

European Commission
DG FISMA
Mr Sven Gentner (Head of Unit C.1)
Mr Sven Dietrich (Unit C.1)

1049 Bruxelles/Brussel
Belgium

Berlin, 21 March 2025

CC: EFRAG – Patrick de Cambourg / Chiara del Prete / Elisa Bevilacqua

Translation of the VSME - Comments on EFRAG's Voluntary Sustainability Reporting Standard for non-listed SMEs (VSME)

Dear Mr Gentner, dear Mr Dietrich,

On behalf of the Accounting Standards Committee of Germany (DRSC) and the Austrian Financial Reporting Advisory Committee (AFRAC), we are writing to comment on EFRAG's Voluntary Sustainability Reporting Standard for non-listed SMEs (VSME) as handed over to the European Commission in December. The findings from our VSME translation project may inform the European Commission's recommendation on the voluntary sustainability reporting based on the VSME standard as stated in the Proposal for a Directive of the European Parliament and of the Council amending Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464, and (EU) 2024/1760 (Omnibus I – COM(2025)81).

The DRSC and AFRAC launched a joint project group to lead the German translation of the VSME, responding to findings from EFRAG's field tests on the VSME draft in early 2024. These field tests highlighted the urgent need for a clear and comprehensible German-language version, ensuring the VSME is widely recognized and adopted as a market standard while reducing the burden of individualised information requests on SMEs.

In September 2024, the project group began by systematically compiling translated technical terms (English-German) from Set 1 of the European Sustainability Reporting Standards (ESRS). This structured terminology served as a strong foundation for the VSME translation, which we started to work on at the end of December 2024 following EFRAG's submission of the VSME to the European Commission.

After translating the first 65 paragraphs of the VSME (i.e., objective and structure, principles for preparation, basic module, and comprehensive module), we identified the need for clarifications to the reader of the German translation, as well as the need to refine certain wordings to enhance clarity. In some instances, the underlying purpose of individual disclosure requirements may even require a reassessment. We believe these challenges often arise from specific details within the disclosure requirements or from wording ambiguities that only become apparent upon in-depth analysis of these paragraphs.

To illustrate this, the appendix of this letter presents five particularly relevant instances of imprecise VSME specifications identified by the project group, all of which may require revision.

The complete notes (in German) on the first 65 paragraphs of the VSME, including the five instances in the appendix, can be found in the attached Excel file.



If you want to discuss these issues further, please do not hesitate to contact the responsible project manager, Jan-Robert Kirchner (kirchner@drsc.de).

Kind regards

Georg Lanfermann
President, DRSC

Prof. Dr. Romuald Bertl
Chair of the Presidential Board, AFRAC

Appendix – Instances of imprecise VSME specifications

1. VSME para. 42(a): “The undertaking shall disclose:
a) whether the employees receive pay that is equal or above applicable minimum wage for the country it reports **in**”

Para 42(a) currently states “for the country it reports **in**” – this is in contrast to the statement in VSME para. 192 where it states that “[...] minimum wage for the country it reports **on** [...]” is to be reported. We believe that the 'in' in VSME Par. 42(a) is a typographical error and that it should actually read 'on'. Otherwise (if it would be read literally) it could be understood to mean that a comparison is necessary to the company it reports **in**.

2. VSME para. 47(c): “The undertaking shall disclose the key elements of its business model and strategy, including:
c) a description of main business relationships (such as key suppliers, **customers**,(?)
distribution channels and **consumers**);”

We are not sure about the translation regarding “consumers”. In ESRS 2 para. 42(c) it reads: “[...] such as key suppliers, customers, distribution channels and **end-users** [...]”. We remember there was some discussion about consumers vs. end-users vs. customers at EFRAG-TEG, but we do not recall why we did not stick to end-users, but choose ‘consumers’. If the ‘customer’ is not the ‘end user’, SMEs usually have no business relationship with the ‘end users’ and probably do not even know them. The official translation of ESRS 2 para. 42(c) only refers to ‘key suppliers’, ‘distribution channels’ and ‘end-users’ - actually leaving out a translation for ‘customers’. This could indicate that the term ‘end-user’ was interpreted as a generic term for ‘customers’ and ‘end-users’ or alternatively, that the translation of ‘customers’ was overlooked.

On a minor note: we believe that there should be a ‘comma’ between customers and distribution channels (unless it was intended to state ‘customers’ distribution channels’?).

3. VSME para. 49: “The undertaking may indicate, **if any**, the most senior level of the undertaking accountable for implementing them.”

While translating this paragraph, we found it very difficult to determine which part of the sentence the **‘if any’** actually refers to? It could be the ‘most senior level of the undertaking’ or ‘them’. ‘Them’ would refer to ‘practices, policies and future initiatives...’. The meaning differs, depending on “if any – most senior level...” exists or “if any – practices, policies and future initiatives” exist. The table in VSME para. 213 (Comprehensive Module: Guidance) suggests that ‘if any’ refers to ‘highest senior level’. But this does not seem to make sense, as every undertaking (no matter how small) has a ‘highest senior level’.

4. VSME para. 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 50 to 53 above and if it has set Scope 3 reduction targets, the undertaking shall also provide targets for significant Scope 3 emissions. [...]”

Regarding para. 54, we were uncertain whether a reference to paras 50–53 would be sufficient, or whether the translation of this paragraph should be clarified regarding the reduction targets that are required. Based on our understanding of para. 54, undertakings should state Scope 3 reduction targets for the Scope 3 **categories** assessed in para. 52. However, it is our concern that this may not be entirely clear from the current wording in paragraph 54.

5. VSME para. 57: “If the undertaking has identified climate-related hazards and climate-related transition events, creating **gross** climate-related risks for the undertaking, it shall:”

VSME para. 230 states that “**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.”

At present, we are planning to translate ‘gross’ in the meaning of the opposite of ‘net’.
(Additional comment: in case the EU COM will have a public consultation we are likely to suggest to include additional explanations regarding the meaning of **gross** physical and **gross** transitional risks.)