

Hoofddorp, May 21st 2024

DASB Comments on survey EFRAG ED VSME consultation

Part 1: General Key Questions (Critical)

a. Objective, simplifications and modules

Question 1 Do you agree with this standard setting objective?

Yes. This standard can reduce or prevent additional reporting requests for SMEs and is helpful for SMEs to start to incorporate ESG in their own business operations. DASB supports proportional reporting burden and underlines the objective.

However, question arises how the objective of the VSME will work out in practice since the LSME seems to be the designated standard to stimulate a proportionate reporting burden.

Furthermore, the VSME will only reduce the burden for SMEs as business partners will use the standard for requests as well (as disclosed in the Basis for Conclusions). Currently there is no place other than the VSME where business partners are made aware of this. Perhaps this could be included in the Q&A or implementation guidance.

Question 2 Do you agree that these (modular) 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. The modular approach lowers the threshold to start with voluntary reporting for the diversified group of SMEs outside the scope of the CSRD. The VSME and its modular build up is an approachable way to become familiar with sustainability (reporting) and/or can be used as a step-by-step approach to improve the sustainability performance and maturity. The set-up of 3 modules helps encouraging SMEs.

However, when an SME wants to report only via the basic module, it might need to expand reporting to the BP module to handle value chain partner requests. In this scenario, voluntary reporting may no longer be truly voluntary, as companies must respond to their value chain partners. The DASB believes that the value chain cap is being expanded here indirectly.”

Question 3 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?

No. Although the DASB sees the effort to simplify the language the ED VSME is for most companies (far) too difficult. Most of them are not familiar with legal & sustainability language and the references in the text make it even more difficult and daunting to read (E.g. B4.26) The DASB understands that the German Sustainability Code is simplifying the ESRS by translating it into layman's terms while retaining the original text for reference. The DASB requests that EFRAG explore whether this approach could also be applicable to the VSME.

The disclosures require more guidance how this works out in practice e.g. on the application of the GreenHouseGas protocol, or the application of biodiversity. Please find underneath some suggestions for further clarification of specific disclosures.

Paragraph 12: preparation of a sustainability report on a consolidated basis, including the information of subsidiaries. Consolidation is a difficult topic to understand for SME's. They are not always sure what and when to report for example when intermediate holdings are in place or when a parent company is based outside the EU. Good to provide some examples of common structures for SMEs or refer to the CSRD.

Paragraph 15: although micro and small undertakings under the scope of the VSME in the Netherlands are not obliged to prepare a management report and consequently do not have such a report it might be good to include that references shall not impair the readability of the sustainability report (cf. ESRS Set 1)

Paragraph 16: Provide some examples when information is classified or sensitive.

Disclosure 17: Explain how to deal with metrics of which the calculation method is changed compared to last year. Still the same metric, other outcome. In practice, companies handle this metric often as a new one.

Second, the environmental section is still quite overwhelming and difficult to process for first time reporters. It will be helpful to provide more insights in the GHG protocol, explain the difference between location-based and market-based (B3), clarification that the disclosure on biodiversity (B5), water (B6) and resource use, circular economy (B7) is only needed for own operations.

In addition, we advise the inclusion of an URL link / hyperlink is not preferred from assurance perspective. As the source changes, the information is not accessible anymore (B4).

Third, for the reporting of workforce in countries, it will be helpful to add a threshold for example an absolute number of employees or a defined percentage of the total number of employees (adding a threshold would be in line with ESRS set 1 which includes 50 or more employees representing at least 10% of its total number of employees as a threshold) ,

Also, changing the layout could help the user friendliness e.g. by making the document more attractive or easy to read. E.g. by adding clickable help (difficult words explained, references to other documents etc.)

But even more helpful would it be to add a “translation” of the VSME in a form which companies can fill in (similar to this consultation form this helps/guides the company through the standards, every time it is stated “if applicable” and the company answers no the topic disappears or yes follow up questions can be asked preferable with help how to fill them in (which information is needed to fill it in). examples might be helpful

B9.35 – textual “number of work related accidents”

Question 4. 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 which sustainability matters are relevant for the undertaking.

Do you agree with the content of and approach to the Narrative-PAT Module, which is reserved to undertakings that have Policies, Actions and Targets (PAT) in place?

No. The inclusion of examples is highly valued (paragraph 47) since it provides more insight in what is meant with the different dimensions of impact materiality. However, the question remains if SMEs can make the transition of a (quite technical) double materiality to practice. The fact that undertakings have PAT’s in place does not necessarily mean that they have done a proper materiality assessment.

It will be helpful to provide more guidance how to perform the DMA and make reference to how sector DMA’s can be used. Maybe also include a reference to the implementation guidance on the materiality assessment or a 'light' more simplified version (paragraph 45 - 55). Alternatively, the standard might include suggestions for themes that may very well be substantial for different branches (comparable to the SASB examples).

Besides that, there is no need to include the IRO of the whole value chain, but reporting regarding the value chain is expected in the rest of the Narrative-PAT module (e.g. 60b, 62). A further explanation will be of use, to avoid confusion.

Question 5. 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 standardization of information requests by business partners, being a proportionate but complete set of ESG disclosures?

Yes. The DASB agrees with the theoretical content and approach to the BP Module. However, the success of the VSME depends on how it will work out in practice. Will it be used and accepted by business partners and we feel the current version of the VSME is not yet accessible and userfriendly enough for the vast majority of SMEs. See further our answer to question 1.

Question 6. 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 that could be replaced if the SMEs provide the information covered by the three modules of the VSME ED. **Not answered since the DASB is a standard setter.**

b. Sector guidance

Question 7. Sustainability matters may be highly dependent on the specificities of the relevant sector(s) that the reporting undertakings 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
X	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

Guidance is needed for the SMEs to support focus on which topics are material or not. Sector guidance will not only provide guidance on material topics but also on specific disclosure requirements. We believe the guidance should focus on practical support (step-by-step plan for the SME). Furthermore we feel that the use of the wording “should apply” is confusing in voluntary standards.

Part 2: Detailed questions on principles and datapoints (ADDITIONAL, to complement part 1)

a. Principles for preparation

Question 8. 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		X	Positive impact should also be included

			although the standard allows to show positive (and not only negative) impact with all of the disclosure requirements. The DASB suggests to explicitly add it. For example, if you show composition at the top and wage gap you can show you are making a positive impact.
b. Preparation on a consolidated basis		X	More guidance required how this work out in practice
c. Timing and location of the Sustainability Report	X		Especially par. 15 is helpful. But more guidance is required on how this works out in practice
d. Classified and sensitive information, and information on intellectual property, know-how or results of innovation	X		More guidance required how this work out in practice

Question 9. Additional question on complying with this Standard for preparers/users only
Not applicable for DASB

Question 10. 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. The DASB supports the recommendation of a consolidated sustainability report. Although in practice micro and small undertakings under the scope of the VSME in the Netherlands are not obliged to prepare a management report, we agree that to keep sustainability reporting as comprehensible as possible for SMEs, it is good to align as much as possible with legislation for financial reporting.

Question 11. Since non listed SMEs are outside the scope of CSRD, the subsidiary exemption 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. More guidance is required on how that would work out in practice. Furthermore, the nature of the VSME is voluntary reporting therewith reporting exemptions seem less needed since the SME has more room to maneuver in applying the standards.

Question 12. 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. However, it would be helpful if SMEs are guided on what they could think off as material topics per sector. Therefore extra guidance by EFRAG for SMEs per sector would be welcomed. More suggested prescription might help practical application and as such commitment from the SME community.

b. Basic module

Question 13. 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 table below:

	Do you have comments on the inclusion and content of this disclosure?
Disclosure B 1	This DR seems feasible
Disclosure B 2	it is unclear what the “boundaries” of the DR are. (What/when is enough information shared) Examples would be helpful
Disclosure B 3	The environmental section is quite overwhelming and difficult to process for first time reporters. It will be helpful to provide more insights in the GHG protocol, explain the difference between location-based and market-based (B3) Also is the language very technical language and is it difficult to understand the scope of what should be included and how to calculate the GHG especially for first time reporters (references are made to very long guidance documents) - seems like you need to be an expert to be able to answer these. Examples would be useful, or perhaps start by prescribing a basic list (with current GHG measures just for application purposes). For example how do you consider renewable energy certificates, how deep do you go in reporting (also including a frigde and

	freezer for employee canteen, airconditioning in the office building, car of the chair).
Disclosure B 4	we advise to include a URL link / hyperlink is not preferred from assurance perspective. As the source changes, the information is not accessible anymore (B4).
Disclosure B 5	clarification is needed that the disclosure on biodiversity (B5), is only needed for own operations
Disclosure B 6	The requirement does not include 'if applicable' which might confuse preparers that this DR is obligatory even if water isn't material for example for a service company Furthermore clarification is needed that the DR is only needed for own operations
Disclosure B 7	The requirement does not include 'if applicable' which might confuse preparers that this DR is obligatory even if resource use, circular economy, and waste management isn't material for example for a service company Furthermore clarification is needed that the DR is only needed for own operations
Disclosure B 8	if applicable, we feel the urge to emphasize information on non contract workers as well.
Disclosure B 9	Formula is unclear. Should holidays/sick days and days and overtime be included when calculating the ratio?
Disclosure B 10	There is no explanation in the AR on training – what is meant by informal training? How to measure this? Examples would be helpful For users the information might not be that meaningful since only an average is required (breakdown in wage groups might be more meaningful although it is also more burdensome (especially for the smaller SME)).
Disclosure B 11	It is difficult to get insight in this for preparers, however often the impact is in the chain, so it is logical to ask and include it. However sectoral guidance would be very helpful here. Positive impact should also be included. One could think of splitting this disclosure due to the differences between workers in the value chain, affected communities, consumers and end-users.
Disclosure B 12	No comment.

Question 14 – users only

Question 15 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. Include a pre-determined list how the VSME relates to other schemes (in line with Appendix C for SFDR Disclosures)

Question 16 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?

Not when outside of the undertakings responsibility. For SMEs reporting hereon would require too much detailed knowledge on labor law provisions which would require consulting an expert.

Question 17 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. Since the calculation method is provided, the date received should be comparable.

Question 18 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. Often the impact is deeper in the value chain. This DR encourages to think hereof. This might be even more encouraging if positive impact is included as well. Also the inclusion of a variety of sector example might help. However, we feel the urge to emphasis “may” if applicable for the SME, because for many SMEs this issue is of very limited importance.

Question 19 In order to help SMEs prepare the sustainability report, specific guidance has been developed for the Basic Module in paragraphs 87 to 167 of the VSME ED. Do you think that it is useful for the preparation of the report? Do you think it is sufficient?

No. What is written is useful however additional explanation and examples are needed to help SMEs. (See also earlier comments to enhance readability and usefulness of the VSME)

c. Approach to materiality of matters and principles for preparation (common to narrative-PAT and Business Partners Modules)

Question 20 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	Disagree	Smaller SMEs and those new to sustainability

		(reporting) they are too extensive, containing difficult (legal) language which make them challenging to answer, Suggest to provide formats that guide the SME through
Financial materiality	Disagree	idem
Stakeholders and their relevance to the materiality analysis process	agree	

Question 21 The VSME ED requires performing a 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?

Yes. This keeps sustainability reporting readable for users

Question 22 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 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. This keeps sustainability reporting readable for users

Question 23 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?

Yes, reporting for financial opportunities should be optional.

This allows the “full picture” and prepares for further reporting and is aligned with ESRS set q. Furthermore, we recommend to include the possibility to disclose positive impact. This will show SMEs that there are also changes (without ignoring the risk of too optimistic views and disclosures).

Question 24 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?

Principles for the preparation of the sustainability report (Narrative-PAT Module, Business Partners Module)			
	agree	disagree	comment
a. Time horizons		x	Challenging and very abstract for VSME to report longer term (more than 5 years)
b. Coherence and linkages with disclosures in financial statements	x		

d. Narrative-Policies, Actions and Targets (PAT) Module

Question 25 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:

	Do you have comments on these disclosures?
Disclosure N1	No comment
Disclosure N2	Material assessment is complex and requires knowledge and commitment. This might make it difficult in practice.
Disclosure N3	More guidance is needed on what to expect regarding the value chain. Furthermore, positive impact should be included. From identifying material matters to addressing them is quit a step which might also ask for specific expertise.
Disclosure N4	Concrete guidance is needed on how to set up a stakeholder dialogue would be useful since identifying stakeholders should be doable for the SME.
Disclosure N5	We would suggest to minimize references to other standards like SFDR, and include more concrete guidance as governance incorporations is often limited for SMEs.

Question 26 preparers only

Not applicable for DASB

Question 27 users only

Not applicable for DASB

Question 28 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?

Include a list of accepted other information to avoid duplication and include how the VSME relates to this other schemes (in line with appendix C)

e. Business Partners (BP) Module

Question 29 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. This creates awareness and SMEs can anticipate hereon (in the near future). However, despite the importance this might be quite challenging for preparers due to its complexity and need to invest getting the data. The guidance could be (severely) improved since the current guidance is difficult to read and far too extensive (100 page document). We suggest to include specific basic requirements rather than referencing to the GHG protocol.

Question 30 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:

	Do you have comments on these disclosures?
Disclosure BP 1	Agree
Disclosure BP 2	Agree
Disclosure BP3	Agree
Disclosure BP 4	agree
Disclosure BP 5	Disagree, clarification needed. Also not included in defined terms. Requires considerable knowledge which might not be available within the SME

Disclosure BP 6	agree
Disclosure BP 7	The DASB agrees with the theoretical content and approach However, we feel the current version of the VSME is not yet accessible and userfriendly enough for the vast majority of SMEs Practical examples would be helpful
Disclosure BP 8	The DASB agrees with the theoretical content and approach However, we feel the current version of the VSME is not yet accessible and userfriendly enough for the vast majority of SMEs. Practical examples would be helpful
Disclosure BP 9	Knowledge of the internationally instruments is required. Therefore this disclosure asks a lot of SMEs new to sustainability reporting. Practical examples would be helpful
Disclosure BP 10	Agree
Disclosure BP 11	Agree

Question 31 For users only

Question 32 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?

Human rights is a “catch-all term” and in general we understand consistent language. For SMEs in the Netherlands, if limited connections abroad, this hardly seems and issues, so we suggest to make it more specific with concrete examples.

Question 33 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. That would lead to more focus and make it clear which parts are for which users. But if so, also address the two way street on their interrogation if “large” companies request information in the value chain (then it becomes a win-win).

Question 34 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?

No. This would require significant adjustments in software and add (unnecessary) additional complexity.

Question 35 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 the ED.

Do you think that it is useful in the preparation of the sustainability report? Do you think it is sufficient?

Yes, but more practical examples are needed.

Question 36 – 38 users only

Question 39 Further comments additional to part 1 and 2

In general, the VSME is difficult to understand and is an extensive read (especially for the smaller SME). A fill in form and more guidance is needed in order to make it attractive to report on a voluntarily base. Furthermore, we believe that the success of the VSME is highly dependent on the use in practice (will it be accepted by the undertakings under the scope of the CSRD). With current (technical) language it seems too difficult for non expert SMEs to implement without help from consultants.

Question 40 Additional comments?

Thresholds for undertakings are not yet adjusted

Part 3: Value chain cap (Separate section on the value chain cap as determined by the ESRS LSME)

Question 41. Do you agree with the approach taken by EFRAG on the Value Chain Cap?

Yes, however see previous made remark under question 2: ‘When an SME wants to report only via the basic module, it might need to expand reporting to the BP module to handle value chain partner requests. In this scenario, voluntary reporting may no longer be truly voluntary, as companies must respond to their value chain partners. The DASB believes that the value chain cap is being expanded here indirectly.’

Question 42. Do you have any other comment on value chain?

The DASB supports the value chain cap which strives at appropriate questionnaires in the value chain. The LSME are more extensive than the VSME. Reporting on the three modules of VSME is – see earlier comments – already quite complex and extensive for the average SME. The BP module of the VSME is a more suitable cap than the LSME.

Although we fully support the value chain cap we doubt the effect in practice. We believe that reporting companies should be actively supported and stimulated (e.g. by EFRAG guidance) to keep an eye on the value chain cap. An example of guidance or support could be to actively appoint CSR-reporting undertakings to the use of sector proxies or estimates. This lowers the reporting burden of SMEs while simultaneously encourages sharing value chain data.