

# Sustainability reporting standards for SMEs

(using the EU VSME Standard  
as an example)



# Contents

<b>Introduction</b> .....	3	Comparative information and reporting frequency.....	20
<b>The context for the development of the Voluntary European Sustainability Reporting Standard for SMEs (VSME)</b> .....	6	Materiality in VSME .....	21
Why SMEs need ESG standards .....	7	<b>VSME implementation tools</b> .....	22
The relevance of ESG for SMEs in the EU and Ukraine .....	8	Data types in VSME.....	23
VSME’s place in the European sustainability reporting system.....	9	Overview of EFRAG Digital Template and XBRL Converter.....	24
VSME: developer, status and key stages of development.....	10	EFRAG Digital Template .....	25
Comparison of ESRS and VSME.....	11	XBRL Converter.....	26
<b>VSME architecture</b> .....	12	<b>Examples of VSME reports</b> .....	27
How the VSME standard is structured .....	13	Examples of VSME reports .....	28
Comprehensive VSME module: an additional level of detail .....	15	Analysis of the first wave of VSME reports .....	31
Example of disclosure: B3 “Energy and greenhouse gas emissions”.....	16	Practical advice based on the first VSME reports.....	32
<b>Basic principles of preparing a VSME report</b> .....	17	<b>Conclusion</b> .....	34
Basic principles of VSME.....	18	<b>Answers to additional questions</b> .....	36
The “if applicable” principle.....	19	<b>References and useful resources</b> .....	40

The Green Transition Office is an independent advisory body under the Ministry of Economy of Ukraine that assists in implementing reforms related to Ukraine’s green transition, energy, and climate policies.

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# Introduction

Sustainability reporting for SMEs in Europe is no longer a narrow topic for individual companies or consultants. It is gradually becoming a new language of interaction between business, banks, investors, large customers and the state. For SMEs, this is important not because they are already fully subject to the same rules as large corporations, but because market requirements have begun to change faster than formal legislation.

Businesses that operate in the supply chains of large corporations, attract credit, enter foreign markets or cooperate with international partners are increasingly required to respond to requests for environmental, social and governance performance. In this new reality, the question is no longer whether such information is needed, but in what format it should be prepared so that it is feasible for small and medium-sized businesses and useful for users.

The European Union has developed the **VSME Standard (Voluntary standard for non-listed micro-, small- and medium-sized undertakings)** as a response to this problem.

Its emergence reflects an important shift in European politics: After the introduction of a more stringent mandatory reporting system for large companies, the EU recognised the need for a separate, proportionate instrument for smaller companies. VSME is not intended to duplicate ESRS in a simplified form. Its task is different: to create a working, understandable and standardised format that allows SMEs to respond to market demands without excessive pressure. That is why the standard has gained particular importance and the European Commission has recommended its application in the EU for companies that have been left out of the CSRD requirements.

For Ukraine, this topic is not abstract, but of immediate importance. First, because Ukrainian businesses already operate in an environment where EU requirements increasingly affect export conditions, access to finance, and cooperation with international counterparties.

Second, because the state has already determined the direction: Sustainability reporting is included in the broader framework of European integration and modernisation of corporate reporting.

Third, because SMEs are the backbone of the Ukrainian economy: In 2024, there were 285,037 small and medium-sized enterprises in Ukraine, accounting for 73% of employment and 61.5% of added value. This means that any serious discussion of Ukraine's adaptation to the new European rules is impossible without a separate, practical look at how small and medium-sized businesses will implement these changes.

This study by the Green Transition Office aims to explain why VSME is important now, how it is embedded in the new European sustainability reporting architecture, what modules and principles it consists of, and why it can be the most realistic entry point into sustainability reporting for Ukrainian companies.

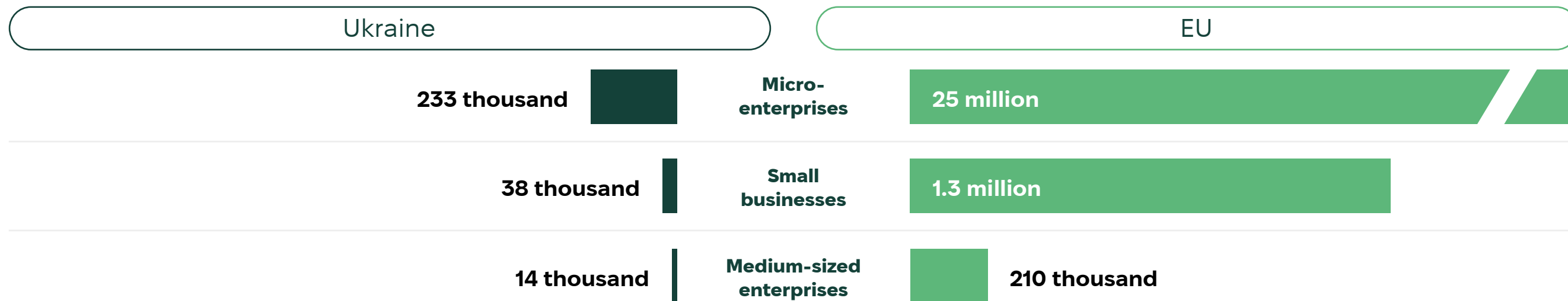
The purpose of this study is not only to explain the content of the VSME Standard, but also to show its practical implications for Ukraine. First of all, VSME can be a tool for businesses to prepare for new market requirements, a basis for voluntary implementation of sustainability reporting and a realistic transition to a future EU-compliant system (if a company decides to report under ESRS in the future).

# CSRD coverage in the EU and the potential for VSME application

According to EFRAG, 99.8% of companies in the EU will be outside the scope of the Corporate Sustainability Reporting Directive (CSRD). In other words, direct reporting requirements (and, accordingly, the application of ESRS standards) will apply to only a very small number of large companies and corporations. According to preliminary estimates, about 3,000 to 6,000 companies will be subject to CSRD requirements. Nevertheless, EU legislators and the European Commission in particular hope that despite the reduced scope of CSRD, most businesses will still be covered by the obligation to report on their sustainable development. At the same time, EFRAG, at the request of the EC, continues to work actively on the implementation of VSME.



# How many businesses can use VSME?



## Classification criteria in Ukraine (until harmonisation with the EU in 2026)

- **micro-enterprise** — up to 9 employees and up to €2 million in revenue or assets
- **small enterprise** — up to 49 employees and up to €10 million in revenue or assets
- **medium-sized enterprises** — up to 249 employees and up to €50 million in revenue or €50 million in assets

Source: State Statistics Service of Ukraine, 2024

According to the State Statistics Service of Ukraine, in 2024, there were 285,037 small and medium-sized enterprises in Ukraine (99.8% of the total) that potentially fall under the VSME standard. According to our estimates, these enterprises accounted for 73% of employment and 61.5% of the economy's added value.

Small and micro enterprises are the most numerous, but medium-sized ones are the most efficient: There are only 14,016 of them, but they generate 41.7% of added value and are the largest employer (2.3 million people). This means that the VSME standard potentially covers almost the entire business sector of Ukraine.

## Classification criteria in the EU (European Commission, SME Annual Report, 2024)

- **micro-enterprise** — up to 9 employees and up to €2 million in revenue or assets
- **small enterprise** — up to 49 employees and up to €10 million in revenue or assets
- **medium-sized enterprise** — up to 249 employees and up to €50 million in revenue or €43 million in assets

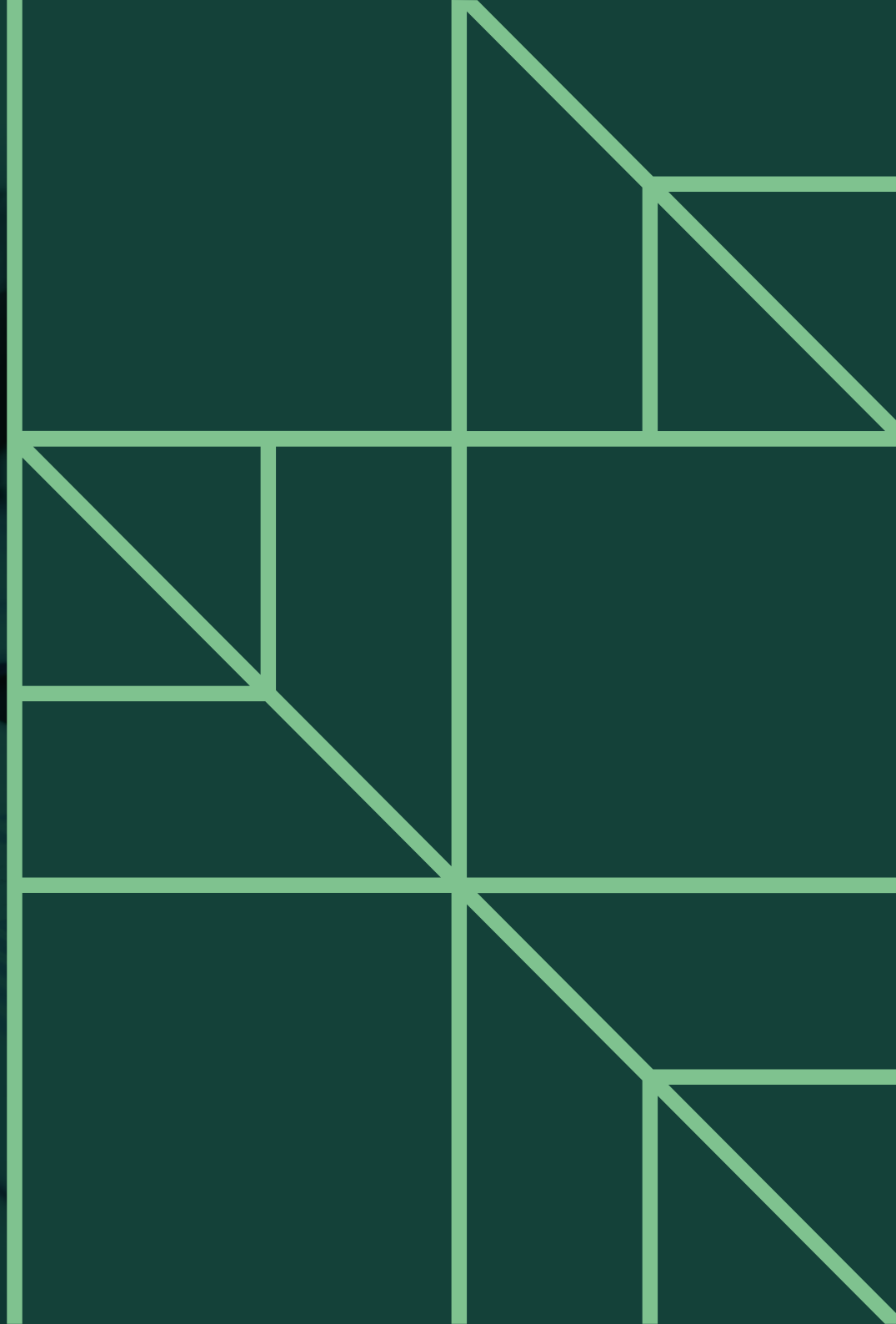
Source: European Commission, SME Annual Report, 2024

A comparison of the structure of SMEs in Ukraine and the EU shows their general similarity: In both cases, small and medium-sized enterprises account for almost 100% of the total. At the same time, micro-enterprises dominate in the EU (over 90%), while in Ukraine their share is lower and the role of small and medium-

sized enterprises is relatively greater. This indicates a more balanced business structure in Ukraine. At the same time, the total number of SMEs in the EU exceeds 25 million, which is significantly higher than in Ukraine and reflects the difference in the size of the economies.

# Context for the creation of a voluntary European sustainability reporting standard for SMEs (VSME)

- Why SMEs need ESG standards
- The relevance of ESG for SMEs in the EU and in Ukraine
- VSME's place in the European sustainable development reporting system
- VSME: developer, status and key stages of development
- Comparison of ESRS and VSME



# Why SMEs need ESG standards

For small and medium-sized businesses, ESG standards are not a matter of “fashion” or reputation, but a practical tool for working with the market. Even if most SMEs are not subject to mandatory CSRD reporting, they are increasingly receiving requests for environmental, social and governance data from banks, investors, large customers and supply chain partners. *That is why a standardised and proportionate format for disclosing ESG information is becoming a way for SMEs to reduce their chaotic workload, simplify communication with counterparties and increase their competitiveness.*

- SMEs are the backbone of the EU economy. In the EU, SMEs account for 99% of all companies and employ more than 85 million people; other official [EU materials](#) also use a benchmark of about 100 million people employed in the SME sector. This means that the transition to sustainable development in the EU is simply impossible without SMEs.
- Pressure on SMEs is growing due to requests for information along the value chain. The European Commission explicitly acknowledges that the reporting requirements for large companies have a cascading effect: large companies and financial institutions are increasingly requesting ESG data from their SME counterparties.
- The problem for SMEs is not only the lack of data, but also the lack of a single format. That is why VSME was conceived as a standard to help SMEs respond to numerous requests from large companies, banks and investors in a unified way.
- ESG for SMEs is also a matter of access to finance. The European Commission and EFRAG link a voluntary ESG standard for SMEs to improved access to finance, as it provides banks and investors with clearer and more comparable data.
- Standardisation is needed as a protection against excessive requests. In the Omnibus package, the Commission specifically stated that the future voluntary standard based on VSMEs should work as a kind of safeguard — a limit to the amount of information that large companies and banks can request from companies in their supply chains with up to 1,000 employees.

ESG standards for SMEs are needed not because small businesses suddenly have to report like corporations, but because the market has already begun to demand structured sustainability information from them. In this context, the VSME is an attempt to provide SMEs with a simple, proportionate and recognised format for responding to such requests.

# The relevance of ESG for SMEs in the EU and for Ukraine

The topic of ESG standards for SMEs has become particularly relevant right now, as two parallel changes are taking place in the EU at the same time. On the one hand, corporate sustainability reporting has already become part of the EU regulatory framework through the CSRD. On the other hand, in 2025, the EU itself moved to the stage of simplifying requirements through the Omnibus package and separately introduced VSME as a voluntary, proportional instrument for companies outside the direct scope of mandatory reporting.

- The EU is revising its rules, but not abandoning sustainability reporting. The Omnibus package changed the criteria and some provisions for applying sustainability reporting, but did not cancel the reporting logic itself. The ESRS is expected to be updated.
- VSME has become the EU's central response to SMEs. On 30 July 2025, the European Commission adopted the Recommendations for a voluntary sustainability reporting standard for SMEs, directly based on the VSME developed by EFRAG.
- The focus is on value chain requests. The Commission's explanations state that large companies and banks need ESG data from counterparties in the value chain, and the voluntary VSME standard should act as a "value-chain cap", i.e. limit excessive information requests to companies with up to 1,000 employees.
- For Ukraine, the issue of sustainability reporting has already moved into the realm of state policy. On 18 October 2024, the Cabinet of Ministers of Ukraine approved the Strategy for the Implementation of Sustainable Development Reporting by Enterprises.
- Even before the full implementation of European requirements, Ukrainian companies, especially exporters and suppliers to large corporations, are increasingly facing ESG questionnaires, requirements from banks, donors, international financial organisations and EU partners. That is why VSME is important for Ukraine as a practical tool for preparing businesses right now. This is also consistent with the Ukrainian Sustainability Reporting Strategy.

The relevance of the topic is explained by the following factors: The EU already has a sustainability reporting framework in place, and in 2025 it went through a phase of simplification and standardisation for SMEs through the VSME, while Ukraine is simultaneously launching its own implementation policy as part of European integration and modernisation of corporate reporting. In this context, the VSME becomes one of the most practical guidelines for Ukrainian SMEs to prepare for new market and regulatory expectations.

# The place of VSME in the European sustainability reporting system

VSME occupies an intermediate but very practical place in the European sustainability reporting architecture. This is not a complete CSRD-ESRS reporting system for large companies, but it is not just an arbitrary questionnaire or informal recommendations. The VSME is a standardised and proportionate framework for companies that are not normally subject to mandatory reporting but already face requests for ESG information from banks, investors and large companies in the value chain. That is why VSME can be seen as a bridge between mandatory EU regulatory reporting and the practical needs of SMEs.

- At the top level of the system are CSRD and ESRS for large companies. It is the companies that fall under the CSRD that must prepare sustainability reports in accordance with the European ESRS standards. Due to the requirements for value chain information, they also need relevant ESG data from suppliers and counterparties, which often include SMEs.
- At the lower level are SMEs, which generally do not have a direct reporting obligation but are already experiencing market pressure. The European Commission explains that the voluntary standard is needed to make it easier for SMEs to respond to requests for sustainability information from large companies and financial institutions that are themselves subject to mandatory reporting rules.
- It is between these two levels that VSME is located. EFRAG defines it as a voluntary standard for unlisted micro, small and medium-sized enterprises. In

other words, its role is not to replace ESRS for large companies, but to provide smaller companies with an easier and more practical information disclosure format.

- VSME also links sustainability reporting to sustainable financing needs. EFRAG's approach in the standard and accompanying materials is that some of the disclosures should be useful to banks, investors and other users of the data. This is particularly evident in the comprehensive module and the VSME digital template.
- After 2025, the importance of VSMEs in the system has increased significantly — especially as the Omnibus has removed 80% of companies from the CSRD, and now all companies with up to 1,000 employees can apply voluntary standards. Since then, VSME has been an important element of the European reporting model.

**CSRD / ESRS is mandatory sustainability reporting for large companies**

**VSME is a voluntary and proportionate standard for SMEs**

**Demands from the market, banks and value chain partners are a practical channel,**

**through which ESG data requirements reach SMEs**

This approach clearly shows that VSMEs do not exist in isolation: it is a response to the gap between “big” regulation and the real capabilities of SMEs. VSME serves as a proportionate “mid-level” standard: it does not replace full ESRS, but allows SMEs to enter the European sustainability reporting system in a clear and less burdensome format. For the market, it is a way to get more unified data from smaller companies, and for SMEs themselves, it is a way to respond to ESG requests without having to report in the same way as large corporations.

# VSME: developer, status and key stages of development

The VSME was developed by EFRAG on behalf of the European Commission as a voluntary sustainability reporting standard for unlisted micro, small and medium-sized enterprises. In 2024-2025, it went from a draft standard and public consultations to an official Recommendation of the European Commission, which established it as the main European benchmark for proportionate reporting by SMEs.

- The standard was developed by EFRAG. EFRAG prepared VSME as a separate standard for unlisted SMEs as part of its work on European sustainability reporting. In the standard itself, EFRAG describes its role as a body that provides technical advice to the European Commission on reporting.
- The mandate for the development came from the European Commission. VSME was developed as one of the outcomes of the SME Relief Package 2023. The goal is to create a simple and understandable format for disclosing information on the sustainable development of SMEs.
- The standard was fully discussed with the market before being finalised. According to EFRAG, it received 311 responses to the online survey, 64 responses to the field test and 22 individual comment letters (including recommendations from the Green Transition Office).
- In December 2024, the standard was finalised and submitted to the Commission. EFRAG's materials show that, after being finalised following the consultation, the standard was endorsed through EFRAG's procedures and submitted to the European Commission on 17 December 2024.
- On 30 July 2025, the European Commission adopted Recommendation (EU) 2025/1710. VSME has become an officially recommended EU standard for voluntary use by SMEs.
- The VSME is not a binding law, but it is officially recognised at the EU level. This is not a delegated act at the level of mandatory ESRS, but a document formally supported by the European Commission that the market can use as a basic benchmark. This Recommendation is an interim solution to a possible future voluntary standard based on VSME.

**2023 — The European Commission gives a mandate for development under the SME Relief Package**

**2024 — public consultations on the VSME project**

**17.12.2024 — EFRAG submits final VSME to the European Commission**

**30.07.2025 — European Commission adopts Recommendation (EU) 2025/1710**

**The VSME is a standard that has both technical legitimacy through its development by EFRAG and institutional weight through an official Recommendation of the European Commission. This is what makes it not just an expert document, but a real benchmark for sustainability reporting by SMEs in the EU.**

# Comparison of ESRS and VSME

CSRD (ESRS) and VSME belong to the same European reporting architecture on sustainable development, but have different application logic.

CSRD (ESRS) is a framework for mandatory reporting for companies that are subject to EU legal requirements, while VSME is voluntary and proportionate standard for smaller companies, primarily unlisted SMEs. After the Omnibus 2025 package, this difference has become even more pronounced: The European Commission has proposed that only large companies with over 1,000 employees remain subject to mandatory CSRD reporting, while companies with up to 1,000 employees should follow a voluntary standard based on the VSME.

Criterion	CSRD (ESRS)	VSME
Status	<ul style="list-style-type: none"> <li>Binding EU framework (directive + standards)</li> </ul>	<ul style="list-style-type: none"> <li>Voluntary standard (recommended by the European Commission)</li> </ul>
Target	<ul style="list-style-type: none"> <li>Large companies; over 1000 employees; over €450 million in revenue</li> </ul>	<ul style="list-style-type: none"> <li>Unlisted SMEs;</li> <li>up to 1000 employees</li> </ul>
Objective	<ul style="list-style-type: none"> <li>Full sustainability reporting</li> </ul>	<ul style="list-style-type: none"> <li>Simplified response to market demands; less administrative burden</li> </ul>
Materiality	<ul style="list-style-type: none"> <li>Double materiality, formalised process</li> </ul>	<ul style="list-style-type: none"> <li>Simplified approach (relevance, applicability, Appendix B)</li> </ul>
Audit (assurance)	<ul style="list-style-type: none"> <li>Limited assurance is provided</li> </ul>	<ul style="list-style-type: none"> <li>Audit is not mandatory</li> </ul>
Role for the value chain	<ul style="list-style-type: none"> <li>Companies request data from suppliers (for suppliers with &lt;1000 employees in VSME only)</li> </ul>	<ul style="list-style-type: none"> <li>VSME as a standard response of SMEs to requests from large corporations, banks, etc.</li> </ul>
Application in Ukraine	<ul style="list-style-type: none"> <li>Full integration of the directive and standards into national legislation</li> </ul>	<ul style="list-style-type: none"> <li>Translation and publication for voluntary use</li> </ul>



# VSME architecture

- How the VSME Standard is structured
- The basic module of VSME: minimum basis for reporting
- Comprehensive VSME module: an additional level of detail
- Example of disclosure: B3 “Energy and greenhouse gas emissions”

# How the VSME standard is structured

The VSME is designed as a modular standard so that SMEs can apply it in proportion to their capabilities and the needs of their information users. In its final version, the standard consists of two modules — basic and comprehensive. The logic of the document is such that an enterprise can start with a simpler level and add more detailed disclosures as needed. The standard also contains separate annexes with terms, a list of sustainability topics and specific disclosures tailored to the needs of data users.

- VSME consists of two modules:
  - › Basic Module
  - › Comprehensive Module - extended module
- The Basic Module is the starting point for SMEs — using the Basic Module is a prerequisite for using the Comprehensive Module. In other words, the comprehensive module is not used separately, but only as an add-on to the basic one.
- The selected module must be applied in full: If an entity chooses a particular module, it must follow it as a whole, with specific disclosures only provided when they are applicable to the enterprise's particular circumstances. This is one of the key features of proportionality in the VSME.
- The standard includes not only the main text but also important appendices. The final version of VSME includes:
  - › Appendix A - definitions of terms
  - › Appendix B - list of sustainable development topics
  - › Appendix C - list of disclosures, which are especially useful for data users, in particular in the field of sustainable finance
- This makes the standard not just a set of requirements, but a full-fledged operational framework.
- The structure of the standard combines general principles and thematic disclosures. The document starts with the general principles of report preparation and then goes on to describe the disclosures within the basic and comprehensive modules. In other words, VSME should not be read as a table of indicators, but as a holistic standard: First, the rules of preparation, then the specific requirements.

VSME logic:

- Level 1 — general rules for preparing a report
- Level 2 — Basic Module as a minimum base
- Level 3 — Comprehensive Module as an additional level of detail

*Appendices - glossary of terms, map of themes and linkage to the needs of data users*

This means that the standard was originally designed as a tool for SMEs to gradually enter sustainability reporting.

**The general structure of the VSME is quite simple: first, the general rules, then the basic module, then the comprehensive module and appendices. It is this architecture that makes the standard both understandable for SMEs and useful enough for banks, investors and value chain partners.**

# The basic module of VSME: minimum basis for reporting

The core module is the central starting point of the VSME standard. EFRAG's final text states that this module is the benchmark for micro-enterprises and at the same time constitutes a minimum requirement for other enterprises using VSME. The logic behind it is to provide SMEs with a concise but sufficiently meaningful set of disclosures: First, general information on the preparation of the report and the company's practices, followed by the basic environmental, social and governance indicators.

## The basic module includes 11 blocks:

- **B1-B2 general information**
- **B3-B11 basic indicators**

## Basic Module

### B1–B2: Introduction

B1 — the basis for preparing the report

B2 — practices, policies and future initiatives for the transition to a more sustainable economy

### B3–B7: Environmental block

B3 — energy and greenhouse gas emissions

B4 — air, water and soil pollution

B5 — biodiversity

B6 — water

B7 — resource use, circular economy and waste

### B8–B10: Social block

B8 — general characteristics of the staff

B9 — employee health and safety

B10 — remuneration, collective bargaining and training

### B11: Management block

B11 — convictions and fines for corruption and bribery

**The basic module is written in a simplified logic for SMEs.** EFRAG's submission emphasised that the core module is formulated in simplified language to be understandable to micro and small enterprises, while maintaining meaningful compatibility with the wider European reporting framework.

**The basic module does not mean "minimum for the sake of minimum".** It already covers the key themes of most interest to banks, value chain partners and other data users: energy, emissions, water, waste, employee performance, health and safety, and anti-corruption issues. That is, even the basic level of VSME already provides a fairly structured picture of the enterprise.

# VSME (Comprehensive Module): an additional level of detail

The VSME Comprehensive Module is an add-on to the basic module and is designed for those businesses that need to provide more detailed sustainability information. The standard itself states that this module is designed to better meet the information needs of business partners of the enterprise, including banks, investors and corporate clients, beyond what is already covered by the basic module. In other words, the logic is not to complicate reporting “just in case,” but to respond to specific requests from data users.

**The advanced module includes 9 blocks**

## Comprehensive Module

C1 — strategy: business model and sustainability initiatives

C2 — practices, policies and future initiatives for the transition to a more sustainable economy

C3 — greenhouse gas emission reduction targets and climate transition

C4 — climate risks

C5 — additional staff characteristics

C6 — additional information about own personnel: human rights policies and processes

C7 — serious negative human rights incidents

C8 — revenues from certain activities and exclusions from EU benchmarks

C9 — ratio of women to men in the management body

- **The comprehensive module cannot be used separately.** Reporting under the basic module is a prerequisite for reporting under the comprehensive module. A company cannot go straight to C1-C9, bypassing the basic level.
- **The main role of the comprehensive module is to respond to the needs of banks, investors and large clients.**
- **It moves from basic indicators to a broader management and strategic level.**
- **The comprehensive module is more closely linked to the needs of sustainable finance.** It is here that we focus on more indicators that can be useful for financial institutions and other stakeholders who need data for risk or social assessment and management.

# Example of disclosure: B3 “Energy and greenhouse gas emissions”

Disclosure B3 “Energy and greenhouse gas emissions” provides a good indication of how VSME operates in practice: one theme is not broken down into a single phrase, but into several separate data points. This is where the difference between the name of disclosure and its actual content. Within B3, the company must submit basic quantitative information about energy consumption and emissions, and under certain conditions may or should add additional explanation. This is one of the most significant examples of how VSME combines simplicity with sufficient analytical value.

B3 is included in the basic module and is one of the environmental indicators. Within the content of the B3 standard is defined as one of the five core environmental disclosures in the blocks B3-B7. This means that the theme of energy and emissions is within the minimum set of environmental information that VSME considers the most versatile for SMEs.

One B3 disclosure covers several individual data points. In practice, there is not a single figure, but a block of information, including at least:

- total energy consumption
- Scope 1 gross greenhouse gas emissions
- Scope 2 gross greenhouse gas emissions with a location-based approach

That is why B3 is a good example of how VSME translates a general theme into specific measurable indicators.

Units of measurement are important for correct completion:

- energy is supplied in MWh;
- greenhouse gas emissions in tonnes of CO2 equivalent.

This ensures comparability between companies and between periods. B3 shows that a VSME is not limited to having a policy or a general statement. Here, we need quantitative indicators, not just a descriptive explanation. This is important because it is the kind of data that is most often of interest to banks, customers in the value chain and other users of the reports.

The standard allows for additional information, if appropriate. In the case of B3, this may include, for example, additional explanations on energy sources, metering boundaries, or even Scope 3, if the company decides to disclose it.

In practice, B3 answers three basic questions:

- how much energy the company consumes;
- what direct emissions it has;
- what indirect emissions it has associated with the purchased energy.

This makes B3 one of the most important technical disclosures in the entire core module, as it provides a starting point for a company’s climate and resource profile.

This is one of the most common disclosures requested by banks and partners. It is energy and emissions data that is most often included in requests for ESG information in finance and value chains. This is in line with the VSME’s overall goal of facilitating such requests.

B3 illustrates the “one subject, multiple data points” logic well.



# Basic principles for preparing a report in accordance with the Standard

- Basic principles of VSME
- The “if applicable” principle
- Comparative information and reporting frequency
- Materiality in VSME

# Basic principles of VSME

VSME is built not only as a set of disclosures, but also as a standard with clear information quality requirements. The company must disclose information that is relevant, truthfully presented, comparable, understandable and verifiable. These are the principles that determine what a quality VSME reporting is, regardless of whether it is a basic or a comprehensive module.

- **Relevance.** The information in the report should address the topics that are important to understand the impacts, risks, practices and performance of a particular enterprise. In VSME, this relates both to the list of sustainability themes and to the ability to add additional information if the set standard is insufficient to accurately reflect the company's specific circumstances.
  - **Truthful representation.** An enterprise must present information in a way that accurately reflects the actual state of affairs, rather than creating a superficially "positive" picture. That's why the standard allows for inclusion of additional indicators or text explanation if the information is incomplete or distorted without it.
  - **Comparability.** Data should be presented in a way that is usable in the dynamics and comparable between periods. To do this, the VSME requires submission of comparative information for the previous year, starting from the second year of reporting.
  - **Clarity.** The standard is focused on making information readable and suitable for use by external users, including banks, investors and value chain partners. This is precisely what explains the simplified structure of VSMEs in comparison with full ESRs.
  - **Verifiability.** The data provided must be such that it can be verified on the basis of internal documents, accounting or other evidence. This is especially important for SMEs, as users of reports expect more than just declarations, but information that can be substantiated.
- **These principles apply to the entire standard, not to individual themes.** That is, they are equally important for both emissions data and information on personnel, and for anti-corruption disclosures.
  - **VSME allows for inclusion of additional information.** If the relevant and truthful presentation of standard indicators is not enough, the company can supplement them with additional quantitative or qualitative data. EFRAG specifically notes that this may apply to both industry-specific themes as well as those specific to a particular company.
  - In VSME, the requirement is for relevant, truthfully presented, comparable, understandable and verifiable information is combined with an approach, under which separate disclosures are provided only when they are applicable to the circumstances of the enterprise ("if applicable", more about this on the next slide). It helps to not overload the report with unnecessary data and focus on what is really appropriate for a particular business.

# The “if applicable” principle

One of the key features of VSME is the principle of applicability. The rationale is that an enterprise should apply the selected module of the standard in its entirety, but that separate disclosures are only provided when they are truly relevant to the enterprise’s activities, circumstances or data. It is this approach that makes VSME proportionate: The standard does not require mechanical filling in of all possible indicators if a certain theme is not objectively applicable to the company.

- **The principle of applicability is built into the VSME architecture itself.** The standard indicates that the company reporting under the basic or comprehensive module provides all the disclosures of the relevant module, but only to the extent that they are applicable to the particular circumstances. This means that VSME does not operate under the logic of “fill everything at any cost”.
- **“Not applicable” is an acceptable result, not an error.** If a particular theme, indicator or type of information is not relevant to the enterprise, the standard allows for the disclosure to be omitted. Thus, the absence of information in a paragraph may not mean an incomplete report, but that the requirement is not relevant to this business.
- **This is especially important for SMEs that do not have the same impact profile and risks.** For example, not every company will have material data on biodiversity, water use, hazardous waste or specific aspects of human rights. The principle of applicability helps to avoid overloading with the themes if they do not correspond to the nature of the company’s business.
- **At the same time, the principle of applicability does not mean an arbitrary choice of themes — an enterprise cannot simply ignore inconvenient issues.** The logic of the standard is that the decision on non-applicability should be based on the real profile of the company’s activities, and not on the desire to reduce the length of the report. This is why VSME combines the principle of applicability with the requirements of relevance, truthfulness and verifiability.
- **The European Commission’s practical explanations reinforce this logic.** Appendix II to the Commission’s Recommendation explains that the practical exposure draft is intended to help SMEs apply the standard in a consistent and cost-effective manner, without making it an excessive administrative burden.

For example, this principle may mean that:

- a company without significant water consumption will not have the same amount of disclosures as a water-intensive production
- an office business and a manufacturing company will have different environmental performance profiles
- Not all SMEs will have applicable disclosures on specific climate risks, biodiversity or serious human rights incidents

The principle of applicability is one of the main proportionality mechanisms in the VSME. It allows SMEs to avoid overloading the report with unnecessary data, but at the same time requires disclosure of all information that is truly relevant to understanding the company’s activities, impacts and risks. This makes VSME a more flexible and practical standard for SMEs.

# Comparative information and reporting frequency

VSME is designed so that reporting is not a one-off exercise, but a consistent process suitable for comparison over time. That is why the standard separately sets out the rules on frequency of report preparation and presentation of comparative information. This is important both for the companies themselves and for banks, investors and partners who want to see not only a separate dataset, but the dynamics of change.

## VSME's logic on frequency:

- First year — collect and submit a basic set of information
- Second year — provide new data and add a comparison with the previous year
- Next, maintain an annual update cycle so that users can see the dynamics

- **The VSME focuses on annual reporting.** The standard states: if the report is being prepared to meet the needs of large companies or banks that need to have the updated information every year, it should be prepared annually. This actually sets the base recommended frequency of VSME application.
- **The reporting period should be consistent with the financial reports.** If the enterprise prepares financial reports, the VSME sustainability report should be prepared for a period that is consistent in time with the financial report. This simplifies the internal data organisation of and makes the report more understandable for external users.
- **Comparative information becomes mandatory from the second year of reporting.** The standard requires comparative data for the previous year, but only starting from the second year of reporting. For indicators disclosed for the first time, the comparative information is not required.
- **This is due to the principle of comparability.** One of the basic principles of VSME is comparability of information. It is precisely thanks to the annual approach and the requirement to report on the previous period that reporting becomes useful not only as a “snapshot,” but as a tool for analysing the progress or deterioration in indicators.
- **The standard allows simplification if certain data have not changed.** If certain datapoints have not changed compared to the previous year, the company may directly state that there have been no changes and refer to the information disclosed in the previous report. This is an important element of proportionality for SMEs.

**VSME guides companies toward annual reporting aligned with the financial cycle and requires comparative data starting from the second year of implementation.**

**This approach increases comparability and practical value of the report, but at the same time does not create unnecessary burden for SMEs at the start.**

# Materiality in VSME

In the final version of VSME, there is no separate formalised dual materiality process as envisaged by the ESRS Standards for large companies. The VSME standard is simpler: through the principles of relevance, applicability of specific disclosures, the ability to add company-specific information, and the use of Appendix B as a list of possible sustainability themes.

- **The VSME does not have a separate section with a full dual materiality methodology, as the ESRS does.** The final standard focuses on the qualitative characteristics of the information, the principle of applicability and the list of possible topics in Appendix B. This distinguishes VSME from ESRS, where dual materiality is a central methodological requirement.
- **The logic of selecting relevant themes in VSME remains the same.** Appendix B is an integral part of the standard and contains a list of possible sustainability themes that an enterprise can use as a working list to determine what is important to it. In the Basis for Conclusions, EFRAG also explicitly explains that the VSME uses the same list of themes as the wider ESRS framework.
- **VSME has a simplified practical logic: “what is relevant to us and what applies to us”.** An enterprise does not need to carry out a complex formal procedure, but should assess which themes in Appendix B are relevant to its operations, impacts, risks, business organisation and information users’ needs. This is the actual mechanism for selecting themes in VSME.
- **The VSME does not override professional judgement.** The company still has to reflect on its key sustainability themes, but does so in a lighter mode - without the full dual materiality process, complex impact and financial impact maps that are typical of full ESRSs. This is one of the main features of VSME proportionality.

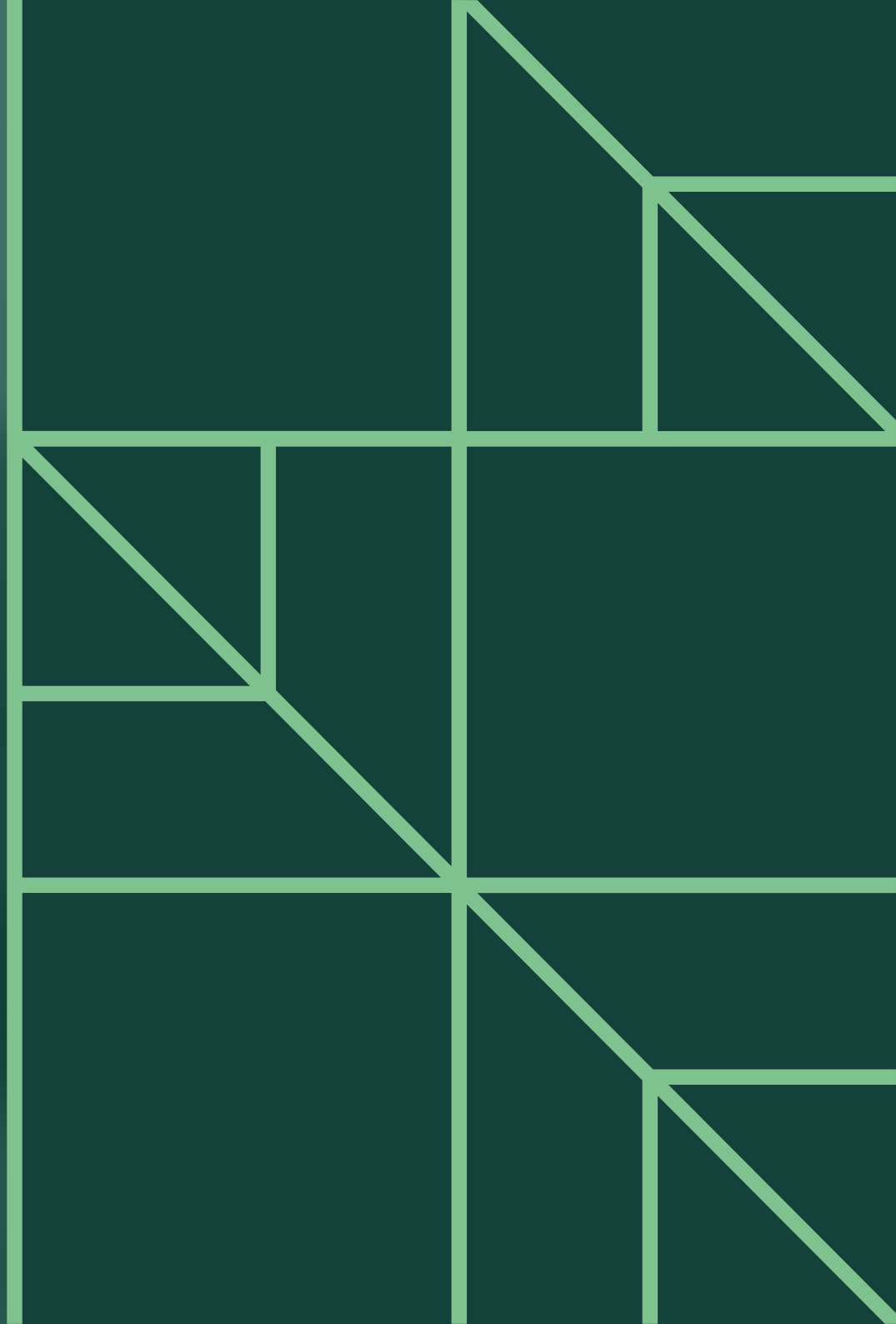
## Algorithm for determining materiality in VSME:

- No need for complicated double materiality as in large companies
- Just look at the list of topics in Appendix B
- Identify what is really relevant to the business
- Explain the applicable themes and add your own explanations or indicators, if necessary



# VSME implementation tools

- Data types in VSME
- Overview of EFRAG Digital Template and XBRL Converter
- EFRAG Digital Template
- XBRL Converter



# Data types in VSME

In practice, VSME does not work as a solid text document, but as a set of different types of fields and data points, that the company fills out in the digital template. EFRAG explains that digital template is created as an Excel tool for data entry and correctness verification, and its logic is built around different field categories: text, numeric, conditional and semi-automated. This is what makes VSME more practical for SMEs than “manual” preparation of the report from scratch.

- The template has text fields for descriptive information. These are the fields for explanations, brief descriptions of practices, policies, initiatives or context regarding certain disclosures. The template supports semi-text disclosures through drop-down lists, checkboxes and other elements that facilitate entering the descriptive information.
- There are numerical indicators for quantitative metrics. It is in this format that values such as energy consumption, emission volumes, water use, waste, number of employees, or other quantitative indicators are entered. Within digital template combines this data with built-in formulas.
- A separate part of the fields is built as a yes/no question or as a choice from a list of existing values. Some data points in VSME do not require free text but involve simply recording a fact, the existence of a practice, or selecting one of the options.
- Some fields are conditional. Within the template, data points are categorized, specifically as belonging to the basic or comprehensive module, as well as those reported “if applicable.”
- The template has automatically calculated values. Digital template supports autocalculation of totals as well as validations and consistency checks with formulas and rules for verification.
- The structure of the template is divided into separate worksheets. In the versions of the digital template that EFRAG distributes via the VSME Digital Template and XBRL Taxonomy page, the organizational structure is designed as an Excel file with data divided into blocks and functions, making the form easier to navigate and more user-friendly.
- The digital template was created primarily as an educational and technical tool.

Data types in the VSME digital template:

- Narrative cells — for short descriptions, explanations and contextual information
- Numeric metrics — for quantitative values that can be measured or calculated
- Yes/no fields — to record the presence, absence or fact of application
- Conditional fields — for data that is filled in only under certain conditions
- Auto-calculated values in digital template — for totals, aggregates and technical checks
- Separate sheets for environmental, social, governance disclosures - for a structured division of information by thematic blocks.

# Overview of EFRAG Digital Template and XBRL Converter

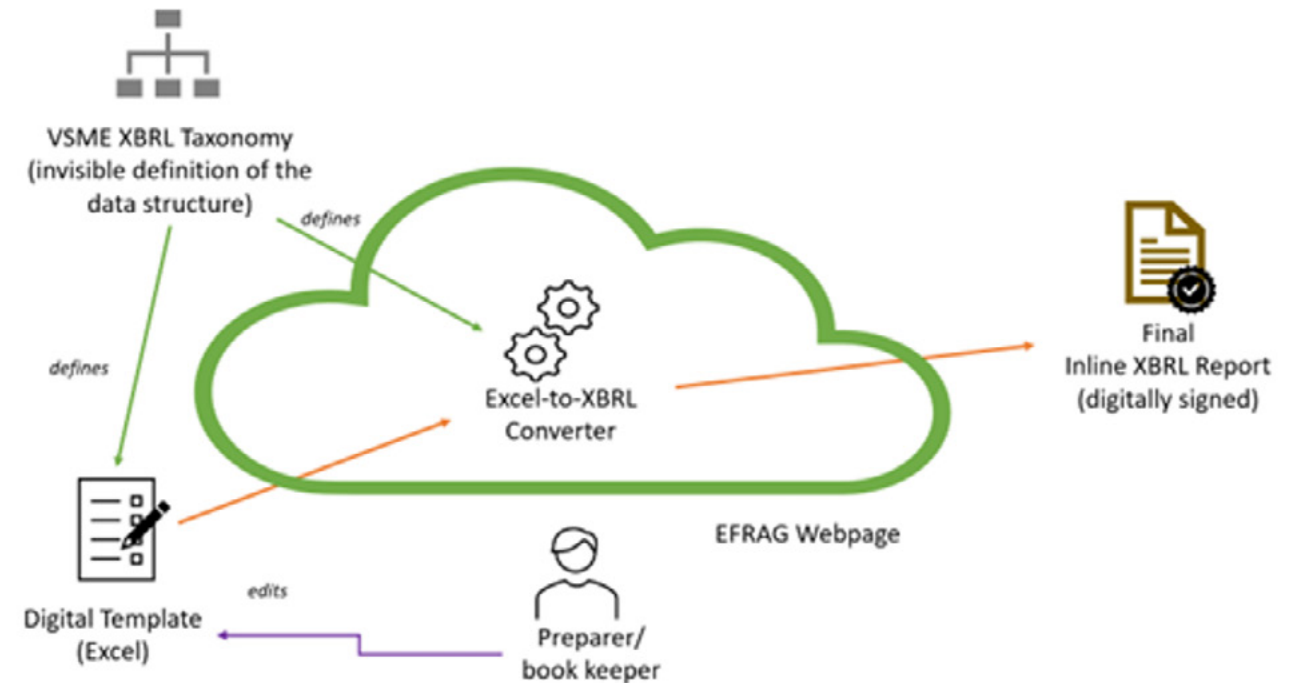
EFRAG has developed a set of tools to simplify voluntary reporting for SMEs under the VSME standard, adopted by the EC on July 30, 2025.

The list of these tools includes: a digital sample table to be filled out in Excel format (the EFRAG website also features an example of a completed table, which we recommend using as an example), a converter designed to convert this table into a machine-readable format, an XBRL taxonomy (digital data tagging), and explanatory materials, which can be found at this link, where we also recommend checking for the latest versions of all the listed tools.

Overall Validation Status
<b>COMPLETE</b>

Reporting algorithm:

1. Review the explanatory materials available via the link above.
2. Download the digital VSME template, provided by EFRAG (and/or a sample report).
3. Open Excel, fill in/check the data in each worksheet.
4. Make sure that the overall the verification status is displayed as "COMPLETED" and save the table.
5. Go to the [Converter](#), download your file and start the conversion (lasts several minutes).
6. Check the generated XBRL report to ensure that all disclosures of information are complete and accurate, then download and save converted XBRL files.



Source: <https://www.efrag.org/en/vsme-digital-template-and-xbrl-taxonomy>



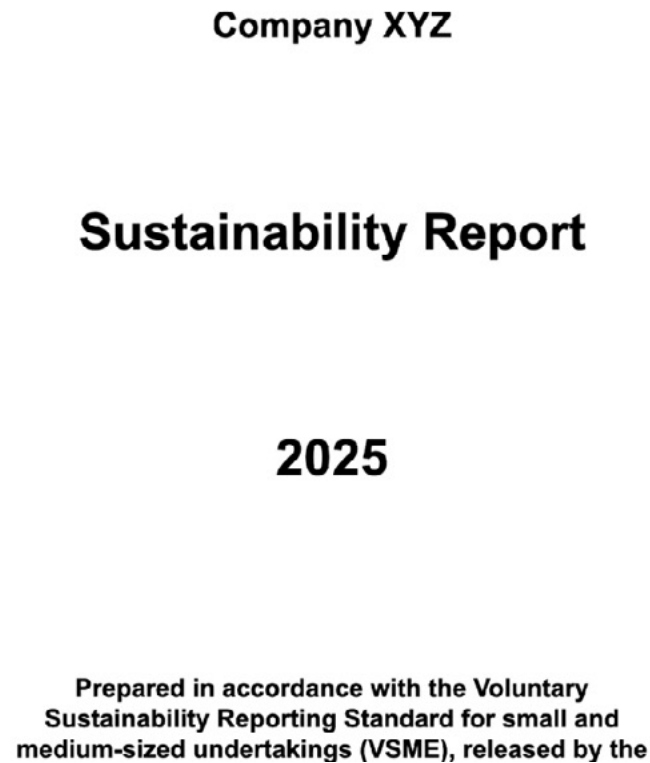
# XBRL Converter

## Digital Template to XBRL Converter

In a basic scenario, where you just need to fill in and convert the report, it is more convenient to use the online converter (available on the EFRAG website), but there is also an option to download this code from GitHub.

The online tool converts the table into a valid Inline XBRL report with validation by downloading the XBRL taxonomy automatically.

Downloading the taxonomy itself is also not necessary for digitalising reports, unless you plan to embed it in your own tool or CRM system. It allows you to mark a file in iXBRL, XBRL-JSON/CSV formats without manual tagging and enables data exchange and comparison.



Структура документа	
[B01.000]	General information - Basis for Preparation
[B01.100]	General information - List of subsidiaries
[B01.200]	General information - List of sites
[B02.000]	General information - Practices, policies and/or future initiatives for transitioning towards a more sustainable economy
[B03.000]	Environment - Total Energy Consumption
[B03.100]	Environment - Breakdown of energy consumption
[B03.200]	Environment - Estimated Greenhouse Gas Emissions
[B03.300]	Environment - Greenhouse Gas Emissions intensity
[B04.000]	Environment - Pollution of air, water and soil: availability of public disclosure
[B04.100]	Environment - Pollution of air, water and soil: amount of emissions
[B05.000]	Environment - Sites in biodiversity sensitive areas
[B05.100]	Environment - Biodiversity - on Land-use
[B07.000]	Environment - Description of circular economy principles
[B07.100]	Environment - Breakdown of waste by type
[B07.200]	Environment - Total Hazardous and Non-Hazardous waste
[B07.300]	Environment - Breakdown of annual mass-flow of relevant materials used by the undertaking
[B07.400]	Environment - Total annual mass-flow of materials used by the undertaking
[B08.000]	Social - Workforce - General characteristics: type of contract
[B08.100]	Social - Workforce - General characteristics: gender
[B08.200]	Social - Workforce - General characteristics: country of employment
[B08.300]	Social - Workforce - General characteristics: turnover rate
[B09.000]	Social - Workforce - Health and safety

Oralle 1.4.6

After converting the table, the converter will offer you several formats of document packages - Viewer (a package with a human-readable format, as you can see on the picture), XBRL Report itself (a package for direct targeted submission/publication of documents) and XBRL-JSON (a machine-readable document for analytics), etc.

# Examples of VSME reports

- Examples of VSME reports
- Analysis of the first wave of VSME reports
- Practical advice based on the first VSME reports

# Examples of VSME reports

Company	Sector	Country	Number of employees	Revenue (€)	Module	Materiality	Material topics (E/S/G)	Number of pages	Independent verification	Link to PDF
Alba PG	Consulting	Denmark	28	5.3M	Basic	Yes	E: Business travel (emissions), supplier emissions, office energy S: staff welfare and retention G: business ethics and integrity	23	No	<a href="#">Alba_Report_2024.pdf</a>
Ten23 Health	Pharma	Switzerland	206	Not disclosed	Basic + Comp	Yes	E: energy consumption, GHG emissions Sc1/2/3, waste, water, plastic, biodiversity, climate risks S: gender equality, occupational safety, compensation, training, staff turnover, human rights G: anti-corruption, supply chain management, diversity	28	No (EcoVadis Silver 73)	<a href="#">Ten23_Report_2024.pdf</a>
Nord Mobil	Production	Croatia	87	Not disclosed	Basic	No* (IRO)	E: GHG emissions Sc1/2/3, energy, water, waste, circular economy, biodiversity S: gender equality, occupational health and safety, community engagement G: ISO certification, interaction with suppliers	8	No	<a href="#">Nord-Mobil_ESG_HR_c.pdf</a>

Company	Sector	Country	Number of employees	Revenue (€)	Module	Materiality	Material topics (E/S/G)	Number of pages	Independent verification	Link to PDF
YouSustain	ESG consulting	Norway	3	0.2M	Basic	Yes	E: energy consumption, GHG emissions Sc1/2/3, waste, climate change S: gender equality, occupational health and safety, training, compensation G: business conduct, transparency	18	No	<a href="#">YouSustain_Report_2024.pdf</a>
Alanod	Metallurgy	Germany	192	48M	Basic+Comp	DMA light	E: climate change, energy, GHG emissions Sc1/2/3, pollution, biodiversity, water, circular economy S: own staff, occupational safety, training, compensation, human rights, supply chain, communities, consumers G: business conduct, leadership diversity	24	No (Audit)	<a href="#">VSME-Bericht-Alanod_2024.pdf</a>
Camunda	IT	Germany	510	92M	Basic+Comp	Yes	E: climate change, energy, GHG emissions Sc1/2/3, climate risks S: own personnel, human rights, and occupational safety, compensation, training G: business conduct, anti-corruption, consumer protection	24	No (ISO 27001, SOC 2 Type II)	<a href="https://camunda.pactsafe.io/versions/688742e4550048f18bbd50f8.pdf">https://camunda.pactsafe.io/versions/688742e4550048f18bbd50f8.pdf</a>

Company	Sector	Country	Number of employees	Revenue (€)	Module	Materiality	Material topics (E/S/G)	Number of pages	Independent verification	Link to PDF
TT Gaskets	Production of seals	Finland	80	20M	Basic+Comp	—	<p>E: climate change, energy, GHG emissions Sc1/2/3, pollution, biodiversity, water, circular economy</p> <p>S: own workforce, employees of the supply chain, communities, consumers, health and safety, training</p> <p>G: business conduct, anti-corruption</p>	32	No (EcoVadis Silver 71)	<a href="https://tt-gaskets.fi/en/2025/05/07/tt-gaskets-publishes-its-first-verified-sustainability-report-using-vsme-standard">https://tt-gaskets.fi/en/2025/05/07/tt-gaskets-publishes-its-first-verified-sustainability-report-using-vsme-standard</a>

\*IRO-based (Impacts, Risks, Opportunities) is a simplified approach to determining materiality when a company

- does not perform a full-fledged DMA,
- identifies topics through an informal assessment of impacts, risks and opportunities.
- Usually based on internal expert opinion of management without involvement of stakeholders.
- Typical for small companies or first ESG reports.

# Analysis of the first wave of VSME reports

## What themes are most often defined as material

Three themes run through all seven reports as a universal framework: climate, own staff, business conduct. But it is also worth paying attention to how companies justify their choice of other topics.

Camunda, for example, demonstrates the most striking logic of exclusion: “A digital business without physical production means that pollution, water, biodiversity and the circular economy are below the threshold of materiality according to the double materiality principle”.

This is not just “we don’t report it”, but a systematic argument in line with the principles. However, Nord Mobil, which produces mobile homes near the Natura 2000 protected area, did not include biodiversity as a material topic and did not explain why — this is immediately alarming. This is immediately alarming and looks like they did not make a proper assessment or copied someone else’s matrix. Therefore, in preparation for identifying material topics, we would advise you to pay attention to companies that share your sector. As an example, YouSustain (3 people) and Camunda (510

people) have more in common in terms of materiality (minimal environmental footprint, focus on data ethics) than YouSustain and TT Gaskets (80 people in production). The sectoral logic is stronger than the size logic.

## What modules do companies choose

Five of the seven companies chose to report under the Comprehensive Package, despite the fact that the Basic Package would technically be sufficient. Based on this, we can conclude that this is a strategic choice rather than a requirement for compliance.

Businesses ask not “what the standard requires,” but “what our stakeholders expect.”

Ten23 explains frankly: “Due diligence checks by pharmaceutical clients increasingly require detailed sustainability metrics. The basic module would be insufficient for our competitive positioning.”

YouSustain, on the other hand, as a microbusiness, chose the Comprehensive package for a different reason: “We are a consulting firm specializing in sustainability. Our product is our expertise.

A minimalist report would undermine trust.”

It is clear that when sustainability is your core business, reporting is a demonstration of your product.

In this case, we can conclude that the stage of a business’s life cycle is more important than its size: (80 employees, 24 years in business) has the depth for the Comprehensive package, in contrast to Nord Mobil (87 employees, 2 years in business), which wisely chose the Basic package as a foundation before expanding. TT Gaskets

## Certifications, verification and validation

The approach to certification is more about competitive position than compliance with regulations. Independent verification is absent from all seven reports, which is understandable for a voluntary VSME, but also raises questions of credibility. Businesses show different strategic approaches — accumulation of different certificates (Ten23: B-Corp, SBTi, EcoVadis Silver 73, ISO 50001, My Green Lab) as opposed to stability (TT Gaskets: ISO 14001, 45001, 9001 annually). Industry logic also applies here. For example, as an

IT company, Camunda does not use ISO 14001 (environmental standard), but has ISO 27001 (information security). They do not want to pursue certifications that do not align with their business model, yet they report a low EcoVadis score without explaining why.

Compared to TT Gaskets, which has a Silver 71 rating—where this is a clear business advantage—at Camunda, this indicates weak engagement with suppliers—an obvious pain point for tech companies.

In this case, honesty would also be appropriate.

# Practical advice based on the first VSME reports

## **Guideline: honesty is more important than perfection.**

The most important part of this analysis is not only which of the companies successfully coped with the implementation, but also how they presented their reports. Seven reports from various companies in European countries were analysed. Some companies openly discussed their shortcomings, inspiring trust rather than suspicion, which is impressive.

For example, YouSustain, a Norwegian company with only three employees, notes in its report “Although a double materiality assessment is not mandatory for VSME, we conducted a preliminary assessment to lay the groundwork for future growth.” Impacts, risks, and opportunities were identified through consultations with internal stakeholders. Their approach makes no claims of perfection.

Instead, they honestly acknowledge: “We are small, this is our first year, this is what we’ve done, and this is how we plan to grow.”

A contrasting example is Nord Mobil, a Croatian manufacturer of mobile homes. Their report contains no information on how they identified material themes. It remains unclear whether they conducted this analysis at all or simply wrote what they thought looked important. It’s better to acknowledge a gap and present an action plan than to present incomplete data as the final truth.

When you don’t have enough data, it’s important to structure the information clearly. First, state what you’re missing.

Then explain the reasons for this. Next, describe what you’re doing to address the situation. Finally, set a deadline by which this information will appear in the report.

Camunda demonstrates how to do this correctly.

In response to a question about gender diversity on the board of directors, they state: “Data on the gender ratio on the board of directors is currently unavailable. Initiatives to collect data on diversity, equity, and inclusion are currently being implemented. Tracking diversity at all levels of the organization is planned by the end of 2025.”

## **Should financial data be disclosed?**

According to the VSME standard, companies must disclose their annual net revenue in the general information section (Disclosure B1). Although it is voluntary, the choice to report under this standard requires disclosure of this indicator — despite this, not all companies comply with this requirement.

What does disclosing revenue mean in practice? It’s very simple—revenue allows you to calculate carbon intensity per euro of revenue, which, in turn, enables you to compare your business with similar companies, even if they are of different sizes. Accordingly, if revenue is not disclosed and only absolute emissions figures are shown, it remains unclear whether this is a lot or a little for a business of that size. This may raise suspicions among stakeholders: what are you trying to hide?

If you have decided not to disclose revenue, citing B1.24e of the VSME standard, you can immediately provide data on greenhouse gas emissions intensity per unit of output: X tons of CO<sub>2</sub> per ton of output. This way, you’re offering an alternative for comparison.

# What Ukrainian SMEs should start with right now

For most Ukrainian SMEs, a practical start in ESG doesn't require an immediate full transition to a complex reporting system.

A realistic minimum is mastering basic management decisions, a few key environmental and social indicators, and a simple format for recording them.

This is precisely the logic behind VSME: the standard was created for SMEs as a tool designed to simplify responses to inquiries from banks, large clients, and partners along the value chain.

1. The basic governance framework. Companies should have at least a basic understanding of who is responsible for collecting ESG data within the organization, which topics are relevant to the business, and where this data is stored. B1, B2.
2. Basic environmental indicators. Most SMEs should start collecting at least data on energy consumption right now, and where possible, on Scope 1 and Scope 2 greenhouse gas emissions, as well as on waste and, if necessary, water usage. B3, B6, B7.
3. A block about employees. Even a small business can already relatively easily collect basic information on the number of employees, employment structure, workplace injury incidents, as well as data on training, wages, or the existence of collective agreements. B8-B10.
4. Anti-corruption framework. Even if a company is small, it should have at least minimal controls regarding corruption risks, gifts, conflicts of interest, and the documentation of violations, as well as a Code of Ethics and responsible procurement policies. B11
5. Data management in a unified format. For SMEs, it is critically important not only to "know the numbers" but also to store them in a simple structure: a table, an internal form, or a digital template. EFRAG is specifically developing the VSME digital template to standardize such data and reduce chaotic requests to companies.

This is not about a "full-fledged ESG department," but about basic readiness. For most SMEs at the outset, a simple infrastructure is sufficient, along with the ability to quickly gather and explain key data.

This minimum is most often what interests external users. Banks, large clients, and value chain partners typically begin their inquiries with basic data on energy, emissions, personnel, occupational safety, and management risks. VSME is intended to facilitate responses to precisely such inquiries.

For Ukraine, this is also a tool for preparing for future EU requirements. Even if Ukrainian SMEs are not formally subject to European regulations today, mastering these basics will help them better navigate exports, financing, and the requirements of international partners. This stems from the VSME's role as a voluntary standard recommended by the European Commission.

A person in a white shirt is pointing at a document held by another person. The scene is overlaid with a green geometric grid pattern on the right side. The word "Conclusion" is written in white text on the left side.

# Conclusion

# Conclusion

The VSME is evidence that European sustainability reporting policy is moving towards a more practical and proportionate approach. With the introduction of the mandatory requirements for large companies (CSRD-ESRS), the EU has effectively recognised the need for a separate instrument for smaller companies that are not subject to full regulatory reporting but already face demands from banks, investors, large customers and value chain partners. In this context, the VSME is important not only as a simplified format for data disclosure, but also as an attempt to replace chaotic individual requests with a single standardised framework.

The analysis shows that VSME is designed to be a practical and flexible standard. Its structure with basic and advanced modules allows SMEs to start with the minimum required set of disclosures and, if necessary, move to a more detailed level. Unlike full ESRSs, VSME does not impose excessive methodological complexity on SMEs and does not require formalised dual materiality. Instead, it relies on the relevance, applicability, comparability and verifiability of information, combining standardisation with the necessary flexibility.


For Ukraine, the significance of VSME is primarily practical. Ukrainian businesses are already facing new requirements in terms of exports, financing (bank lending requirements), working with international partners and gradual adaptation to EU rules. In such circumstances, VSME seems to be the most realistic tool for the first stage of preparing SMEs for ESG data management. It allows to start with the basic themes that are most often of interest to external users: energy, emissions, water, waste, employee data, health and safety, and basic management questions. For Ukrainian companies, this is

especially important in an environment of limited resources and high uncertainty.

At the same time, the VSME should not be perceived as a technical template for responding to counterparty requests. As shown in our study, the first VSME reports of European companies are very different in form and content, and have already been adapted to the needs and objectives of these companies. For Ukraine, the VSME can become a basis for wider voluntary implementation of sustainability reporting among SMEs. In other words, it is not just a separate standard, but a possible transitional mechanism that will help Ukrainian businesses gradually move towards a reporting model compatible with EU approaches.

VSME is valuable not only for SMEs, but also for large Ukrainian companies that need to build responsible procurement and data collection along the value chain. For them, this standard and its digital templates can become a ready-made, legitimate basis for working with suppliers.

The VSME can already be seen as the most practical benchmark for Ukrainian SMEs in terms of sustainability reporting. That is why further work is planned in Ukraine to translate, adapt and promote this standard at the level of state policy and professional business support. In particular, it is expected that the VSME will be translated and its application will be recommended as a voluntary framework for SMEs, and the Green Transition Office of Ukraine will support this process by preparing explanations, practical tools, guidelines and examples of application for businesses.

A person's hand is pointing at a wall covered in various diagrams, sticky notes, and papers. The background is a dark teal color with a grid pattern of light green lines on the right side.

# Answers to additional questions

# Answers to additional questions (1)

## What is VSME and how does the standard relate to CSRD and Omnibus I?

VSME is a tool for voluntary reporting for small and medium-sized enterprises, developed by EFRAG as a simplified alternative to full European Sustainability Reporting Standards (ESRS). It is designed for companies that do not have securities on regulated markets, but are under pressure from customers and banks on ESG data.

VSME is linked to CSRD via the package Omnibus I: this package amends the CSRD such that mandatory reporting applies to companies with 1,000 or more employees, while for companies below this threshold, reporting becomes voluntary, based on the VSME.

It also establishes an “upper limit” for supplier requests in the value chain, reducing the administrative burden on small companies.

## Which companies should respond to VSME requests (micro, small, medium-sized, public or non-public companies)?

The primary target audience for VSME is unlisted micro, small, and medium-sized enterprises (micro-SMEs and non-listed SMEs) that work with large European companies, banks, investors, or supply chains.

It is these companies that are often sent various ESG questionnaires, and VSME provides a single, standardized response format.

Public companies with securities on regulated markets generally fall under the ESRS rather than VSME, but they can also use the VSME framework as an internal tool or require their suppliers to submit VSME-based reports to unify the data.

## What are the main reporting requirements for VSME (Basic module, ESG indicators, materiality, greenhouse gases)?

The VSME Basic Module installs the basic, but a sufficient set of requirements for small and medium-sized enterprises.

From the environmental standpoint, the key is a disclosure of information on greenhouse gas emissions (GHG). A company must report Scope 1 (direct) emissions, Scope 2 (purchased electricity) emissions, and, where possible, key Scope 3 emissions using simplified methodologies.

For small companies, a significant portion of the requirements can be addressed with the phrase “IF APPLICABLE”—that is, indicate that data is missing but explain the reason.

Additionally, VSME requires a materiality assessment by identifying the ESG themes that are important to your business and stakeholders.

For small companies, this may involve simplified disclosure describing which themes you consider material and why, rather than a full-fledged formal process as in large companies.

## What mistakes are most often made by companies when reporting for the first time on VSME and how to avoid them?

The most common mistakes companies make:

- They try to cover all 100% of possible indicators, forgetting that VSME allows “IF APPLICABLE”
- They use inconsistent or missing calculation methodologies, especially for greenhouse gases
- No historical database is maintained, which makes it difficult to compare across years
- They do not involve customers or banks in the early test of VSMEs

To avoid this:

- start with the Basic Module;
- document the methodology;
- store the initial data in a single table or database (Excel, CRM);
- receive stakeholder feedback.

# Answers to additional questions (2)

## Will VSME be translated into Ukrainian?

Yes, there are plans to translate VSME to Ukrainian language. The Ministry of Finance of Ukraine has organized a corresponding Interagency Working Group as part of its work on the Strategy for the Introduction of Sustainability Reporting.

There are plans to translate the official text of the VSME standard and key supporting tools.

In addition, it is expected to support for the translation of practical guides, templates and explanations.

## Do Ukrainian companies already need to report on VSME?

Direct mandatory reporting under VSME has not yet been established for Ukrainian companies, but there are already very strong practical reasons to get started with this tool.

Ukrainian companies working with European clients and banks, investors or those that are a part of a supply chain of European corporations, are increasingly receiving ESG requests.

VSME provides them with a pre-standardised answer format.

In addition, the early use of VSME allows you to already form historical data by year, which is important for ESG loans, green finance initiatives and requirements of European support programmes and other EU instruments.

## Where can I find free video training, a digital XBRL template and materials on greenhouse gas methodologies for VSME?

EFRAG has a set of free resources on its [website](#):

- Video training in various EU languages: Introduction to VSME, how to start reporting, how to assess materiality, how to calculate emissions, how to use the digital XBRL template
- Digital template in XBRL format (via Excel or web interface) where you enter data into structured fields, the template makes automatic calculations, indicates missing fields and generates a PDF report
- Additional materials: references to international greenhouse gas protocols, GRI, SASB, materiality assessment methods, industry guidelines and compliance with international standards

## How to interact with the VSME ecosystem (forums, webinars, associations, consultants)?

EFRAG has created the VSME ecosystem, an [online community](#) of manufacturers, suppliers, banks, investors, associations and consultants. It gives you access to:

- Forums and Q&A panels where you can ask technical questions and get answers from EFRAG and other participants
- Resource libraries: sample reports, templates, case studies, webinar recordings
- Monthly webinars and regional workshops that help to understand the nuances of VSME application

EFRAG has also published a [policy paper](#) reviewing digital tools and platforms for SME sustainability reporting, which directly supports the application of VSME.

# Answers to additional questions (3)

## Should I switch to VSME if the company has already started preparing for reporting under other standards (GRI, ESRS, etc.)?

It is not necessary to switch from one standard to another — VSME has less coverage than GRI or ESRS.

## Is assurance required for VSME reporting?

So far, VSME remains a voluntary instrument, so there is no mandatory assurance of VSME reporting. However, this does not mean that assurance or verification is meaningless. Banks, investors and large corporations often require their suppliers to have important ESG data (e.g. greenhouse gases, social indicators, risk factors) verified or independently validated. In this case, the company may decide to conduct limited verification or assurance of key metrics to build confidence in its VSME report.

Therefore, it may be appropriate now to: develop data collection protocols; document methodologies; consider future auditability when choosing tools (XBRL, data management system).

## What resources are required and how long does it take to prepare for VSME reporting?

Preparing for VSME reporting requires mainly organisational and internal (not technical) resources, but the time required is significantly lower than for a full ESRS report.

If we consider an average company with 50-150 employees, which has basic energy metering, information from the HR system and clear policies, for example:

- the first year of the VSME Basic Module requires 50 to 150 hours of work by responsible persons (CFO, environmental/ESG specialist, HR, procurement), depending on the quality of their data;
- In the following years, it will be mostly 20-50 hours, as the historical base has already been created, and changes occur only in numbers;
- Compared to ESRS/GRI, VSME implementation can be 30-70% less time-consuming than the first ESRS report, as it requires much less data.

Based on the analysed reports, we can see that a VSME report (Basic) can be prepared in 2-4 months, even in relatively small teams, if you organise data collection, clearly allocate responsibility and use the digital XBRL template.

# References and useful resources



# References

## [VSME Standard](#)

[Voluntary reporting standard for SMEs \(VSME\), Concluded](#)

[European Commission Recommendation \(EU\) 2025/1710 on a voluntary sustainability reporting standard for SMEs](#)

[European Commission presents voluntary sustainability reporting standard to ease burden on SMEs](#)

[European Commission Questions and answers on the Recommendation on voluntary sustainability reporting standard for SMEs](#)

[European Commission, Corporate sustainability reporting](#)

[EFRAG SMEs and Sustainability Reporting](#)

[EFRAG, Press Release: EFRAG welcomes European Commission's recommendation on VSME](#)

# Useful resources

[VSME Digital Template and XBRL Taxonomy](#)

[VSME Digital Template, XBRL Taxonomy & Converter](#)

[VSME Digital Template and VSME XBRL Taxonomy, Explanatory Note](#)

[VSME Supporting Guide on Disclosure C2](#)



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