

VSME

Voluntary
Sustainability
Reporting for SMEs

Standard

PRACTICAL GUIDE





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Basque Ministry of Industry, the Energy Transition and Sustainability
Basque Government
C/Alameda de Urquijo, 36 6º Floor
48011 Bilbao

Tel: 944 23 07 43

www.ihobe.eus

www.euskadi.eus

@Ihobe_Eus

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1. Introduction

Sustainability performance has become a key tool that directly qualifies the reputation and profitability of an organisation in a world that is ever more focused on the lack of resources; it therefore must be a fundamental part of its business strategy and its ability to generate value in the long term.

Both financial institutions and large corporations comply with strict information reporting requirements, as per Directive 2022/2464 of the European Parliament and of the Council of 14 December 2022 as regards corporate sustainability reporting (CSRD).

Even though small and medium-sized enterprises (SMEs) that are not listed on regulated markets are not legally required to disclose environmental, social and governance (ESG) information, sustainability reports have become an inevitable challenge for them. SMEs are subject to ever more requests for information from their customers, financial markets and entities, insurance companies or credit institutions. They can sometimes be overwhelmed by a barrage of complex and uncoordinated requests that place them in a difficult position, as they usually do not have sustainability teams dedicated to this task, or resources to produce ESG reports adapted to each request they receive.

Acknowledging this burden, the European Commission tasked the Financial Reporting Advisory Group (EFRAG¹) with developing a voluntary reporting framework specific for non-listed SMEs.

The outcome? The Voluntary Sustainability Reporting Standard for SMEs (VSME): a proportionate and simplified reporting tool, designed to streamline the ESG disclosures in a standardised and efficient way and to ensure better access for SMEs to financing and business opportunities. Thus, instead of SMEs having to complete multiple uncoordinated ESG questionnaires, the VSME provide a single standard that stakeholders can use to assess the sustainability performance of their suppliers and value chain.

1 <https://www.efrag.org/en>

THE VSME INTRODUCES SEVERAL KEY FEATURES THAT STREAMLINES THE PROCESS FOR COMPANIES AND ENSURES HIGH QUALITY SUSTAINABILITY DISCLOSURES. THEY ARE:

- 1**
MATERIALITY ANALYSIS IS NOT REQUIRED²
- 2**
SIMPLIFIED LANGUAGE IS USED
- 3**
IT USES A MODULAR APPROACH TO GATHER DATA
- 4**
ITS PUBLIC DISCLOSURE IS NOT MANDATORY

By reducing complexity, cutting costs and protecting confidentiality, the VSME makes the ESG reports more accessible for SMEs and other companies, allowing them to take part in a sustainable economy without an excessive administrative burden.

² Materiality is an internal process to identify the importance or relevance of the aspects addressed in the ESG, environmental, social and governance aspects.

2. Scope of application of the VSME

The VSME is applicable to micro-undertakings and small and medium-sized enterprises whose shares are not listed on a regulated market of the European Union (non-listed companies). In accordance with Directive 2013/34/EU on annual financial statements, three categories of micro-undertakings and small and medium-sized enterprises are defined according to their balance sheet total, their net turnover and their average number of employees during the financial year.

A company is considered to be a **MICRO-UNDERTAKING** if it does not exceed two of the following thresholds:

- **BALANCE SHEET TOTAL OF €45.000**
- **NET TURNOVER OF €900,000, AND**
- **AN AVERAGE OF 10 EMPLOYEES.**

A company is considered to be **SMALL** if it does not exceed two of the following thresholds:

- **BALANCE SHEET TOTAL OF €5 MILLION**
- **NET TURNOVER OF €10 MILLION, AND**
- **AN AVERAGE OF 50 EMPLOYEES.**

A company is considered to be **MEDIUM-SIZED** if it does not exceed two of the following thresholds:

- **BALANCE SHEET TOTAL OF €25 MILLION**
- **NET TURNOVER OF €50 MILLION, AND**
- **AN AVERAGE OF 250 EMPLOYEES.**

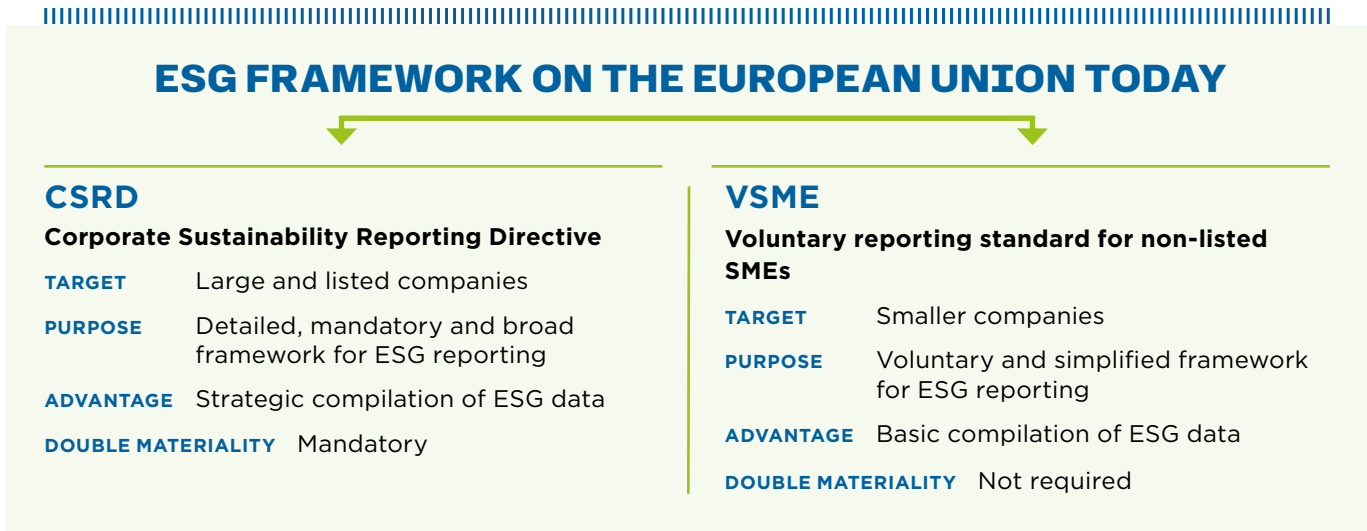
And even though the standard was developed to be used by SMEs, its application may not exclusively be limited to smaller companies. The following section sets out how – as the result of the proposed amendment of the Corporate Sustainability Reporting Directive (CSRD) – its use could be extended to large companies of up to 1,000 employees. The amendment of the Directive could lead to an extension of the scope of the standard; that would allow it to be used by a larger number of companies; they would thus benefit from a harmonised ESG reporting system which makes it less complex and is in line with market expectations.

3. Relationship between CSRD and VSME

The VSME is closely linked to Directive (EU) 2022/2464³ as regards Corporate Sustainability Reporting (Known as the Corporate Sustainability Reporting Directive - CSRD).

While the CSRD requires detailed ESG reports for large corporations using the European Sustainability Reporting Standards (ESRS)⁴, which often involve a double materiality analysis⁵, the VSME offers a streamlined version for SMEs that are not listed on regulated markets. Both tools address the same sustainability issues that are established in the ESRS; however, the VSME does so in a proportionate manner and taking into account the fundamental characteristics of micro-undertakings and small and medium-sized enterprises.

The following figure shows the main differences between those two sustainability reporting frameworks.



³ <https://www.boe.es/buscar/doc.php?id=DOUE-L-2022-81871>

⁴ The acronym for these ESRS is NEIS in Spanish.

⁵ The double materiality identifies the importance or relevance of the aspects addressed in the ESG from two different perspectives: the ones dubbed impact materiality (how the company's actions affect the environment and society), and financial materiality (how the factors external to the company can affect its activity and which can involve financial risks or loss of competitiveness).

The key points to understand this connection include:

- **Being voluntary:** Unlike the mandatory Corporate Sustainability Reporting Directive (CSRD), use of VSME is completely optional for non-listed SMEs.
- **Alignment with EU principles:** The VSME uses the ESRS basic principles, ensuring that their data come within the EU framework, particularly as regards the business partner that may be subject to CSRD.
- **Simplified approach:** It reduces the amount of disclosure focusing on what is manageable for the scale of smaller companies.
- **Flexibility with the thresholds:** If the CSRD thresholds change and the business of a company is out of their reach, the VSME provide a good alternative to generate rolling structured reports.
- **Support of the value chain:** It helps the company to provide standardised data to larger customers that need such information for their own CSRD reports.

Essentially, the VSME offers a practical pathway and aligned with the CSRD for sustainability reporting.

3.1. Impact of the Omnibus I Directive on the VSME Framework

The draft Omnibus I Directive submitted by the European Commission on 26 February 2025 considerably bolsters the importance of the VSME framework, by:

- Reducing the mandatory sphere of application of the CSRD by around 80%, as it exempts companies with up to 1,000 employees.
- Formalising the VSME standard as the benchmark for voluntary reporting by means of a delegated act.
- Deferring the application deadlines by two years for companies that continue to come under the CSRD. (proposal known as ‘Stop the Clock’)
- Further protecting SMEs against excessive request for information by means of the ‘value chain cap’.

These changes are part of a global regulatory simplification approach aimed at reducing the administrative burdens while at the same time keeping the fundamental sustainable transition goals.

Some basic points to be taken into account:

- Non-listed SMEs continue to be exempt from the regulatory reporting requirements, but can voluntarily adopt the VSME framework.
- Large companies with up to 1,000 employees are now exempt from the CSRD obligations and can use the VSME framework.
- The listed SMEs benefit from a two-year grace period (filing in 2029 for the 2028 financial year) to comply with the CSRD, with the possibility of opting not to take part until 2031.

3.2. Commission Recommendation 2025/1710

In order to foster the use of the VSME, the European Commission published on 30 July 2025 Recommendation (EU) (UE) 2025/1710⁶ on a voluntary sustainability reporting standard for small and medium-sized undertakings.

This document establishes recommendations for SMEs, financial institutions and other companies requesting sustainability information from SMEs and the Member States.

VSME RECOMMENDATION 2025/1710

NON-LISTED SMEs

- Voluntarily sustainability reporting as per the VSME.
- Not only for European companies, but also third-country SMEs.

FINANCIAL INSTITUTIONS & LARGE CORPORATIONS

- When companies subject to Directive 2013/34/EU need sustainability information from the SMEs of its value chains, limiting their requests to the information provided as per the VSME.
- Likewise, financial institutions, financial market participants, insurance firms and credit institutions regarding the sustainability of customer SMEs.

MEMBER STATES

- Awareness raising of the SMEs on the advantage of voluntarily sustainability reporting as per the VSME.
- Fostering the application and acceptance of the VSME.
- Driving the automatic digitisation of sustainability reporting based on the VSME.

In the first block, the Commission recommends that **micro-undertakings and non-listed small and medium-sized enterprises** that wish to voluntarily disclose sustainability information do so as per the VSME norm. Third-party SMEs and micro-undertaking that wish to voluntarily report sustainability information may also use it.

The second block establishes recommendations for **financial institutions, financial market participants, insurance firms, credit institutions and other companies** that request sustainability information from SMEs. The Commission recommends that all those stakeholders, when they need sustainability information from the SMEs in their value chains for the purposes of sustainability reporting, should limit as far as possible their requests for such information to that provided pursuant to the VSME.

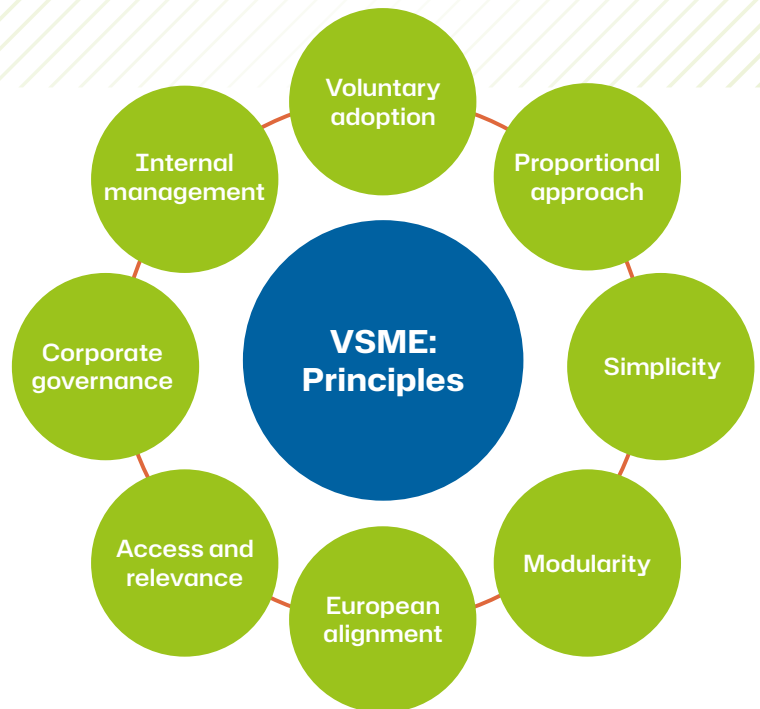
Finally, the document recommends that **Member States** raise awareness among SMEs of the benefits of voluntarily reporting sustainability information in accordance with the VSME and that take appropriate measures at national level to foster the implementation and acceptance. In turn, it recommends that the Member States take appropriate measures to support the automatic digitalisation of SME sustainability reporting in accordance with the VSME, in order to enable an efficient exchange of data that respects SMEs data ownership.

⁶ <https://www.boe.es/buscar/doc.php?id=DOUE-L-2025-81216>

4. Basic principles of the VSME

The voluntary standard is guided by principles designed to ensure that the sustainability reports are accessible and meaningful.

- 1 Voluntary adoption:** the application of the standard is at the discretion of the SME and its compliance is not mandatory by any legislation. However, even though it is not a legal requirement, many large corporations, and financial institutions or insurance firms, have already begun to request this type of information.
- 2 Proportional approach:** it adapts to the resources of the SMEs, which guarantees that preparing sustainability reports is manageable. The development of a unique standard likewise impacts on the optimising companies' resources as they do not have to meet different criteria that could be required by different customers or financial institutions.
- 3 Simplicity:** it aims for clear language and an intuitive structure.
- 4 Modularity:** it offers two options (basic module and comprehensive module) to adapt the business capacity and the reporting can be scaled.
- 5 European alignment:** the standard is coherent with the European Union's sustainability framework, which is determined through the Corporate Sustainability Reporting Directive (CSRD) and its associated standards.



- 6 Access and relevance:** it helps to demonstrate the performance to improve access to financing and the markets by focusing on the essential ESG disclosures that are typical of the SMEs.
- 7 Corporate governance:** it emphasises responsibility and transparency when reporting on sustainable practices, in line with the sustainability reporting standards and regulations.
- 8 Internal management tool:** it helps to manage its own sustainability performance and risks.

These principles allow the company to turn the reports into a strategic advantage.

5. VSME structure and content

THE VSME FRAMEWORK HAS THE SAME STRUCTURE IN TWO COMPLEMENTARY MODULES, THE BASIC MODULE AND THE COMPREHENSIVE MODULE

BASIC MODULE	+	COMPREHENSIVE MODULE
ESG basic aspects		Advanced ESG requirements
± 50	DATA REQUIRED	± 100
General, environmental, social and basic governance information	AREAS OF ACTION	Estrategy, detailed ESG data, risks

The different sustainability issues that are relevant for micro-undertakings and small and medium-sized enterprises are structured through those two modules. As has been previously discussed, even though these companies are outside the scope of application of the Corporate Sustainability Report Directive (CSRD), the VSME envisages the same sustainability issues as the European Sustainability Reporting Standard (ESRS) that applies to large corporations. However, it does so in a proportionate manner; therefore, it takes the fundamental characteristics of micro-undertakings and small and medium-sized enterprises into account. The aspects considered in each of those two modules are detailed below.

5.1. ‘Basic’ Module: The Fundamental Basis

This module provides the mainstay for companies embarking on sustainability reporting. It is therefore the right option for **micro-undertakings** and is a minimum requirement for other companies. Its characteristics are:

- 11 ESG essential indicators structured into three pillars (environment, social, governance)
- Emission calculation limited to Scopes 1 and 2 (direct and indirect emissions related to energy)
- No double materiality analysis is required, contrary to all the CSRD requirements.
- Flexibility in the choice of relevant indicators for the company’s activity.

Category	Data type	Description
General information	B1. Basis for preparation	It indicates the information framework selected (basic or comprehensive module) and the general details of the company (legal status, turnover, number of employees, etc.).
	B2. Practices, policies and future initiatives for transitioning towards a more sustainable economy	It describes the sustainability-related policies of the SME and the planned improvements.
Environment metrics	B3. Energy and greenhouse gas emissions	It discloses the total energy consumption and the direct (Scope 1) and indirect (Scope 1) GHG emissions.
	B4. Pollution of air, water and soil	It discloses the pollutants it emits to the environment when required by the regulations or the voluntary reporting systems.
	B5. Biodiversity	It reports on whether the commercial sites are located in or near biodiversity sensitive areas.
	B6. Water	It discloses water withdrawal and consumption, particularly in regions of high water stress.
	B7. Resource use, circular economy and waste management	It reports on waste management, recycling efforts and circular economy initiatives.
Social Metrics	B8. Workers - General characteristics	It provides details on the employees, including the full-timer/part-time breakdown and gender distribution.
	B9. Workforce - Health and Safety	It reports incidents in the workplace, including work-related injuries and deaths.
	B10. Workforce - Remuneration, collective bargaining and training	It discloses compliance of the minimum salary, the wage gap, trade union representation and the training hours of the employees.
Governance Metrics	B11. Convictions and fines for corruption and bribery	It discloses any conviction related to corruption and financial penalties, providing information on the company's focus on corporate governance and ethical behaviour.

5.2. 'Comprehensive' Module: For an In-Depth Approach

In the case of the companies that wish to improve their sustainability reporting, the comprehensive module includes 9 disclosures in addition to the basic module, covering information that banks, investors and the corporate clients of the companies usually request. These disclosures are therefore particularly useful for companies seeking green financing, commercial agreements with large corporations, driven by sustainability or in line with the investors' expectations.

This complementary module addresses:

- Sustainable **business models**.
- **Diversity and inclusion**.
- **Climate risks** and strategies of action.
- Greenhouse gas **emission reduction policies**.

This module adopts a more narrative approach, which allows companies to assess their good practices and specific actions regarding sustainability.

It is important to note that the Comprehensive Module cannot be used alone. A company must first complete the Basic Module before including the additional disclosures. This modular approach ensures that companies can scale their sustainability reporting according to their commercial needs and stakeholder expectations.

Category	Data type	Description
General information	C1. Strategy: Business Model and Sustainability - Related Initiatives	The SMEs must disclose their business model and any key sustainability initiative that forms part of their strategy.
	C2. Description of practices, policies and future initiatives for transitioning towards a more sustainable economy	Companies must describe their sustainability-related policies and planned sustainability improvements.
Environment metrics	C3. GHG reduction targets and climate transition	SMEs must disclose the specific targets to reduce greenhouse gas emissions and their strategy for the transition towards a low carbon business model.
	C4. Climate risks	SMEs must assess and report on their exposure to climate-related risks, including physical risks (for example, extreme weather events) and transition risks (for example, regulatory changes)
Social Metrics	C5. Additional (general) workforce characteristics	More details about the workforce beyond the basic module, including the type of employment and the breakdown by type of contract and region.
	C6. Additional own workforce information - Human rights policies and processes	Disclosure of the company's policies related to human rights, including protecting labour rights, non-discrimination measures and complaints-handling mechanisms.
	C7. Severe negative human rights incidents	SMEs must disclose any incident confirming severe human rights violations, such as forced labour, child labour and other serious infractions.
Governance Metrics	C8. Revenues from certain sectors and exclusion from EU reference benchmarks	SMEs must disclose revenues from sectors such as fossil fuels, tobacco and other high-impact industries. They must also report if they are excluded from any EU sustainability reference benchmarks.
	C9. Gender diversity ratio in the governance body	SMES must disclose the gender breakdown of their governance bodies, including senior executives and the members of the board of directors.

6. Strategic benefits of the VSME

Using the VSME provides important strategic benefits and competitive advantages for those SMEs that voluntarily report sustainability information based on its content.

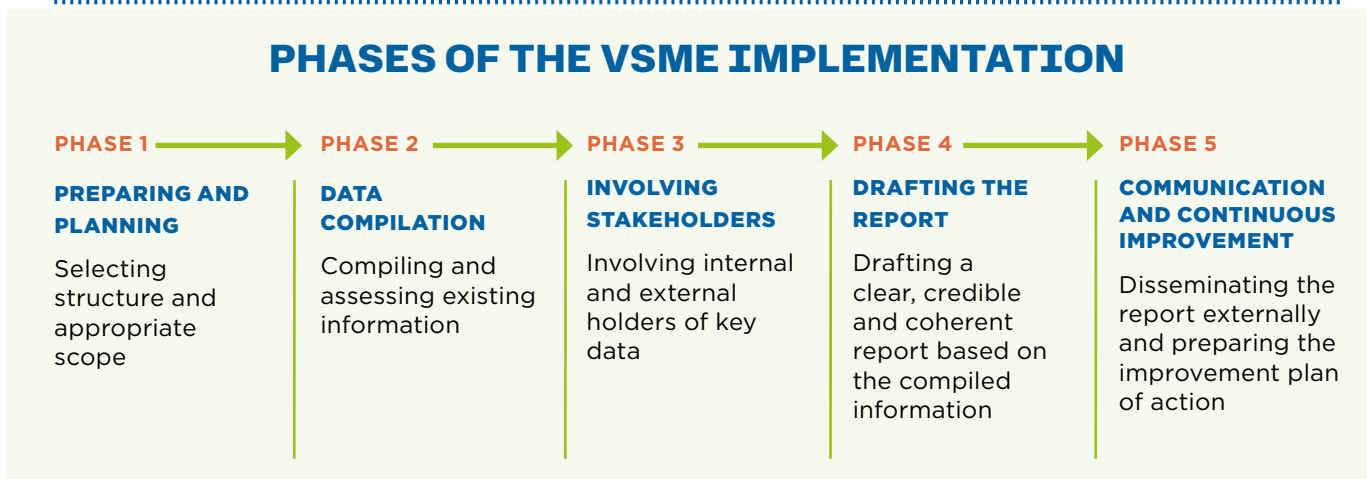
These are some of the key benefits:

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- | | |
|-----------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1
Reducing the burden of the ESG reports | <p>Many companies are having to deal with overlapping and uncoordinated requests for ESG data from banks, investors and corporate clients. The VSME provides a standardised and single framework, which helps companies to:</p> <ul style="list-style-type: none">– Avoid inefficiency when answering multiple ESG questionnaires.– Cut administrative costs and the time spent on sustainability reports, and– Produce a structured ESG report that complies with the majority of stakeholder’s expectations. |
| 2
Improving access to financing | <p>Companies that can show sustainability undertakings are more attractive to banks, investors and financing programmes. The VSME can help companies to:</p> <ul style="list-style-type: none">– Strengthen loan applications by providing structured ESG data.– Attract sustainability focused investors.– Access green financing opportunities more easily. |
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- | | |
|--------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3
Bolstering commercial relations | <p>Many large corporations now require sustainability data from suppliers as part of their own ESG reports. By adopting the VSME, companies can:</p> <ul style="list-style-type: none">– Comply with the sustainability requirements in the supply chain.– Reduce the risk of losing contracts due to the lack of ESG data, and– Generate trust with corporate clients and commercial partners. |
| 4
Preparing for future regulations | <p>Even though the VSME is voluntary, the ESG reporting requirements for companies are fast evolving; companies that are starting now or which have already done so will be better prepared to adapt. In fact, the VSME is fast becoming a springboard for future compliance. EU policymakers have stressed that the VSME plays a complementary role in the panorama of EU sustainability reporting. It offers SMEs a way to start to develop ESG capacities now – in a proportionate and cost-effective way – without waiting for it to become a legal obligation. Adopting the VSME allows companies to:</p> <ul style="list-style-type: none">– Keep in line with stakeholder expectations despite the regulatory grace periods.– Anticipate future reporting frameworks and cut compliance costs in the long term, and– Be competitively positioned as sustainability becomes a key aspect of business decision-making. |
| 5
Improving positioning on the market | <p>Sustainability has become a key differentiator in many industries. Companies using the VSME for ESG reporting can:</p> <ul style="list-style-type: none">– Improve the brand reputation by showing sustainability efforts.– Attract customers and partners that prioritise responsible corporate practices– Stand out from competitors that do not report their ESG performance. |
-

7. How to implement the VSME

The VSME application requires a methodical approach adapted to the available resource, which can be structured in 5 phases as set out below.



PHASE 1- Preparing and Planning

Before starting on preparing ESG report, it is essential to understand the different existing alternatives and the structure of the VSME framework. There are four basic considerations to be considered in the preparation phase. The following must be taken into account:

- **CSR maturity analysis to identify the starting point.** There may be companies with experience in ESG reporting and can certainly use that previous work. Therefore, analysing the starting point is one of the initial matters to be addressed.
- **Selecting the commitment level.** The VSME is structured into two modules: the Basic Module and the Comprehensive Module. Organisations can opt to report using one or both modules, depending on their ESG level of maturity, the expectations of customers and partners, and the depth of the information that they wish to provide.

If a SME wants to...	Recommended module	
	Basic module	Comprehensive module
Comply with ESG basic expectations		
Streamline sustainability reports for customers and financial institutions		
Ensure access to new sustainability-focused investors		
Be positioned as a leader in sustainability		

- **Consolidated vs. individual reports.** Another key consideration when preparing a VSEM report is whether for it to be individual or consolidated. Consolidated reports, including information on the company’s affiliates, are recommended only for parent companies that are required to disclose information on their subsidiaries. An individual report is usually sufficient for independent SMEs.
- **Principle of pertinence.** One of the key characteristics of the VSME is the pertinence principle, which guarantees that disclosure is only required when the company believes it to be pertinent.
- **Classified and sensitive information.** The company may omit information that it considers to be classified or sensitive. If that is the case, the company will have to disclose that omission.
- **Voluntary disclosures. Furthermore, the VSME includes a set of voluntary disclosures.** In general, the language used, such as ‘may’ or ‘could’, offers organisations the opportunity to report beyond the minimum requirements if they desire to show greater ambition or transparency. Such early decisions will have a direct impact on the methodology to be adopted, the departments to be involved, and the time and general resources needed for the reporting process.
- **Allocation of resources needed (human, technical, financial).** As when planning any other activity, the human team and the available resources to be used to lead the report compilation and drafting process.

PHASE 2 - Data Compilation

The next step to compile the data and review the documents. This phase lays the foundations for the whole reporting process; its quality will determine the clarity, credibility and usefulness of the final report to a great extent.

It will begin by conducting an inventory of the existing internal documents. These include ESG-related policies, previous sustainability reports, codes of conduct, employee manuals, diversity statement and any documents reflecting the social or environmental practices of the organisations such as sustainability-related certificates or labels. The possibility of using AI-based tools to help summarise documents will need to be considered to streamline this process.

Once the documentation has been compiled, the next step will be to identify any gaps to be covered when preparing the report. That involves comparing the VSME disclosure requirements with the data and information available and highlight the areas where more information needs to

be gathered or developed. Some gaps – such as the lack of quantitative data – may be simple to cover; while others may require new internal procedures to be developed or interdepartmental coordination to be improved. Some such gaps may require:

- Internal and external information sources to be identified.
- Collection tools adapted to the size and resources of the company to be implemented.
- The frequency of the data or information compilation to be established (monthly, quarterly, annually)
- Data to be validated by the respective operational teams.

In order to address this phase, it may be of interest to consult the Annex of Recommendation (EU) 2025/1710⁷ on a voluntary sustainability reporting standard for small and medium-sized undertaking, as it provides practical guidance on rolling out the VSME.

PHASE 3 - Involving Stakeholders

Involving the appropriate internal and external stakeholders is essential to prepare a meaningful and reliable VSME. That will begin by identifying those department of the organisation that have key data or influence ESG practices, such as Human Resources, Environment, Health & Safety, Finance & Legal. Other external stakeholders, such as service providers or suppliers throughout the supply chain that can provide environmental data, will subsequently also be studied.

Once all the stakeholders to be taken into account have been identified, they will need to be contacted one by one to explain the purpose of the project and specific data to be compiled. It is important that only the strictly necessary information will be requested, avoiding excessive information requests that may be demotivating and prevent the necessary information from being obtained quickly.



PHASE 4 - Drafting the Report

Once the data has been gathered and the stakeholders been brought on board, the next step is to transform that information into a clear, credible and coherent report. Doing this part well is crucial to guarantee that the disclosures not only comply with the standards, but that they are also accessible and useful for the recipients to whom the information is to be sent.

The first thing to do is to define the structure of the report. Existing ESG reports can be used for inspiration, particularly ones from similar organisations in terms of size and sector.

The recommended final structure of the report is:

- An initial block where the company profile is described
- A second block identifying the ESG-related policies, and
- A third block addressing the metrics and disclosures.

The stages set out below are recommended to ensure that a clear and coherent report is prepared, but which is also useful for the organisation, prior to the company's management and different departments have validated the content:

- Analysis of the performance in terms of the chosen indicators,
- Identifying the areas for improvement and future targets,
- Drafting the report with a focus on clarity and transparency.

PHASE 5 - Communication and Continuous Improvement

Prior to publishing the VSME report, an exhaustive internal review is essential to guarantee accuracy and integrity. Senior management will therefore have to be involved to review and confirm that the report is in line with the strategy, the tone and commitment to transparency of the organisation. Checking that no sensitive or confidential information has been included is also important.

Once the report has been drafted, and if the company has decided to publish it, the report will be delivered to the marketing or communication team to apply the format, design and final brand elements, to make sure that the report is visually polished and available to be published.

Finally, and regardless of the publication of the report, for example, on the company's website, the following actions will also need to be carried out in order to ensure not only that the report reaches the stakeholders, but that it is also an important contribution when preparing successive sustainability reports:

- Specific communication with the priority stakeholders.
- Identifying other stakeholders and users of the report.
- Compiling comments and contributions from all the parties.
- Integrating the lessons learnt and improvements identified in the following reporting cycle.

Annex— Content of the standard

Voluntary Sustainability Reporting
Standard for Small and
Medium-Sized Enterprises

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Structure of this Standard

5. This Standard has two modules that the undertaking can use to prepare its sustainability report:
 - a) **Basic Module:** Disclosures B1 and B2 and Basic Metrics (B3 to B11). This module is the target approach for micro-undertakings and constitutes a minimum requirement for other undertakings; and
 - b) **Comprehensive Module:** this module sets datapoints in addition to disclosures B1-B11, which are likely to be requested by banks, investors and corporate clients of the undertaking on top of the Basic Module.

Paragraph 24 below illustrates the available options for the preparation of a sustainability report using this 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 shall be provided only when it is applicable to the undertaking's specific circumstances.

6. Applying the Basic Module is a prerequisite for applying the Comprehensive Module.
7. Appendix A *Defined terms* include the definitions of the terms used in this Standard. Throughout the VSME Standard, the terms defined in the glossary of definitions (Appendix A) are set 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)

Complying with this Standard

8. This Standard sets requirements that allow the undertaking to provide relevant information on:
 - a) how 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) 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 undertaking shall 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 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 50 to 53 of this Standard). 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 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.

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 information from its subsidiaries.
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

16. If a sustainability report is prepared to meet the needs of large undertakings or banks that require an update annually, it shall be prepared annually. If the undertaking prepares financial statements, the sustainability report shall be prepared with a period of time that is consistent with the preparation of the financial statement. If specific datapoints did not change from the previous reporting year, the undertaking may indicate that no changes occurred and refer to the information provided for that specific datapoint in the previous year's report.
17. 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 it has one. Otherwise, the undertaking may present its sustainability report as a 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

19. When the provision of the disclosures in this Standard requires disclosing classified or **sensitive information**, the undertaking may omit such information. If the undertaking decides to omit such information, it shall state that this is the case under disclosure B1 (see paragraph 24).

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 Standard shall:
 - a) be coherent with what is reported in the financial statements for the same period; and
 - b) 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.

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

21. The undertaking shall report on its environmental, social and **business conduct** issues (together 'sustainability issues') using the B1 to B11 disclosures below.
22. If the undertaking wants to provide more comprehensive information, it may also integrate the metrics required from B1 to B11 with disclosures, selecting them from the Comprehensive Module.
23. Additional guidance on disclosures B1 to B11 is available in paragraphs 1 to 144 of Annex II of this Recommendation.

BASIC MODULE – GENERAL INFORMATION

B1- Basis for preparation

24. The undertaking shall disclose:
 - a) which of the following options it has selected:
 - 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 **classified or sensitive information** (see paragraph 19), the undertaking shall indicate the disclosure that has omitted.
 - c) whether the sustainability report has been prepared on an individual basis (i.e. the report is limited to the undertaking's information only) or on a consolidated basis (i.e. the report includes information about the undertaking and its subsidiaries);
 - d) in case of a consolidated sustainability report, the list of the subsidiaries, including their registered address⁽⁴⁾; and
 - e) the following information:
 - i. the undertaking's legal form;
 - ii. NACE sector classification code(s);
 - iii. size of the balance sheet (total assets in monetary units);
 - iv. turnover (in monetary units);
 - 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. 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).

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

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

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⁴ The registered address is the official address of the undertaking.

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) **policies** on sustainability issues, whether they are publicly available, and any separate environmental, social or governance 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 **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 14 of Annex II of this Recommendation 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 MODULE – ENVIRONMENT METRICS

B3- Energy and greenhouse gas emissions

29. 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:

	Renewable	Non-renewable	Total
Electricity (as reflected in utility billings)			
Fuels			

30. The undertaking shall disclose its estimated **gross greenhouse gas (GHG) emissions** in tons of CO₂ equivalent (tCO₂eq) considering the content of the GHG Protocol Corporate Standard (version 2004), including:
- a) the Scope 1 GHG emissions in tCO₂eq (from owned or controlled sources); and
 - b) the **location-based Scope 2 emissions** in tCO₂eq (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 monetary units)’ disclosed under paragraph 24(e)(iv) ⁽⁵⁾

B4- Pollution of air, water and soil

32. 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.

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5 In a future online tool version of the VSME Standard, this will be automatically calculated.

B5- Biodiversity

33. The undertaking shall disclose the number and area (in hectares or m²) of **sites** that it owns, has leased, or manages in or **near a biodiversity sensitive area**.
34. The undertaking may disclose metrics related to **land-use** (in hectares or m²):
 - a) total use of land;
 - b) total sealed area;
 - c) total **nature-oriented area** on-site; and
 - d) total **nature-oriented area** off-site.

B6- 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 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 shall disclose its **water consumption** calculated as the difference between its **water withdrawal** and water discharge from its production processes.

B7- Resource use, circular economy and waste management

37. The undertaking shall disclose whether 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.

BASIC MODULE – SOCIAL METRICS

B8- 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
 - 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.

B9- 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.

B10- Workforce – Remuneration, collective bargaining and training

42. The undertaking shall disclose:
- a) whether the **employees receive pay** that is equal or above applicable minimum **wage** for the 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 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.

BASIC MODULE – GOVERNANCE METRICS

B11- 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 to address in a comprehensive way the information needs of the undertaking's business partners, such as investors, banks and corporate clients in addition to the ones included in the Basic Module. The disclosures in this module reflect the financial market participants and corporate clients' respective obligations under relevant laws and regulations. They also reflect the information needed by the business partners, to assess the sustainability risk profile of the undertaking, e.g. as a (potential) supplier or a (potential) borrower.
45. The text below provides the list of disclosures from C1 to C9 to be considered and reported upon, if they are applicable to the undertaking's business and organisation. When one of these disclosures is omitted, it is assumed to not be applicable.
46. Additional guidance on disclosures C1 to C9 is available in paragraphs 145 to 180 of Annex II of this Recommendation.

COMPREHENSIVE MODULE – 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

- 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. The undertaking may use the template found in paragraph 149 of Annex II of this Recommendation for this purpose.
49. The undertaking may indicate the most senior level within its employees that is accountable for implementing the policies when this has been determined by the undertaking.

COMPREHENSIVE MODULE - ENVIRONMENTAL METRICS

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

50. Depending on the type of activities carried out by the undertaking, disclosing a quantification of its Scope 3 GHG emissions can be appropriate (see paragraph 10 of this 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.)
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 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.
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 B3 – Energy and greenhouse gas emissions.

C3- GHG reduction targets and climate transition

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. In particular, it shall provide:
- the target year and target year value;
 - the base year and base year value;
 - the units used for **targets**;
 - the share of Scope 1, Scope 2 and, if disclosed, Scope 3 that the target concerns; and
 - a list of main actions it seeks to implement to achieve its **targets**.

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.
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.

C4- Climate risks

57. If the undertaking has identified climate-related hazards and climate-related transition events, creating gross climate-related risks for the undertaking, it shall:
- briefly describe such climate-related hazards and climate-related transition events;
 - disclose how it has assessed the exposure and sensitivity of its assets, activities and **value chain** to these hazards and transition events;
 - disclose the **time horizons** of any climate-related hazards and transition events identified; and
 - disclose whether it has undertaken **climate change adaptation** actions for any climate-related hazards and transition events.
58. 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.

COMPREHENSIVE MODULE – SOCIAL METRICS

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 information - Human rights policies and processes

61. The undertaking shall disclose an answer to the following questions:
- Does the undertaking have a code of conduct or human rights **policy** for its **own workforce**? (YES/NO).
 - If yes, does this cover:
 - child labour (YES/ NO);
 - forced labour (YES/ NO);
 - human trafficking (YES/NO);
 - discrimination (YES/NO);
 - accident prevention (YES/NO); or
 - other? (YES/NO - if yes, specify).

6 High climate impact sectors are those listed in NACE Sections A to H and Section M as defined in Annex I to Delegated Regulation (EU) 2023/137.

Appendix A

Defined terms

This appendix is an integral part of this 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.
Bribery	Dishonestly persuading someone to act in your favour by giving them a gift of money or another inducement.
Business Conduct	The following matters are collectively referred to as 'business conduct or business conduct matters': <ul style="list-style-type: none"> 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.

Defined term	Definition
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 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 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.

Defined term	Definition
Grievance mechanism	<p>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.</p>
Greenhouse Gases (GHG)	<p>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).</p>
Governance	<p>The governance is the system of rules, practices and processes by which a company is directed and controlled.</p>
Gross greenhouse gas (GHG) emissions	<p>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.</p>
Hazardous waste	<p>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.</p>
Human trafficking	<p>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.</p>
Incident	<p>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.</p>
Indirect GHG emissions (Scope 2)	<p>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.</p>

Defined term	Definition
Impact	<p>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.</p> <p>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.</p> <p>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).</p>
Land-use (change)	<p>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.</p>
Location-based Scope 2 emissions	<p>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.).</p>
Nature-oriented area	<p>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.</p>
Near (Biodiversity Sensitive Area)	<p>Near, in the context of B5 - Biodiversity, shall refer to an area that is (partially) overlapping or adjacent to a biodiversity sensitive area.</p>
Own workforce/own workers	<p>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 O78).</p>
Pay	<p>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.</p>

Defined term	Definition
Policy	<p>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.</p> <p>If the undertaking has not yet formalised a policy but has implemented actions or defined targets through which the undertaking seeks to address sustainability issues, it shall disclose them.</p>
Radioactive waste	<p>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 (1).</p>
Recordable work-related accident / Recordable work-related injury or ill health	<p>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.</p> <p>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.</p>
Recycling	<p>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.</p>
Renewable Energy	<p>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 (2).</p>
Sealed area	<p>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.</p>
Sensitive information	<p>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.</p> <p>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.</p>
Site	<p>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.</p>
Targets	<p>Measurable, outcome-oriented and time-bound goals that the SME aims to achieve in relation to sustainability issues. They may be set voluntarily by the SME or derive from legal requirements on the undertaking.</p>

Defined term	Definition
Time horizons	<p>When preparing its sustainability report, the undertaking shall adopt the following time horizons:</p> <ul style="list-style-type: none"> 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	<p>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.</p>
Value Chain	<p>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.</p>
Wage	<p>Gross wage, excluding variable components such as overtime and incentive pay, and excluding allowances unless they are guaranteed.</p>
Water consumption	<p>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.</p>
Water withdrawal	<p>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.</p>
Worker in the value chain	<p>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 O78)]</p>

1 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.

2 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).

Appendix B

List of possible sustainability issues

The appendix below is an integral part of this Standard and provides a list of possible sustainability issues.

Topic	Sustainability issue: Sub-topic	Sustainability issue: sub-sub topic
Climate change	<ul style="list-style-type: none"> – Climate change adaptation – Climate change mitigation – Energy 	
Pollution	<ul style="list-style-type: none"> – 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	<ul style="list-style-type: none"> – Water – Marine resources 	<ul style="list-style-type: none"> – Water consumption – Water withdrawals – Water discharges – Water discharges in the oceans – Extraction and use of marine resources
Biodiversity and ecosystems	<ul style="list-style-type: none"> – Direct impact drivers of biodiversity loss 	<ul style="list-style-type: none"> – Climate Change – Land-use change, fresh water-use change and sea-use change – Direct exploitation – Invasive alien species – Pollution – Others
	<ul style="list-style-type: none"> – Impacts on the state of species 	<ul style="list-style-type: none"> – Examples: – Species population size – Species global extinction risk
	<ul style="list-style-type: none"> – Impacts on the extent and condition of ecosystems 	<ul style="list-style-type: none"> – Examples: – Land degradation – Desertification – Soil sealing
	<ul style="list-style-type: none"> – Impacts and dependencies on ecosystem services 	
Circular economy	<ul style="list-style-type: none"> – Resources inflows, including resource use – Resource outflows related to products and services – Waste 	

Topic	Sustainability issue: Sub-topic	Sustainability issue: sub-sub topic
Own workforce	<ul style="list-style-type: none"> – Working conditions 	<ul style="list-style-type: none"> – 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 – Collective bargaining, including rate of workers covered by collective agreements – Work-life balance – Health and safety
	<ul style="list-style-type: none"> – Equal treatment and opportunities for all 	<ul style="list-style-type: none"> – 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
	<ul style="list-style-type: none"> – Other work-related rights 	<ul style="list-style-type: none"> – Child labour – Forced labour – Adequate housing – Privacy
Workers in the value chain	<ul style="list-style-type: none"> – Working conditions 	<ul style="list-style-type: none"> – 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
	<ul style="list-style-type: none"> – Equal treatment and opportunities for all 	<ul style="list-style-type: none"> – 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
	<ul style="list-style-type: none"> – Other work-related rights 	<ul style="list-style-type: none"> – Child labour – Forced labour – Adequate housing – Water and sanitation – Privacy

Topic	Sustainability issue: Sub-topic	Sustainability issue: sub-sub topic
Affected communities	<ul style="list-style-type: none"> – Communities’ economic, social and cultural rights 	<ul style="list-style-type: none"> – Adequate housing – Adequate food – Water and sanitation – Land-related impacts – Security-related impacts
	<ul style="list-style-type: none"> – Communities’ civil and political rights 	<ul style="list-style-type: none"> – Freedom of expression – Freedom of assembly – Impacts on human rights defenders
	<ul style="list-style-type: none"> – Rights of indigenous communities 	<ul style="list-style-type: none"> – Free, prior and informed consent – Self-determination – Cultural rights
Consumers and end-users	<ul style="list-style-type: none"> – Information-related impacts for consumers and/or end-users 	<ul style="list-style-type: none"> – Privacy – Freedom of expression – Access to (quality) information
	<ul style="list-style-type: none"> – Personal safety of consumers and/or end-users 	<ul style="list-style-type: none"> – Health and safety – Security of a person – Protection of children
	<ul style="list-style-type: none"> – Social inclusion of consumers and/or end-users 	<ul style="list-style-type: none"> – Non-discrimination – Access to products and services – Responsible marketing practices
Business conduct	<ul style="list-style-type: none"> – Corporate culture – Protection of whistle-blowers – Animal welfare – Political engagement – Management of relationships with suppliers including payment practices 	
	<ul style="list-style-type: none"> – Corruption and bribery 	<ul style="list-style-type: none"> – Prevention and detection including training – Incidents

Appendix C

Background information for financial market participants that are users of the information produced using this Standard (reconciliation with other EU regulations)

66. 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)
67. 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)

Topic: Environment / Social / Governance	DR number and Title	SFDR Table 1 and/or EBA Pillar 3 and/or Benchmark Regulation												
BASIC MODULE														
General information	<p>B1 - Basis for preparation</p> <p>The undertaking shall disclose:</p> <p style="padding-left: 20px;">vii. geolocation of sites owned, leased or managed.</p>	EBA Pillar 3 ⁽¹⁾												
Environment	<p>B3 - Energy and greenhouse gas emissions</p> <p>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:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 20%;">Renewable</th> <th style="width: 20%;">Non-renewable</th> <th style="width: 30%;">Total</th> </tr> </thead> <tbody> <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> </tbody> </table>		Renewable	Non-renewable	Total	Electricity (as reflected in utility billings)				Fuels				SFDR ⁽²⁾
		Renewable	Non-renewable	Total										
	Electricity (as reflected in utility billings)													
	Fuels													
Environment	<p>B3 - Energy and greenhouse gas emissions</p> <p>The undertaking shall disclose its estimated gross greenhouse gas (GHG) emissions in tons of CO₂ equivalent (tCO₂eq) considering the content of the GHG Protocol Corporate Standard (version 2004), including:</p> <p>a) the Scope 1 GHG emissions in tCO₂eq (from owned or controlled sources); and</p> <p>b) the location-based Scope 2 emissions in tCO₂eq (i.e. emissions from the generation of purchased energy, such as electricity, heat, steam or cooling)</p>	SFDR ⁽³⁾ Benchmark ⁽⁴⁾												

Topic: Environment / Social / Governance	DR number and Title	SFDR Table 1 and/or EBA Pillar 3 and/or Benchmark Regulation
Environment	<p>B3 - Energy and greenhouse gas emissions</p> <p>The undertaking shall disclose its GHG intensity calculated by dividing 'total GHG emissions' disclosed under paragraph 30 by 'turnover (in monetary units)' disclosed under paragraph 24(e)(iv)</p>	<p>SFDR ⁽⁵⁾ Benchmark ⁽⁶⁾</p>
Environment	<p>B4 - Pollution of air, water and soil</p> <p>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.</p>	<p>SFDR ⁽⁷⁾</p>
Environment	<p>B5 - Biodiversity</p> <p>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.</p>	<p>SFDR ⁽⁸⁾</p>
Environment	<p>B7 - Resource use, circular economy and waste management</p> <p>The undertaking shall disclose:</p> <p>a) the total annual generation of waste broken down by type (non-hazardous and hazardous);</p>	<p>SFDR ⁽⁹⁾</p>
Social	<p>B9 - Workforce - Health and safety</p> <p>The undertaking shall disclose the following information regarding its employees:</p> <p>a) the number and rate of recordable work-related accidents; and</p> <p>b) the number of fatalities as a result of work-related injuries and work-related ill health.</p>	<p>SFDR ⁽¹⁰⁾ Benchmark ⁽¹¹⁾</p>
Social	<p>B10 - Workforce - Remuneration, collective bargaining and training</p> <p>The undertaking shall disclose:</p> <p>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.</p>	<p>SFDR ⁽¹²⁾</p>
Governance	<p>B11 – Convictions and fines for corruption and bribery</p> <p>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.</p>	<p>Benchmark ⁽¹³⁾</p>

Topic: Environment / Social / Governance	DR number and Title	SFDR Table 1 and/or EBA Pillar 3 and/or Benchmark Regulation
COMPREHENSIVE MODULE		
Environment	<p>Consideration when reporting on GHG emissions under B3 (Basic Module)</p> <p>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.</p>	<p>SFDR ⁽¹⁴⁾ Benchmark ⁽¹⁵⁾</p>
Environment	<p>C3 - GHG emissions reduction target</p> <p>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. In particular, it shall provide:</p> <ol style="list-style-type: none"> 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. <p>If the undertaking that operates in high climate impact sectors ⁽¹⁶⁾ 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.</p> <p>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.</p>	<p>SFDR ⁽¹⁷⁾ Benchmark ⁽¹⁸⁾ EBA Pillar 3 ⁽¹⁹⁾ Benchmark ⁽²⁰⁾</p>
Environment	<p>C4 - Climate risks</p> <p>If the undertaking has identified climate-related hazards and climate-related transition events, creating gross climate-related risks for the undertaking, it shall:</p> <ol style="list-style-type: none"> 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. <p>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.</p>	<p>Benchmark ⁽²¹⁾ EBA Pillar 3 ⁽²²⁾</p>

Topic: Environment / Social / Governance	DR number and Title	SFDR Table 1 and/or EBA Pillar 3 and/or Benchmark Regulation
Social	<p>C6 - Additional own workforce information - Human rights policies and processes</p> <p>The undertaking shall disclose an answer to the following questions:</p> <p>a) Does the undertaking have a code of conduct or human rights policy for its own workforce? (YES/NO).</p> <p>b) If yes, does this cover?:</p> <ol style="list-style-type: none"> 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). <p>Does the undertaking have a complaints-handling mechanism for its own workforce? (YES/ NO)</p>	<p>Benchmark ⁽²³⁾ SFDR ⁽²⁴⁾</p>
Social	<p>C7 - Severe human rights incidents</p> <p>The undertaking shall disclose an answer to the following questions:</p> <p>a) Does the undertaking have confirmed incidents in its own workforce related to:</p> <ol style="list-style-type: none"> i. child labour (YES/ NO); ii. forced labour (YES/ NO); iii. human trafficking (YES/NO); iv. discrimination (YES/NO); v. other? (YES/NO - if yes, specify). <p>b) If yes, the undertaking may describe the actions being taken to address the incidents described above.</p> <p>Is the undertaking aware of any confirmed incidents involving workers in the value chain, affected communities, consumers and end-users? If yes, specify.</p>	<p>SFDR ⁽²⁵⁾ Benchmark ⁽²⁶⁾</p>
Governance	<p>C8 - Revenues from certain sectors and exclusion from EU reference benchmarks</p> <p>If the undertaking is active in one or more of the following sectors, it shall disclose its related revenues in the sector(s):</p> <p>a) controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons);</p>	<p>SFDR ⁽²⁷⁾ Benchmark ⁽²⁸⁾</p>
	<p>b) the cultivation and production of tobacco;</p>	<p>EBA Pillar 3 ⁽²⁹⁾ Benchmark ⁽³⁰⁾</p>
	<p>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</p>	<p>SFDR ⁽³¹⁾ EBA Pillar 3 ⁽³²⁾ Benchmark ⁽³³⁾</p>
	<p>d) chemicals production, if the undertaking is a manufacturer of pesticides and other agrochemical products.</p>	<p>SFDR ⁽³⁴⁾ EBA Pillar 3 ⁽³⁵⁾</p>
	<p>The undertaking shall disclose whether it is excluded from any EU reference benchmarks that are aligned with the Paris Agreement as described in paragraph 177 of Annex II of this Recommendation.</p>	<p>EBA Pillar 3 ⁽³⁶⁾ Benchmark ⁽³⁷⁾</p>

Topic: Environment / Social / Governance	DR number and Title	SFDR Table 1 and/or EBA Pillar 3 and/or Benchmark Regulation
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 ⁽³⁸⁾ Benchmark ⁽³⁹⁾

1. 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.
2. Regulation (EU) 2019/2088 (SFDR), mandatory indicator #5 in Table 1 of Annex I (“Share of non-renewable energy consumption and production”).
3. Regulation (EU) 2019/2088 (SFDR), mandatory indicators #1 and #2 in Table 1 of Annex I (“GHG emissions”; Carbon footprint”)
4. Regulation (EU) 2020/1816 Benchmark Regulation, Articles 5 (1), 6 and 8 (1).
5. 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”).
6. This information is aligned with Commission Delegated Regulation (EU) 2020/1818 (Climate Benchmark Regulation), Article 8 (1).
7. 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”).
8. Regulation (EU) 2019/2088 (SFDR), mandatory indicator #7 in Table 1 of Annex I (“Activities negatively affecting biodiversity-sensitive areas”)
9. 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”).
10. 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”)
11. 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.
12. 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.
13. 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.
14. Regulation (EU) 2019/2088 (SFDR), mandatory indicators #1 and #2 in Table 1 of Annex I (“GHG emissions”; Carbon footprint”)
15. Regulation (EU) 2020/1816 Benchmark Regulation, Articles 5 (1), 6 and 8 (1).
16. High climate impact sectors are those listed in NACE Sections A to H and Section M as defined in Annex I to Delegated Regulation (EU) 2023/137.
17. 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”)
18. This information is aligned with the Commission Delegated Regulation (EU) 2020/1818 (Climate Benchmark Regulation), Article 6.
19. 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
20. 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.

21. Benchmark Regulation (EU) 2020/1816 Annex II: Environmental factors to be considered by underlying assets of the benchmark.
22. 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.
23. 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.
24. 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.
25. 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”).
26. 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.
27. 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”).
28. 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.”
29. 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.
30. This information supports the needs of benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 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.”
31. 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”).
32. 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.
33. Benchmark Regulation (EU) 2020/1818 Article 12(1).
34. 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”).
35. 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.
36. This disclosure requirement is consistent with the requirements in Commission Implementing Regulation (EU) 2022/2453 - template 1 climate change transition risk.
37. This disclosure requirement is aligned with Commission Delegated Regulation (EU) 2020/1818 (Climate Benchmark Regulation), Article 12.1.

38. 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”).
39. 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.
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EUSKO JAURLARITZA
GOBIERNO VASCO

INDUSTRIA, TRANSIZIO
ENERGETIKO ETA
JASANGARRITASUN SAILA
DEPARTAMENTO DE INDUSTRIA,
TRANSICIÓN ENERGÉTICA Y
SOSTENIBILIDAD