



Voluntary sustainability reporting standard for SMEs

The standard makes it easier to comply with information requests received from suppliers, investors, and banks.

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KEY ASPECTS

- On December 17, 2024, EFRAG published a [*voluntary sustainability reporting standard for SMEs*](#) that fall outside the scope of [*Directive 2022/2464/EU*](#) on corporate sustainability reporting ("**CSRD Directive**").
- The aim of this voluntary standard—or "**VSME**"—is to assist SMEs in efficiently and proportionately responding to information requests they receive, for example, from investors, banks, or the companies to which they are suppliers. In doing so, it will facilitate their contribution to economic transformation and enable their access to sustainable financing.
- Following the approval of the [*first set of common reporting standards \(ESRS\)*](#) in December 2023 and this new voluntary standard for non-listed SMEs, EFRAG and the Commission continue working on the approval of the following ESRS: (a) sector-specific, (b) listed SMEs, and (c) non-EU companies.





A standard tailored to non-listed SMEs

On December 17, EFRAG published the **Voluntary Sustainability Reporting Standard for non-listed SMEs** ("VSME"). This initiative is part of the SME Relief Package approved by the European Commission in 2023 and adds to the many actions carried out in recent years to encourage companies to provide enhanced information to the market regarding their principal sustainability-related risks, their strategies for managing these risks, and their performance compared to similar companies, ensuring that this information is as consistent as possible.

The VSME has been specifically designed for micro-, small-, and medium-sized enterprises (**SMES**) **that are not publicly traded and are not subject** to Directive 2022/2464/EU on Sustainability Reporting (the "**CSRD Directive**;" see [Legal Flash/Corporate Sustainability Reporting: CSRD](#)) nor to the ESRS standards (European Sustainability Reporting Standards), which must be applied by companies subject to that directive.

This is essentially due to the fact that the influence of the CSRD Directive extends beyond large corporations. On the one hand, it impacts companies based outside of the EU (through what has come to be known as the "Brussels effect"), and on the other hand, it affects companies that do not surpass the subjective threshold criteria for applicability (through the so-called "cascade effect" of the CSRD Directive).

Within the context of this spillover effect of the CSRD Directive's application, the VSME has been designed as a **voluntary standard** to enable SMEs to respond efficiently and proportionately to information requests from large corporations directly bound by the CSRD Directive, which require sustainability information from their suppliers or customers. EFRAG's aim is for the VSME to become the market standard for these information requirements in the future, thereby simplifying and standardizing questionnaires and reducing bureaucracy for SMEs.

The voluntary adoption of the VSME can help SMEs **to improve their transparency in terms of sustainability** and, consequently, **their access to financing**, as banks, investors, and other financial entities are increasingly interested in supporting companies that demonstrate a commitment to sustainability. Furthermore, it may lead to **increased competitiveness for SMEs** in the marketplace by attracting clients and business partners that value environmental and social responsibility. Companies that adopt sustainable practices and communicate them to the market can improve their reputation and strengthen their brand, leading to increased customer loyalty and new business opportunities. Consider, for example, companies involved in mergers and acquisitions agreements or those participating in bids for public or private contracts.

Key aspects of the VSME

- **Scope.** This voluntary standard is intended for micro-, small- and medium-sized enterprises (SMEs) that are not publicly traded and fall outside the mandatory scope of the CSRD.
- **Development and procedure.** EFRAG's work on the VSME is based on the European Commission's SME Relief Package from September 2023, which refers to this standard as a measure intended to support SMEs in accessing sustainable finance. From January 22 to May 21, 2024, EFRAG held a public consultation regarding the exposure draft of the VSME, and received input from a wide range of stakeholders, including SMEs, SME associations, banks, banking associations, large corporations, accountants, national standard-setting bodies, and other interested parties. In the VSME, EFRAG has addressed the feedback gathered during the public consultation period and has implemented additional simplifications.
- **Ultimate goal.** Its goal is to support non-listed SMEs on their path toward sustainability by (i) guiding them regarding the information they must supply to large corporations requesting data from their suppliers; (ii) improving their access to sustainable financing; (iii) addressing the sustainability issues they face (such as



environmental or social challenges) to support their competitive growth and enhance their resilience; and (iv) contributing to a more sustainable and inclusive economy.

- **Standardization of information.** The VSME is designed to simplify sustainability reporting. To this end, it provides a standardized set of information aimed at replacing existing multiple, uncoordinated questionnaires and ESG data requests. This is intended to enhance transparency and increase trust in the information provided by SMEs
- **Content.** The VSME addresses the same sustainability issues as the ESRS, but does so proportionately and tailored to the fundamental characteristics of SMEs. Among other aspects, and as EFRAG explains in the [cover letter](#) for the VSME, the double materiality analysis required by the CSRD Directive is replaced with the "if applicable" principle.
- **Modular structure.** The VSME is structured under two modules tailored to the different needs and capacities of businesses, which SMEs can use to prepare their sustainability report:
 - **Basic module.** This module addresses most information requests by business partners and financial institutions. It provides general information—B1 disclosures (basis for preparation) and B2 disclosures (practices, policies and future initiatives for transitioning towards a more sustainable economy)—as well as basic metrics (B3 to B11) for preparing sustainability reports in the following areas: environment metrics (energy and greenhouse gas emissions; pollution of air, water, and soil; biodiversity; water; resource use, circular economy, and waste management), social metrics (workforce, health and social security), and governance metrics (convictions and fines for corruption and bribery).
 - **Comprehensive module.** This module is designed for SMEs operating in industries with more complex sustainability requirements or those seeking to provide a greater level of detail in their reports than offered by the basic module. This module provides additional data to disclosures B1 to B11, which will likely be required by banks, investors, and corporate clients. It includes a list of disclosures (C1 to C9) containing detailed information on business strategy and initiatives related to sustainability, greenhouse gas (GHG) emission reduction targets, climate-related risks, additional workforce characteristics, human rights policies, and governance metrics.
- **Flexibility and adaptability.** The modular structure of the VSME enables SMEs to select the level of detail that best matches their resources and capabilities. Applying the basic module is a prerequisite for applying the comprehensive module. In this case, SMEs may omit information considered classified or sensitive, provided they explain their reasoning.
- **Principles for preparing the sustainability report.** Among others, the VSME establishes requirements for companies to provide information that is relevant, faithful, comparable, understandable and verifiable.
- **Reduced administrative burden.** By replacing multiple ESG questionnaires and data requests with a standardized reporting framework, the VSME reduces the administrative burden for SMEs. As well as achieving greater efficiency and lower operating costs for companies, this approach provides SMEs with better opportunities to attract green financing, which is essential to their growth and development in an economic environment rapidly advancing towards sustainability.

Next steps: additional resources to the VSME

To promote the adoption of the VSME and assist SMEs in selecting the appropriate level of detail in their reporting, EFRAG will implement a series of initiatives throughout 2025, including the following:

- **Support guidelines** on how to comply with the requirements of the standard
- **Educational materials** explaining the benefits of the VSME



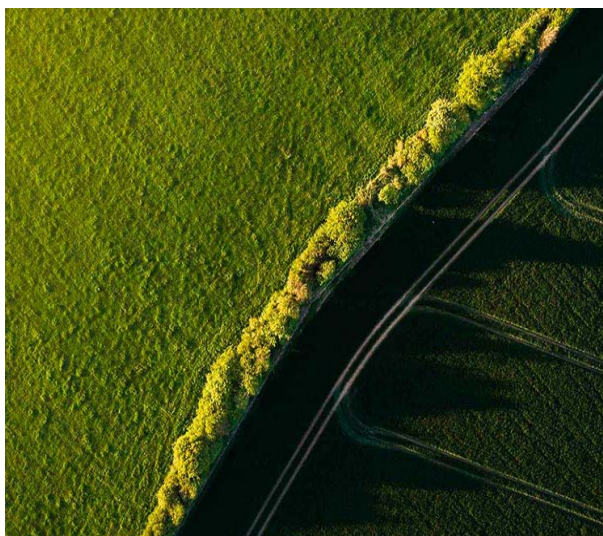
- **Awareness-raising events** to promote awareness and understanding of the VSME among SMEs and other stakeholders
- **Digital tools** to simplify the collection, analysis, and presentation of sustainability data.

Currently, EFRAG has published three [educational videos](#) on the VSME.

Future ESRS

In the coming years, the Commission is expected to adopt additional delegated acts for other sets of standards:

- **ESRS for listed SMEs, small and non-complex financial institutions, and captive insurance and reinsurance undertakings (collectively known as LSMEs).** On November 7, 2024, EFRAG approved a [draft version](#) of simplified standards for LSMEs. However, the vote initially scheduled for November 27, 2024, has been postponed. In principle, these standards will be effective on January 1, 2026, with an additional two-year opt out.
- **Sector-specific ESRS.** Their approval deadline (originally scheduled for June 2024) has been postponed to June 2026. EFRAG has prioritized eight sectors for the development of sector-specific standards: oil and gas, mining, motor vehicles, road transport, agriculture, food and beverages, power production and textiles. It has also prioritized three financial sectors: banks, insurance, and capital markets. On September 18, 2024, EFRAG approved a [draft version](#) of ESRS for the oil and gas sector, which has been submitted to the European Commission.
- **Special rules for non-EU companies.** As indicated above, although the CSRD is a European directive, the requirements and provisions established in it also extend to non-EU companies that have significant activity in the EU. The adoption of special standards for third-country companies (initially scheduled for June 2024) has also been postponed for two years. EFRAG plans to issue a public consultation on these standards in the first quarter of 2025 with the intention of submitting a draft to the Commission by the end of 2025.



For additional information, please contact our [Knowledge and Innovation Group](#) lawyers or your regular contact person at Cuatrecasas.

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