



INTRODUCING THE VOLUNTARY SUSTAINABILITY REPORTING STANDARD FOR SMES (VSME)

OVERVIEW

Small and medium-sized enterprises (SMEs) across the globe struggle to navigate the growing demand for sustainability information from banks, investors, and larger corporate partners. To support SMEs on this journey, the European Financial Reporting Advisory Group (EFRAG) has developed the Voluntary Sustainability Reporting Standard for SMEs (VSME). While developed in Europe, the VSME has global relevance, offering SMEs everywhere a practical, standardised approach to reporting on environmental, social, and governance (ESG) topics.

DETAILS

What is the VSME?

The VSME is a voluntary framework designed for non-listed SMEs to disclose sustainability information in a way that is consistent, comparable, and proportionate. It helps SMEs demonstrate their ESG commitment and build trust with stakeholders — whether operating locally or engaging in global supply chains.

Two Reporting Modules

The VSME consists of two modules that reflect the different levels of maturity among SMEs:

1. **Basic Module:** Tailored for micro and small enterprises or first-time reporters. Covers essentials such as company profile, workforce, health and safety, energy use, and anti-corruption.
2. **Comprehensive Module:** For SMEs with more advanced practices or greater stakeholder expectations. Expands into strategy, climate transition planning, human rights, and governance diversity.

1. Basic Module

The Basic Module serves as the foundation for sustainability reporting, providing a streamlined set of disclosures that cover the most common ESG topics.

This module covers core disclosures, including:

- General Information: Company profile and operations.
- Environmental Metrics: Energy consumption, greenhouse gas emissions, pollution, biodiversity, water usage, and waste management.
- Social Metrics: Workforce characteristics, health and safety, remuneration, and training.
- Governance Metrics: Convictions and fines for corruption and bribery.

2. Comprehensive Module

Designed for SMEs that are more advanced in their sustainability efforts or that need to meet the reporting expectations of more sophisticated stakeholders, this module builds on the Basic Module by introducing additional disclosure requirements across more detailed areas of ESG performance.

These disclosures include:

- Strategy: Business model and sustainability-related initiatives.
- Climate: Transition plans and climate-related risks.
- Social: Additional workforce information, human rights policies, and serious human rights incidents.
- Governance: Revenues from certain sectors, exclusion from EU benchmarks, and gender diversity in governance bodies.

The Comprehensive Module provides a deeper dive into ESG performance, aligning closely with broader European sustainability reporting standards.

Note: An SME must complete the Basic Module before moving on to the Comprehensive Module.

Looking Ahead

In July 2025, the European Commission issued a formal Recommendation encouraging the use of VSME. A delegated act is expected in 2026, which may further strengthen its role in sustainability reporting. In addition, under the EU's Omnibus proposals, large companies may be restricted from asking SMEs for more information than is required under the VSME — a change that could reduce the reporting burden on smaller firms.



For SMEs across the globe, this is an opportunity: adopting VSME early can strengthen competitiveness, ease access to finance, and open doors to new partnerships.

At Envision Advisory Services, we recognise that SMEs need support in navigating these developments, our Ethica ESG platform seamlessly integrates the VSME framework to simplify reporting. By helping SMEs align with VSME, Ethica empowers businesses to communicate their sustainability story effectively and meet the expectations of today's global economy.

For more detailed information on the VSME and its reporting requirements, please refer to the [European Financial Reporting Advisory Group \(EFRAG\)](https://www.efrag.org/) website, or alternatively, contact us at info@envisionas.com.