text of Basis for conclusions for VSME ED in Annex 2.

Q1. The objective of this ED is to provide a simple reporting tool, that can credibly replace a substantial part of the questionnaires used by business partners (lenders, investors and corporate clients) in requesting ESG data from SMEs and that can support SMEs in monitoring their sustainability performance. While the ED has been built mainly on the basis of questionnaires from business partners, the resulting information is expected to also benefit SMEs by improving their management of sustainability issues and, in this way, contribute to a more sustainable and inclusive economy.

Do you agree with this standard setting objective?

Yes/No/Please explain your answer.

Q2. VSME ED has been structured in three separate modules:
The **Basic Module** is the entry level for SMEs and the target for micro-SME; it is required also in case of use of one of the two other modules.
The **Narrative-Policies, Actions and Targets (PAT) Module** is expected to be used by SMEs that have already in place some formalised policies, actions and targets.
The **Business Partners (BP) Module** is expected to be used when an SME faces data requests from its business counterparties.

The following alternatives for reporting uses are possible under the VSME ED:

1) The Basic Module alone;
2) The Basic Module with the Narrative-PAT Module;
3) The Basic Module with the Business Partners (BP) Module;

4) All three Modules together.

Do you agree that these alternatives are appropriate to deal with the diversified undertakings in scope (both number of employees and economic sectors) in the context of the objective as stated in Q1 of this questionnaire?

Yes/No/Please explain your answer.

Q3. The Basic Module is written in simplified language to make it easily understandable for micro and SME undertakings, while ensuring clarity in terms defined by the ESRS with 12 disclosures to be reported. There is no need for a materiality analysis. Certain disclosures are required only if the undertaking considers them "applicable".
Do you agree that the **Basic Module** is proportionate, understandable (in terms of language), and has a reasonably complete set of disclosures to be used as a starting point?

Yes/No/Please explain your answer.
If answer is NO, please indicate the relevant disclosure.

Q4. The Narrative-Policies, Actions and Targets (PAT) Module is suggested in addition to disclosures in the Basic Module, to undertakings that have formalised and implemented PAT. Materiality analysis is required to determine and disclose the sustainability matters that are relevant for the undertaking.
Do you agree with the content and approach of the **Narrative-PAT Module**, which is reserved to undertakings that have Policies, Actions and Targets (PAT) in place?

Yes/No/Please explain your answer.

Q5. The Business Partners (BP) Module sets datapoints to be reported in addition to disclosures in the Basic Module, which are likely to be included in data requests from lenders, investors and corporate clients of the undertaking. Materiality analysis is required, in order to determine and disclose the sustainability matters that are relevant for the undertaking.
Do you agree with the content and approach to the **Business Partners (BP) Module,** as a replacement and standardisation of information requests by business partners, being a proportionate but complete set of ESG disclosures?

Yes/No/Please explain your answer.

Q6. FOR USERS and PREPARERS ONLY: Kindly indicate the proportion of ESG questionnaires or other ESG information requests that are used to collect data from SMEs (both for reporting and managerial purposes) that could be replaced if the SMEs provide the information covered by the three modules of the VSME ED.

- **Below 20%; 20-50%; 50% -80%; above 80%**
- **Please explain what items are missing and your rationale.**

Sector guidance

Q7. Sustainability matters may be highly dependent on the specificities of the relevant sector(s) that the reporting undertaking operates in. Please select your recommended course of action for standard setting and guidance purposes on this matter.
[PLEASE SELECT ONE]

1. Undertakings applying VSME ED should apply on a voluntary basis existing reporting practices, without specific EFRAG guidance.
2. Undertakings applying VSME ED should apply on a voluntary basis the content of the future Sector ESRS for large undertakings.
3. Undertakings applying VSME ED should apply on a voluntary basis sector specific guidelines and disclosures designed for non-listed SMEs, to be issued by EFRAG as a non-authoritative annex to the future sector-ESRS.

4. Undertakings applying VSME ED should apply on a voluntary basis sector specific guidelines and disclosures applicable to both listed and non-listed SMEs, to be issued by EFRAG as a non-authoritative annex to the future sector-ESRS.

Please note that your answer will be complemented by question 13 on the additional dimension of reporting including sectors.

Please provide your comments, if any.

PART 2: Detailed questions on principles and datapoints (ADDITIONAL, to complement part 1)

a. Principles for preparation

Please refer to the text of VSME ED in Annex 1.

Q8. Do you agree with the proposed Principles for the preparation of the sustainability report in VSME ED?

Principles for the preparation of the sustainability report (Basic Module, Narrative-PAT Module, Business Partners Module)			
	Agree	**Disagree**	**Comment**
a) Complying with this Standard (paragraphs 9 and 10 in VSME ED)			
b) Preparation on a consolidated basis (paragraph 12 in VSME ED)			
c) Timing and location of the Sustainability Report (paragraphs 13, 14 and 15 in VSME ED)			
d) Classified and sensitive information, and information on intellectual property, know-how or results of innovation (paragraph 16 in VSME ED)			

[PER EACH 'DISAGREE': please explain your reasoning]

Q9. Additional question on Complying with this Standard. Undertakings should indicate which modules or which combination of modules they expect to use. This question aims at better understanding the market acceptance as a fundamental aspect of the standard on the two different sides of users and preparers (please refer to BC5 in Annex 2 *Basis for conclusions for VSME ED*). In this context, how do you anticipate to make use of the modular approach:

[MULTIPLE SELECTION POSSIBLE]

IF PREPARER:	Basic Module	Basic Module + Narrative Module	Basic Module + Business Partners Module	All 3 Modules	Rationale for your answer
Specify which approach(es) you would consider when applying VSME ED					

[MULTIPLE SELECTION ALLOWED]

IF USER:	Basic Module	Basic Module + Narrative Module	Basic Module + Business Partners Module	All 3 Modules	Rationale for your answer
Specify which approach(es) you deem most appropriate to cover the information needs you require					

Q10. Additional question on Preparation on a consolidated basis. The VSME ED recommends the undertakings that are parent of small and medium sized groups to prepare consolidated reports for their sustainability statement, i.e. to include data of their subsidiary/ies in the report. Do you agree with this approach?

Yes/No/Please explain your answer.

Q11. Since non listed SMEs are outside the scope of CSRD, the subsidiary exemption (see CSRD Art. 19a9) does not apply to them. One proposal that EFRAG could consider is to include such exemption in VSME ED, as a further incentive to apply consolidated sustainability reporting. Would you consider the inclusion of a subsidiary exemption to VSME ED as pertinent and feasible?

Yes/No/Please explain your answer.

Q12. Additional information component including sectors (VSME ED par. 11, applicable to all the modules)

Depending on the type of activities carried out, the inclusion of additional information about issues that are common to the undertaking's sector supports the provision of relevant, faithful, comparable, understandable and verifiable information. While acknowledging the difficulties that this requirement may raise for SMEs, the inclusion of this additional dimension was considered an important element of VSME ED to fulfil in particular-sector specific disclosures. Do you agree with this approach?

Yes/No/Please explain your answer.

b. Basic Module

Q13. The Basic Module is the entry level for non-listed SMEs and has a highly simplified language. Ideally the undertaking should be able to produce these disclosures with limited help of consultants. It comprises 12 disclosures which have been mapped with existing voluntary initiatives (i.e. Nordic Sustainability reporting standards for SMEs, German Sustainability Code, CDP guide for SMEs etc.). These disclosures have been identified as recurring in the questionnaires analysed by the EFRAG Secretariat (please refer to Annex 2 *Basis for conclusions for VSME ED* for more details).

With reference to the proposed disclosure requirements, please include your answer in the table below:

VSME ED	**IF PREPARER:** **Feasible / Difficult to prepare /Already disclosed under other reporting schemes or regulations (i.e. EMAS)** **If answer is Difficult to prepare: Please explain the challenge and what would help you to prepare this disclosure.** **Optional Comments.**	**IF USER:** **This disclosure is essential/Not necessary** **Optional Comments.**	**IF OTHER RESPONDENT: Do you have comments on the inclusion and content of this disclosure?**
Disclosure B 1 – Basis for Preparation			
Disclosure B 2 – Practices for transitioning towards a more sustainable economy			
B 3 – Energy and greenhouse gas emissions			
B 4 – Pollution of air, water and soil			
B 5 – Biodiversity			
B 6 – Water			
B 7 – Resource use, circular economy, and waste management			
B 8 – Workforce – General characteristics			
B 9 – Workforce - Health and Safety			

VSME ED	**IF PREPARER:** **Feasible / Difficult to prepare /Already disclosed under other reporting schemes or regulations (i.e. EMAS)** **If answer is Difficult to prepare: Please explain the challenge and what would help you to prepare this disclosure.** **Optional Comments.**	**IF USER:** **This disclosure is essential/Not necessary** **Optional Comments.**	**IF OTHER RESPONDENT: Do you have comments on the inclusion and content of this disclosure?**
B 10 – Workforce – Remuneration, collective bargaining, and training			
B 11[23] – Workers in the value chain, affected communities, consumers and end-users			
B 12 – Convictions and fines for corruption and bribery			

Q14. FOR USERS ONLY: Is there any datapoint(s) missing from this module that you consider as essential to meet your information needs?

Yes/No.

If Yes, please specify the datapoint(s) and provide a rationale for your answer.

Q15. B3 to B7 require disclosure of environmental performance metrics. There are other schemes used by SMEs requiring reporting of similar metrics, such as the European Eco-Management and Audit Scheme (EMAS – Regulation (EC) No. 1221/2009). Do you see any potential for better alignment with those other reporting schemes?

Yes/No/Please explain your answer.

[23] This datapoint was not identified in any of the questionnaires analysed by EFRAG Secretariat but was inserted to keep consensus based on the recommendation by some EFRAG SRB members.

Q16. The guidance provided for B9 on the number of fatalities as a result of work-related injuries and work-related ill health refers to incidents arising during travel and, outside of the undertaking's responsibility (e.g. regular commuting to and from work). These incidents are subject to the applicable national legislation that regulates their categorisation as to whether these are work-related or not. Is the practice in your country to include such incidents as work-related fatalities?

Yes/No/ Please explain your answer including references to the relevant legislation.

Q17. B10 (a) requires undertakings to disclose the relevant ratio of the entry level wage to the minimum wage, when a significant proportion of employees are compensated based on wages subject to minimum wage rules. This datapoint deviates from the disclosure requirement on adequate wages established in ESRS S1-10 – Adequate wages (from paragraphs 67 to 71) as a simplification (i.e., easier to collect). Do you consider that this requirement will provide relevant and comparable information?

Yes/No/Please explain your answer.

Q18. B11 was drafted to cover, in a simplified way, a description of the process to identify material impacts and a description of those for workers in the value chain, affected communities and consumers/end-users. This disclosure is an exception to the general approach in the Basic Module where materiality does not apply. **As a compromise, it was included as a voluntary disclosure.** Do you agree with this approach?

Yes/No/Please explain your answer.

Q19. In order to help SMEs prepare the sustainability report, specific guidance has been developed for the Basic Module in paragraphs 87 to 167 of VSME ED. Do you think that it is useful for the preparation of the report? Do you think it is sufficient?

Yes/No/Please explain your answer or add suggestions.

c. Approach to materiality of matters and Principles for preparation (common to Narrative-PAT and Business Partners Modules)

Q20. Do you think that the language and approach to the Principles of Materiality to be applied to the Narrative-PAT Module and Business Partners (BP) Module are proportionate for the undertakings in scope? Please include your feedback in the table below:

VSME ED	**Agree/ Disagree**	**Comment**
Impact materiality (paragraphs 46-50 in VSME ED)		
Financial materiality (paragraphs 51-55 in VSME ED)		
Stakeholders and their relevance to the materiality analysis process (paragraphs 56 and 57 in VSME ED)		

Q21. The VSME ED requires to perform materiality analysis in order to disclose which of the sustainability matters listed in Annex B of VSME ED (which is the same as AR 16 of ESRS 1 *General requirements*) are material to the undertaking. Therefore, users will understand for which material matters the undertaking does not have Policies Actions and Targets (PAT) in place. This approach (like for ESRS Set 1) is designed to have a reliable depiction of what the undertaking is doing to address sustainability matters, avoiding greenwashing. At the same time, this approach only requires reporting the PAT (Policies,

Actions and Targets) that the undertaking has in place. No information is required when they have no PAT in place for a material matter (in addition to the list of material matters itself).

In the VSME ED, the Narrative-PAT and Business Partners Modules require assessing the materiality of the matters, as it considers the disclosure of only material matters as essential information for users. **Do you agree with this approach?**

a) **For all respondents: Yes/No/Please explain your answer.**
b) **For users only:** Is the list of material matters essential for you? **Yes/No/Please explain your answer.**

Q22. As a way to simplify the materiality approach, whenever possible the notion of "report only if applicable" has been introduced. This filters information to be reported by undertakings on the basis of relevance. No disclosure is expected for a specific datapoint, when the undertaking's circumstances are different from those that would trigger disclosure of that specific datapoint, as described by the relevant provision in VSME ED. This is particularly important for the Basic Module, where no materiality analysis is foreseen and all the disclosures are to be reported, if applicable. Disclosures in the Business Partners module are to be reported are to be reported if they are applicable and for BP 5,7, 8, 9, 10 (for which the "if applicable" approach would not work) if they are relevant to the undertaking's business and organisation.

Do you agree with this approach?

Yes/No/Please explain your answer.

Q23. Financial opportunities have been included only on an optional basis in VSME ED since the CSRD focused on negative impact when addressing SMEs. Do you agree?

a) **Yes, reporting for financial opportunities should be optional**
b) **No, reporting for financial opportunities is not needed for non-listed SMEs (focus on negative impacts only).**

Please explain your answer.

Q24. Do you agree with the proposed principles for the preparation of the sustainability report for the Narrative-PAT and Business Partners Module in VSME ED? Please include your feedback in the table below:

Principles for the preparation of the sustainability report (Narrative-PAT Module, Business Partners Module)			
	Agree	**Disagree**	**Comment**
a) Time horizons (paragraph 40 in VSME ED)			
b) Coherence and linkages with disclosures in financial statements ((paragraph 41 in VSME ED)			

[PER EACH 'DISAGREE': please explain your reasoning]

Please add your comments, if any.

d. Narrative-Policies, Actions and Targets (PAT) Module

Q25. Do you agree with the content of the disclosures required by the Narrative-PAT Module of VSME ED? Please refer to Annex 2 Basis for conclusions for VSME ED for further detail. Please include your feedback in the table below:

VSME ED	**USER = This disclosure is essential/Not necessary** **PREPARER= Feasible/ Difficult to prepare/ Already disclosed under other reporting schemes or regulations**	**OTHER RESPONDENTS: Do you have comments on this disclosure?**
Disclosure N 1 – Strategy: business model and sustainability related initiatives		
Disclosure N 2 – Material sustainability matters		
Disclosure N 3 – Management of material sustainability matters		
Disclosure N 4 – Key stakeholders		
Disclosure N 5 – Governance: responsibilities in relation to sustainability matters		

Q26. FOR PREPARERS ONLY: If you anticipate that you will apply the Narrative-PAT module, have you implemented policies, actions and targets (PAT) and/or climate transition plans due to requests of counterparties in the value chain?

Yes /No/Please explain.

Q27. FOR USERS ONLY: Are there any datapoint(s) missing from this module that you consider as essential to meet your information needs?

Yes/No/Please specify the datapoint(s) and provide a rationale for your answer.

Q28. N3 requires the disclosure of policies, actions and targets to manage material sustainability matters. There are other schemes used by SMEs requiring reporting of similar information, such as the European Eco-Management and Audit Scheme (EMAS – Regulation (EC) No. 1221/2009) regarding environmental policies, actions and targets. Do you see any potential for better alignment with those other reporting schemes?

Yes/No/Please explain your answer.

e. Business Partners (BP) Module

Q29. While acknowledging the complexities of this calculation specifically for SMEs, the inclusion of greenhouse gas (GHG) Scope 3 emissions as the entity-specific dimension was considered an important

element of disclosure in some sectors. The Business Partners Module includes an entity specific consideration for GHG Scope 3 emissions to guide undertakings in certain sectors and for which Scope 3 GHG emissions are material in addition to the disclosures envisaged in B3 Energy and GHG emissions (Basic Module). Do you agree with the inclusion of GHG Scope 3 emissions **in the Business Partner Module in the paragraph** "*Entity specific consideration when reporting on GHG emissions under B3 (Basic Module*)"?

Yes/No/Please explain your answer.

FOR PREPARERS ONLY: Is this disclosure feasible? **Yes/No/Please explain your answer.**

Q30. Do you agree with the content of disclosures required by the Business Partners (BP) Module of VSME ED? Please note that you can find the background for each Disclosure in the Annex 2 *Basis for conclusions for VSME ED* (BC130. to BC149). Please include your feedback in the table below:

VSME ED	**IF PREPARER: Feasible/Difficult to prepare/ Already prepared for other purposes**	**IF USER: This disclosure is essential/Not Necessary**	**IF USER: If present in questionnaires, specify to which category of SME (micro, small, medium) the question is asked**	**IF USER: If present in questionnaires, is this asked only for certain sectors? If yes, which ones?**	**Comment (FOR ALL CATEGORIES OF RESPONDENTS)**
Disclosure BP 1 – Revenues from certain sectors					
Disclosure BP 2 – Gender diversity ratio in governance body					
Disclosure BP 3 – GHG emissions reduction target					
Disclosure BP 4 – Transition plan for climate change mitigation					
Disclosure BP 5 – Physical Risks from					

VSME ED	IF PREPARER: Feasible/Difficult to prepare/ Already prepared for other purposes	IF USER: This disclosure is essential/Not Necessary	IF USER: If present in questionnaires, specify to which category of SME (micro, small, medium) the question is asked	IF USER: If present in questionnaires, is this asked only for certain sectors? If yes, which ones?	Comment (FOR ALL CATEGORIES OF RESPONDENTS)
climate change					
Disclosure BP 6 – Hazardous waste and/or radioactive waste ratio					
Disclosure BP 7 – Alignment with internationally recognized instruments					
Disclosure BP 8 – Processes to monitor compliance and mechanisms to address violations					
Disclosure BP 9 – Violations of OECD Guidelines for Multinational Enterprises or the UN Guiding Principles (including the principles and rights set out in the 8 fundamental conventions of the ILO					

VSME ED	IF PREPARER: Feasible/Difficult to prepare/ Already prepared for other purposes	IF USER: This disclosure is essential/Not Necessary	IF USER: If present in questionnaires, specify to which category of SME (micro, small, medium) the question is asked	IF USER: If present in questionnaires, is this asked only for certain sectors? If yes, which ones?	Comment (FOR ALL CATEGORIES OF RESPONDENTS)
Declaration and the International Bill of Human Rights)					
Disclosure BP 10 – Work-life balance					
Disclosure BP 11 – Number of apprentices					

Q31. FOR USERS ONLY: Disclosures in this module are reported if applicable, with the exception of BP 5, 7, 8, 9, 10 that are omitted when considered not material. Do you agree with this approach?

Yes/No/Please explain your answer.

Q32. With reference to **disclosures BP 7, BP 8 and BP 9**, the objective of these three disclosures is to assess the SME's commitment to respecting human rights. The ED has used the terms in the Sustainable Finance Disclosures Regulation (SFDR), applicable to the financial market participants (for example banks), for consistency purposes. Are there alternative disclosures covering the same objective regarding the human rights of own workforce and that are more suitable than these disclosures?

Yes/No/Please explain your answer including updated/proposed text.

Q33. Do you think that it would be beneficial to split the Business Partners (BP) Module into sub-modules depending on the nature of the user (for example “banks”, “investors”, “large corporates”)?

Yes/No/Please explain your answer.

Q34. Some of the questionnaires of banks and other business partners analysed by EFRAG Secretariat included also datapoints related to the EU-taxonomy regulation, despite non-listed SMEs being out of scope. EFRAG considered that preparing this information would be too complex for non-listed SMEs. We note that the EU Platform for Sustainable Finance may in the future make a proportionate tool for EU-taxonomy available. In particular, to meet the technical criteria for inclusion in the climate mitigation taxonomy, large undertakings have to consider the greenhouse gas (GHG) emissions of their various economic activities. These undertakings will need data from their suppliers. Small and medium-sized enterprises (SMEs) playing a crucial role in these undertakings’ supply chains may be asked to provide the following information voluntarily to streamline the process for themselves and their clients:

- SMEs whose activities fall under enabling activities of the Climate Delegated Act, e.g., categories 3.6 (Manufacture of renewable energy technologies) or 9.1 (Market research, development and innovation), should disclose the emission savings of their technology compared to the best-performing alternative.

Do you think that VSME ED should include this additional datapoint to cover EU-Taxonomy disclosures?

Yes/No/Please explain your answer.

Q35. In order to help SMEs prepare their sustainability report, specific guidance has been developed for the Business Partners Module in paragraphs 169 to 193 of VSME ED. Do you think that it is useful in the preparation of the sustainability report? Do you think it is sufficient?

Yes/No/Please explain your answer.

Q36. FOR USERS ONLY: Are there any datapoint(s) missing from this module that you consider as essential to meet your information needs?

Yes/No/Please specify the datapoint(s) and provide a rationale for your answer.

Q37. FOR USERS ONLY: Appendix C of VSME ED reflects the SFDR, Benchmark, Pillar 3 datapoints in VSME ED. This is to support particularly banks and investor to compare the data between SMEs and larger clients and to allow for aggregation. Is Appendix C clear?

Yes/No/Please explain your answer.

Q38. FOR USERS ONLY: Do you think that the ability of VSME ED to replace the existing ESG questionnaires or other ESG information requests can be further increased, if some datapoints were added to VSME ED?

Yes/No.

IF YES: please explain your answer.

IF NO: Why do you think that the ability of VSME ED to replace the questionnaires cannot be increased?

[select one or more]

- Sector-specific data is not suitable for a sector-agnostic VSME ED
- Data demands that are specific to your relationship with the SME and cannot be standardized
    - In this case: please explain your reasoning.
- Other reasons
    - In this case: please explain.

Q39. Please provide any further comments not addressed in part 1 or 2 of the questionnaire here:

[Comment box]

Q40. If you want to provide additional comments in a document on aspects not covered in the questionnaire, please upload your file here.

[Browse document]

PART 3: Value chain cap (Separate section on the value chain cap as determined by the ESRS LSME)

Non-listed SMEs receive data requests from large undertakings, including due to reporting obligations in the CSRD.

Jointly with the consultation on VSME ED to the consultation on this voluntary standard for non-listed SMEs, EFRAG is also consulting on the content of ESRS for listed SMEs (ESRS LSME ED). While ESRS cannot result in large undertakings having to request disclosures that are not included in ESRS LSME ED (which sets the value chain cap from a legal perspective), the VSME ED is intended to play a key role in

supporting SMEs, when they prepare the information needed by large undertakings for ESRS reporting, as well as for other obligations including for business purposes. Therefore, VSME ED includes simplified disclosures that generally correspond to the reasonable expectations of ESRS Set 1 preparers (i.e. large undertakings that prepare their sustainability statement under ESRS). As a consequence, non-listed SMEs that apply VSME ED will in general be able to meet the data requests defined for value chain in ESRS LSME ED, except for very specific cases. These cases correspond to disclosures which are included in ESRS LSME ED (therefore SMEs may receive data requests from large undertakings relating to these disclosures, either due to their ESRS reporting obligations or for other obligations and business purposes), but are not included in the VSME ED, due to their excessive complexity for non-listed SMEs in general. They are principally of a sectorial nature (GHG Removals, substances of concern/high concern, resource inflows), mainly needed for management or specific arrangement purposes. More information is provided on these disclosures in Annex 3 [link].

Please note that the questions on the value chain cap here are the same as in the LSME questionnaire in part A2 and if you respond to both questionnaires, you do not need to repeat your answers.

Q41. Do you agree with the approach taken by EFRAG on the Value Chain Cap?

Yes/No.

If Yes: Please explain your answer.

IF No: Are you willing to provide detailed feedback based on Annex 3?

- **If No**: please explain your answer in brief.
- **If Yes**: Select the areas of disclosure (from the table below) for which you disagree with EFRAG conclusion (For further details please refer to Annex 3 [link])

AREA OF DISCLOSURE	**DISAGREE [ALLOW MULTIPLE SELECTION]**	**IF DISAGREE: EXPLAIN WHY REFERRING SPECIFICALLY TO CONTENT OF ANNEX 3**
1. SBM-1,SBM-3, IRO-1: for both LSME and VSME EDs the conclusion is that no undue effect expected from ESRS reporting		
2. Policies, Actions and Targets (PAT): for both LSME and VSME EDs the conclusion is that no undue effect expected from ESRS reporting		
3. Climate Transition plan (Section 3 Actions – AR 6 and AR11): for both LSME and VSME EDs the conclusion is that no undue effect expected from ESRS reporting		
4. GHG emissions (E1-2 GHG emissions – Scope 3): for both LSME and VSME EDs the conclusion is that no undue effect expected from ESRS reporting		
5. GHG removal (E1-3 GHG removals): No undue effect on LSMEs expected from ESRS reporting. Additional information (not for ESRS reporting but for the implementation of possible specific arrangements) may be needed beyond VSME but is too specific to be covered by VSME ED.		
6. Substances of concern and substances of very high concern (E2-2 Substances of concern and substances of very high concern): No undue effect on LSMEs expected		

AREA OF DISCLOSURE	DISAGREE [ALLOW MULTIPLE SELECTION]	IF DISAGREE: EXPLAIN WHY REFERRING SPECIFICALLY TO CONTENT OF ANNEX 3
from ESRS reporting. Additional information (not for ESRS reporting but for the implementation of possible specific arrangements) may be needed beyond VSME but is too specific to be covered by VSME ED.		
7. Resource inflows (E5-1 Resource inflows): for both LSME and VSME EDs the conclusion is that no undue effect expected from ESRS reporting		
8. Entity specific disclosures: For both EDs: Perspective 1: Possible trickle-down effect under specific arrangements to allow Set 1 preparers to cover material sector and/or to disclose entity-specific information including value chain. Perspective 2: not applicable, as the datapoint cannot be defined (due to entity-specific nature of the disclosure).		

Q42. Do you have any other comment on value chain?

Annex 15: Public Consultation Field Test Questionnaire

VSME ED - EFRAG Field Test

Purpose and content of the field test

EFRAG is consulting on its Exposure Draft for a voluntary sustainability reporting standard for non-listed SMEs (including micro undertakings) (VSME ED). A questionnaire has been prepared to support the collection of public feedback in the consultation and can be found [here].

This field test is conducted in parallel with the public consultation and intends to complement the outcome of the consultation, with additional fact-based evidence. The purpose is to gather facts and evidence on the challenges and benefits of the content of the ED, from stakeholders that will prepare actual disclosures applying VSME ED. **From the preparers' perspective,** the participation to the field test may take two forms: Actual preparation of (or part of) the disclosures in VSME ED, respond to the Field Test Questionnaire and participation to workshops and/or interviews with EFRAG Secretariat; or

(a) Preparation (such as assessment of the challenges and benefits deriving from the disclosures in VSME, supported by the Field Test Questionnaire) and participation to workshops and/or interviews with EFRAG Secretariat.

While the second approach is less strenuous, EFRAG encourages preparers to follow the first approach as far as possible as it will provide significantly more useful information.

From the users' perspective, the participation to the field test require preparation and participation to workshops and/or interviews with EFRAG Secretariat.

The Field Test focuses on the following key elements:

(a) The costs and challenges associated with each of the disclosures;

(b) The understandability of the guidance provided in the ED and its ability to support the implementation of the disclosure requirements; and

(c) The expected benefits of the disclosures.

Practical considerations

A preparer may elect to test one or more of the following modules:

- Basic Module
- Narrative-PAT Module
- Business Partners Module.

The application of the *General Principles for the preparation of the sustainability report* is considered as part of each module.

A prerequisite to participation in the field test is the completion of the consultation questionnaire as well as the field test questionnaire. This means that all the questions in the consultation questionnaire related to the selected module(s) need to be answered and may be further discussed in the workshops/interviews.

Mocked- up sections of sustainability statement would be very welcome but are not required (approach a) versus b) on the previous page).

All information provided will be treated confidentially and it may be shared with the consultant assisting with the Cost Benefit Analysis. The results of the Field Test will be published on an anonymised basis.

After analysis of the responses, the results will be discussed at workshops jointly with other preparers and users that participate to the field test discussion to validate the outcomes from the field test, as well as to ensure a full understanding of responses. The workshops are planned for the first half of May 2024. The results from the test will then be presented to the EFRAG SRB and EFRAG SR TEG and considered as part of the consultation material.

EFRAG is looking for participants that allow for a balanced coverage of:

- countries in the European Economic Area, sectors, size;
- preparers with experience in voluntary reporting sustainability matters and/or communicating through sustainability related questionnaires with counterparties information related to sustainability matters;
- from the users' side: Business partners and other counterparties (including lenders, investors) of non-listed SMEs.

For further information, please contact VSME@efrag.org.

Please complete the selected modules for this questionnaire and the corresponding questions in the consultation questionnaire by **21 April 2024**.

Please note that answers will be considered only if you press the Submit button. After completing the questionnaire, you will receive a confirmation email.

Field Test Questionnaire

1) Please indicate whether you want to be contacted for any follow-up questions*:

( ) Yes, I want to be contacted.

( ) No, I do not want to be contacted.

2) Please indicate which module(s) you will respond to in this questionnaire*:

( ) Basic Module (if applied in part, please specify)

( ) Basic and PAT Module (if applied in part, please specify)

( ) Basic and Business Partners Module (if applied in part, please specify)

( ) All three

EFRAG encourages to provide input on all the disclosures in a module once chosen, as this is more useful for the analysis.

3) Please indicate if for the purposes of this field test you prepared the disclosures in the selected module(s)*

( ) YES – we will provide our feedback based on the preparation of the disclosures in the selected modules (delivery of the actual disclosures/mock-up of it is optional)

( ) NO – we will not prepare the disclosures in the selected modules, but we will run preparatory analysis and report during the workshop/interview.

* Denotes that the information has to be provided.

Part 1 – Preparation of Basic Module

1) **IF PREPARER:** When considering the disclosures covered by the Basic Module of VSME ED, please indicate which of the following operational challenges would be relevant in your opinion, if applicable (the items are not mutually exclusive so you can select more than one item):

( ) Availability of data with appropriate quality

( ) Availability of IT or supporting tool

( ) Availability of skills and resources

( ) Complexity in language

( ) Complexity in requirements

( ) Others (specify)

Comments – (please also indicate if this is more pertinent to some disclosures or specific metrics and datapoints)

2)

IF PREPARER. With reference to Metric B 3 to B12 of Basic Module, please state per each disclosure the level of difficulty encountered and why.	Low	Medium	High

3) IF PREPARER: With reference to the Basic Module, please state the estimated total cost (in euros) to prepare it, with a breakdown as follows:

a. HR/Personnel costs
b. Consultancy costs
c. IT costs (e.g. software, online platforms)
d. Other (specify)

Please distinguish your estimates between first year of preparation and recurring costs.

4)

IF USER. With reference to Metric B 3 to B12 of Basic Module, please state the level of relevance and related benefit for information need and why	Low	Medium	High

5) With reference to Metric B 3 to B12 of Basic Module, estimate the benefits in quantitative and/or qualitative terms that the application of this Module would imply with the following breakdown:

a. synergies with other questionnaires (simplification and cost savings) (Value/Text)

b. increased access to finance (Value/Text)

c. access to more clients and better market positioning/competitiveness (Value/Text)

d. awareness and monitoring of sustainability issues (Value/Text)

e. other, please explain your answer. (Value/Text)

Comments – (please also indicate if this is more pertinent to some disclosures or specific metrics and datapoints)

Part 2 – Principles of Materiality applicable in Narrative-PAT and Business Partners (BP) Module

1) **IF PREPARER:** These modules require performing a double materiality analysis (i.e. both financial and impact) in order to identify and disclose the list of sustainability matters that are relevant to the undertaking (i.e. those that expose the company to impacts on people/environment and/or to financial risks). In this context, does impact and financial materiality assessment, stakeholders' identification and engagement support the identification of the relevant matters at a reasonable cost/benefit balance? What specific challenges did you encounter? Please explain.

Part 3 – Preparation of Narrative-PAT Module

1) **IF PREPARER:** When considering the disclosures covered by the Narrative-PAT Module of VSME ED, please indicate which of the following operational challenges would be relevant in your opinion, if applicable (the items are not mutually exclusive so you can select more than one item):

( ) Availability of data with appropriate quality

( ) Availability of IT or supporting tool

( ) Availability of skills and resources

( ) Complexity in language

( ) Complexity in requirements

( ) Others (specify)

Comments – (please also indicate if this is more pertinent to some disclosures or specific data points)

2)

IF PREPARER: With reference to disclosures N 1 to N 5 of Narrative-PAT Module, please state per each disclosure the level of difficulty encountered and why.	Low	Medium	High

3) IF PREPARER: With reference to the Narrative-PAT Module, please state the estimated total cost (in euros) to prepare it, with a breakdown as follows:

a. HR/Personnel costs

b. Consultancy costs

c. IT costs (e.g. software, online platforms)

d. Other (specify)

Please distinguish your estimates between first year of preparation and recurring costs.

4)

IF USER: With reference to disclosures N 1 to N 5 of Narrative-PAT Module, please state the level of relevance and related benefit for information need and why.	Low	Medium	High

5) With reference to disclosures N 1 to N 5 of Narrative-PAT Module, estimate the benefits in quantitative and/or qualitative terms that the application of this Module would imply with the following breakdown:

a. synergies with other questionnaires (simplification and cost savings) (Value/Text)
b. increased access to finance (Value/Text)
c. access to more clients and better market positioning/competitiveness (Value/Text)
d. awareness and monitoring of sustainability issues (Value/Text)
e. other, please explain your answer. (Value/Text)

Comments – (please also indicate if this is more pertinent to some disclosures or specific metrics and datapoints)

Part 4 – Preparation of the Business Partners Module

1) **IF PREPARER:** When considering the disclosures covered by the Business Partners Module of VSME ED, please indicate which of the following operational challenges would be relevant in your opinion, if applicable (the items are not mutually exclusive so you can select more than one item):

( ) Availability of data with appropriate quality

( ) Availability of IT or supporting tool

( ) Availability of skills and resources

( ) Complexity in language

( ) Complexity in requirements

( ) Others (specify)

Comments – (please also indicate if this is more pertinent to some disclosures or specific metrics and datapoints)

2)

IF PREPARER. With reference to disclosures BP 1 to BP 11 of Business Partners Module, please state per each disclosure the level of difficulty encountered and why.	Low	Medium	High

3) IF PREPARER: With reference to the Business Partners Module, please state the estimated total cost (in

euros) to prepare it, with a breakdown as follows:

a. HR/Personnel costs
b. Consultancy costs
c. IT costs (e.g. software, online platforms)
d. Other (specify)

Please distinguish your estimates between first year of preparation and recurring costs.

4)

IF USER. With reference to disclosures BP 1 to BP 11 of Business Partners Module, please state the level of relevance and related benefit for information need and why.	Low	Medium	High

5) With reference to BP 1 to BP 11 of the Business Partners Module, estimate the benefits in quantitative and/or qualitative terms that the application of this Module would imply with the following breakdown:

a. synergies with other questionnaires (simplification and cost savings) (Value/Text)
b. increased access to finance (Value/Text)
c. access to more clients and better market positioning/competitiveness (Value/Text)
d. awareness and monitoring of sustainability issues (Value/Text)
e. other, please explain your answer. (Value/Text)

Comments – (please also indicate if this is more pertinent to some disclosures or specific metrics and datapoints)

Additional input

If you have any additional input you would like to provide (including mock up of disclosures) please upload the relevant files.

[Attach file here]

Annex 16: Summary of post-consultation workshops with banking and SME associations

This annex contains the summary of the workshops held with banking associations on 16 September 2024 and with SME associations on 23 September 2024.

Summary of the VSME Banking Post-Consultation Workshop 16 September 2024

General observations:

1. Support the proposed architecture from 3 banking associations. They find that the two modules (Basic Module and Comprehensive Module) are the most important.

Feedback on Principles

Inclusion of subsidiaries in the reported data:

2. All banking associations support the inclusion of paragraph 13. Two national banking associations suggest adding the following specification as a footnote: “If a subsidiary in the perimeter of the consolidated report is a direct borrower of a bank, the bank may require on a bilateral basis specific information from the subsidiary (i.e. under the VSME).”

Timing and location of sustainability report

3. All banking associations agree with the fact that SMEs have to report on an annual basis mentioning that for those disclosure that did not change from the previous year, SMEs can refer to the information provided for the previous year. In addition, one national banking association suggests that it must be clear that in the case the report is not updated, it must` be clear that information has not changed.

Classified and sensitive information and information on intellectual property, know-how or results of innovation

4. Agreement to delete points a + b of paragraph 17 and introduce in paragraph 23 a specification of whether the company adheres to all requirements of the Modules or whether it omits certain information because it is deemed confidential (explicitly). One national banking association suggested also specify within this disclosure the datapoints that are not applicable for the undertaking. On this last point, EFRAG Secretariat explained that such explanation is already present in the standard in paragraph 20.

Feedback on Basic Module

B1 – Basis for preparation:

1. All banking associations agree to delete the NACE code column in the table in the guidance under paragraph 79. NACE Sector/s classification codes as requested under paragraph 23 (d) (iv) for the undertaking not per site
2. Discussion concerning the term “site” or “local unit”. Ultimately, banking associations agreed that the word “site” is preferred.
3. In addition, banking associations suggest to include “all sites” (not only strategic ones). Suggestion by two national banking associations to add “turnover by site” for those sites that add up to 80% of total turnover (for example 4 sites that generate 20% of turnover each) to replace the notion of “strategic sites”. Not supported by other banking associations that considered this proposal and the notion of “Strategic sites” too difficult.
4. On geolocation, two banking associations suggested including also the altitude as a third coordinate.

B2 – Practices, policies and future initiatives for transitioning towards a more sustainable economy:

5. All banking associations agreed with the template in the guidance (they found it very user friendly) and with the new disclosure.

B 3 – Energy and greenhouse gas emissions

6. All banking associations agreed that GHG intensity has to be asked under this disclosure. They all agreed with the formulation proposed in paragraph 33 by EFRAG Secretariat.
7. All banking associations agreed that building energy certificates (paragraph 32) should be deleted on the basis that it is only needed for those buildings used as collateral for a loan that are usually requested bilaterally as part of the mortgage files.
8. All banking associations agree with the table proposed under paragraph 30. However, one national banking association suggested to specify in the guidance/make more explicit in the table of par. 30 what renewable fuels are exactly covered (geothermal, biofuels...).

B6 - Water

9. All bank association representatives who participate in this discussion stated that the metric on water intensity is not needed and thus could be deleted.

B8 – Workforce General Characteristics

10. Concerning non-employees (paragraph 45), the majority of banking associations (except one national banking association) agreed that paragraph 45 can be deleted. However, EFRAG Secretariat could introduce in the basis for conclusions the fact that information concerning non-employees could be asked bilaterally at a national level.
11. Concerning staff turnover (paragraph 44), majority banking associations (except two national banking associations) support keeping it.

Feedback on Comprehensive Module

C2 – Gender diversity ratio in governance body

12. All banking association representatives agreed to keep C2 as needed. Only one national association stated that it did not need it. To better clarify that if the SME does not have a governance body in place, it does not have to report this disclosure.

C 3 – GHG reduction and climate transition

13. All banking associations agree with this disclosure. One national banking association (one national banking association) suggests specifying the scope of the target under paragraph 60.

C4 – Physical risks from climate change

14. On paragraph 63 point (c), a national bank association representative stated that it would be better to ask “whether it has undertaken or is planning to undertake climate change adaptation actions”.
15. One banking association viewed points (a + b) of paragraph 63 to be too complicated for SMEs and mentioned that these points could be covered by geolocation plus percentage of turnover or employees of each single site in B1. EFRAG secretariat reminded that the VSME should raise awareness in managing environmental risks (among others) and by providing only geolocation SMEs would remain passive in assessing those risks (SR TEG discussions in July).
16. On paragraph 64 (insurance coverage). All banking representatives agreed to compromise to ask as a YES/NO question whether or not insurance coverage exists; if needed banks can ask for the insurance contracts and further details on maturity bilaterally.

C5 – Human rights impacts and complaints and C6 – Incidents related to severe human rights cases

17. Agreement from banking representatives with the drop-down menus proposed under these two disclosures.
18. One national banking association stated that the SMEs should have the possibility to complement the drop-down menu responses with a narrative option.
19. Additionally, one European banking association asked to increase clarity on the word "confirmed cases" in C6 (paragraph 67).

Feedback on Additional Financial Institutions (AFI) MODULE

AFI 1 – Energy Production

20. All banking associations agreed that this disclosure is not necessary but a nice to have, thus they supported the deletion.

AFI 2 – Vehicle Fleet

21. All banking representatives agreed that this disclosure is not needed. They supported the deletion.

AFI 4 – Workforce (General) Additional characteristics

22. Agreement by all banking associations to delete the disclosure on disabilities (paragraph 73). Suggestion to add in basis for conclusions a sentence explaining that such disclosure could be requested bilaterally at a national level.
23. Concerning the female to male ratio at management level, agreement to keep it. However, this could be moved to Basic (B8) or in Comprehensive Module.

AFI 5 – Exclusion from EU reference benchmarks

24. Agreement by all banking associations that this disclosure is needed and could be moved to the Comprehensive Module after C1 – Revenues from certain sectors.

AFI 6 - Placeholder on future streamlined alignment with EU Taxonomy eligible activities

25. EFRAG Secretariat clarified that this disclosure is a placeholder as a simplified taxonomy is being developed by the Platform of Sustainable Finance.
26. One national banking association suggested to correct the title and include "Taxonomy aligned activities" as only "eligible" is not that useful for banks. EFRAG Secretariat will amend the title.

Summary of the SME Post-Consultation Workshop 23 September 2024

Feedback on cross-cutting disclosures

1. SME representatives welcomed the changes and the revised architecture. However, SME representatives stated the overall guidance remains slightly complicated. Additionally, it was asked how the tables from the guidance would be integrated in the VSME, whether they would stay in the guidance or whether they would be placed within the disclosures or how it would work as a digitalized tool.
    a. SR TEG Chair answered that there have been no official conclusions taken with regards how the digital tool will evolve and who will be in charge of running it. Additionally, EFRAG may work, compatibly with the available resources, on a number of IGs for SMEs that are identified as part of the consultation. There is a possibility that national governments will run individual platforms and that EFRAG might be a facilitator, however, it could also be that the platform will be a central European one. EFRAG may be involved in transforming these online tools templates into XBRL. EFRAG will not develop the online platform per se, but will have this facilitator role, then we will provide online templates and IGs.
    b. An SME representative asked to clarify why EFRAG did not follow through the sub-module proposal. The member also asked whether in the digital tool, it could be stated that the undertaking is reporting for a large undertaking or an investor (banks), to then ask different questions, depending on the user needs.
    c. A European SME representative stated that very fruitful meetings have been held with EFRAG Secretariat, stating that principles were taken on board. Additionally, this representative mentioned that paragraph 23 (c) (**B1** – Basis for preparation) still needs clarification/ additional guidance to better define “consumers”.
    d. SME representatives stated that NACE codes are complicated for SMEs in certain sectors.
    e. Additionally, the integration of former N3 and N5 (from the Narrative-PAT module) into **B2** (Practices, policies and future initiatives for transitioning towards a more sustainable economy) was appreciated and welcomed by SME representatives and the associations present in the meeting. The table in the guidance has been especially appreciated.

Feedback on metrics B3- Energy and greenhouse gas emissions:

2. SME representative reiterated the difficulty for SMEs to know their electricity mix as providers not always give this information, he asked to reinsert information related to electricity “as reflected in utility bills” or add the word estimated (of renewable/ non -renewable mix).

B5 - Biodiversity:

3. Confirmation that paragraph 36 will be deleted (as no datapoints are asked from this paragraph).

B6 - Water:

4. Confirmation to SME representatives that water intensity will be removed as indicated by banks workshop.

B7 - Resource use, circular economy and waste management:

5. For paragraph 42(b) – (waste diverted to recycling or reuse), the issue for the construction sector was reiterated from the SR TEG discussion held on 19 September.
6. SME representatives agreed with the possibility of integrating a “not known” clause for this paragraph. They stated that it would be good to find a way in which the SME can provide the data without additional preparatory costs, but this may be difficult to implement/ force disposal contractors to disclose, thus making this “not known” clause more feasible than other alternatives the SME representatives could think of.

7. With regards to the word “re-use” (paragraph 42(b)), SME representatives stated that there lacked clarity on what reuse meant.
8. Another SME representatives expressed that other Circular Economy (CE) principles, other than “recycling” and “reuse”, are not very well addressed in this disclosure. Other CE principles such as “repair”, “refurbish” etc. should be included/ covered by the standard to address specific sector needs such as for the textile and dry-cleaning sectors that focus on circularity-based services.
9. On this point, an SME representative highlighted the importance of differentiating between whether the end of the first cycle of a given material induces a cost to an SME (when this material is sent off for recycling and the SME has to pay for its recycling) or when at the end of the first cycle, the SME is able to reuse the material and make money from it again (not a net cost).
10. This SME representative highlighted how in Germany it is differentiated between waste that brings costs to an undertaking and waste that is reused by the undertaking and is therefore a source of money.
11. On this point, an SME representative also highlighted that if the annual generation of waste for recycling goes down, it does not imply that the reuse of materials necessarily goes up, as the annual generation of waste may decrease for other reasons other than increased circularity.

B8 - Workforce – General characteristics:

12. On paragraph 44 (employee turnover rate), all SME representatives were against this datapoint stating that they did not understand how it was linked to sustainability.
13. On this point an SME representative highlighted how this rate may penalise micro and small SMEs, by leading them to have a high turnover rate, if a few employees decide to leave. This point was reiterated by many SME representatives who stated that this disclosure only works with large undertakings, where a couple of employees do not have a meaningful impact on turnover statistics.
14. On paragraph 45, the SME representative, highlighted their disagreement with the use of “non-employees”, and would rather prefer the use of the term “temporary agency workers”.

B9 - Workforce – Health and safety:

15. SME representatives had a common position against the inclusion of commuting accidents as part of work-related accidents. They stated that they disagree with the inclusion of commuting accidents in the VSME, even if national legislation will force users to ask this datapoint to SMEs.

B10 - Workforce – Remuneration, collective bargaining and training:

16. An SME representative asked to make paragraph 48 (c) (percentage of employees covered by collective bargaining agreements) an “if applicable” disclosure. The rationale is that for many specific SME sectors, there are not possible/ existing bargaining agreements.
17. Additionally, an SME representative stated that the threshold for paragraph 48 (b), should be 150 employees and not 100 employees; based on the Pay Transparency Directive (threshold of 150 employees until 2031, and then 100 from 2031 onwards).

B11 - Convictions and fines for corruption and bribery:

18. An SME representative stated that the SME is not legally forced to disclose its legal fines.

Entity-specific consideration when reporting on GHG emissions under B3 (Basic Module):

19. Point raised by SME representatives that paragraph 54 (scope 3 reporting for high impact sectors), should not be compulsory.

C2 - Gender diversity ratio in governance body:

20. SME representatives stated that this disclosure is a red flag and should not be included in the standard.

C4 – Climate Risks:

21. On insurance for physical risks, the SME representative highlighted that it is not acceptable to ask for this datapoint even in a Y/N manner, as it leads to moral hazard.