

How the VSME can help SMEs meet sustainability demands

THINK AHEAD

Public

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Maria Kelly

Maria has over twenty years-experience working in Senior Management roles across various organisations including Bank of Ireland, Limerick Chamber of Commerce and Chorus (now Virgin Media).

She is currently Director of the Skillnet Climate Ready Academy and Head of Policy with 20FIFTY Partners, a company that designs, builds and operates sustainability, digital and climate resilience programmes for large organisations and public bodies.

Maria has also worked with a number of LEOs delivering workshops and mentoring. She has served on a number of Boards including Chambers Ireland, the Hunt Museum, the Limerick Market Trustees, Limerick Marketing Company and the Limerick City Development Board.

Caroline Geogehgan

Caroline Geoghegan is the Founder and Managing Director of CG Business Consulting, Ireland’s leading ISO consultancy, and the Founder of EcoVerify, Ireland’s first dedicated greenhouse gas assurance service provider. With over 20 years’ experience in quality, environment, information security, and sustainability, she helps organisations achieve certification, strengthen governance, and build credible sustainability strategies. Caroline is recognised for her leadership in ISO systems, CSRD readiness, and climate assurance



It is mostly about marketing not accounting



CSRD

1. Certain EU companies report on their sustainability using ESRS reporting standards
2. A Sustainability Assurance Service Provider (auditor) has to sign off on the sustainability report



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CSRD

Wave 1 (now)

- Some very large EU companies must do it now

Wave 2 (postponed to 2027)

- In two years, large EU companies will have to do it

SME (using VSME standard or ESRS standard) currently voluntary unless:

- In supply chain of large companies
- Large customers demand it
- Banks won't lend without it
- Investors won't invest without it
- Business uses it as a marketing tool



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Understanding-responsible-investment

integrate sustainability considerations into investment decision-making, whether seeking or making the investment.



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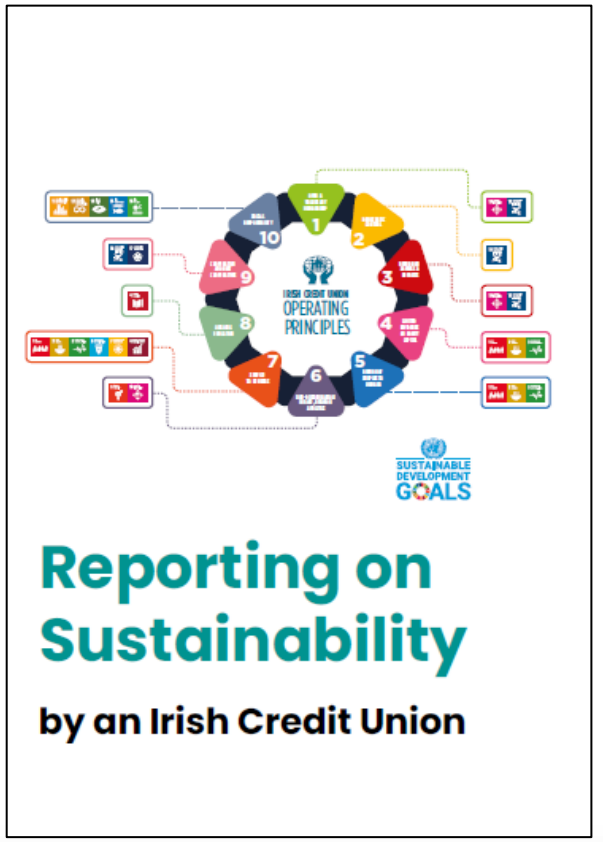
Understanding responsible investing

- Be clear on the ESG strategy and how it fits with broader business strategy.
- Approach guidelines such as the VSME as a framework for a principles-based approach, rather than a checklist.
- Question every disclosure. Is it relevant? Is it valuable?
- Engage with stakeholders to understand what is important to them.
- Cross-reference, where possible, to improve information connectivity and coherence.

What are credit unions doing?



2025 V's 2023



[CU sustainability report using VSME]

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Accelerating Climate Action & Driving Competitiveness

The role of reporting frameworks



Skillnet Climate Ready Academy is co-funded by Skillnet Ireland and participating businesses. Skillnet Ireland is funded from the National Training Fund and the European Union through the Department of Further and Higher Education, Research, Innovation and Science.

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Skillnet CLIMATE READY ACADEMY

climatereadyacademy.ie

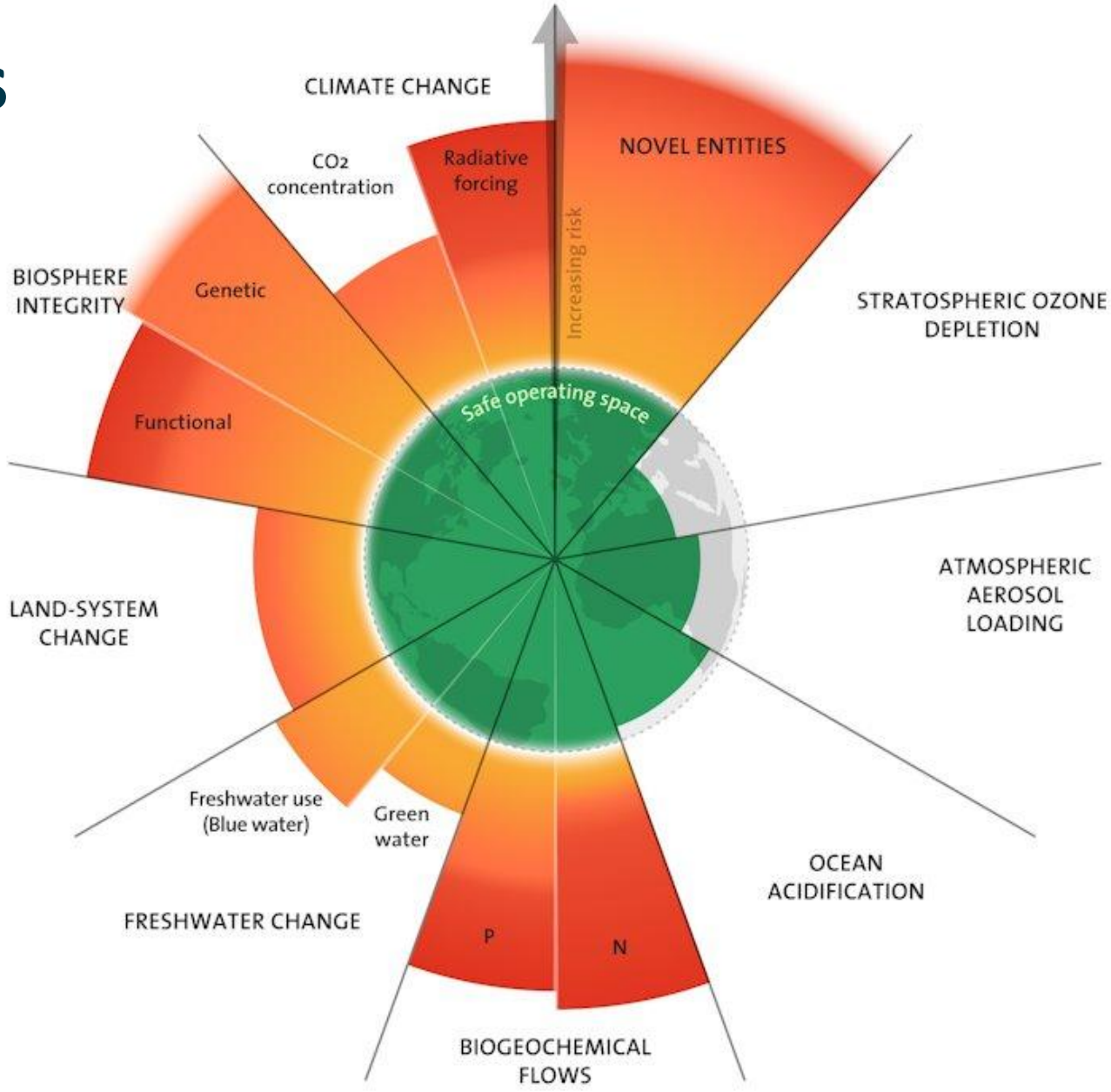
Agenda

- Why climate matters for business
- How frameworks can support:
  - Strategy development
  - Stakeholder engagement
  - Risk and Resilience Planning
- More than just compliance

Why Climate Matters for Business

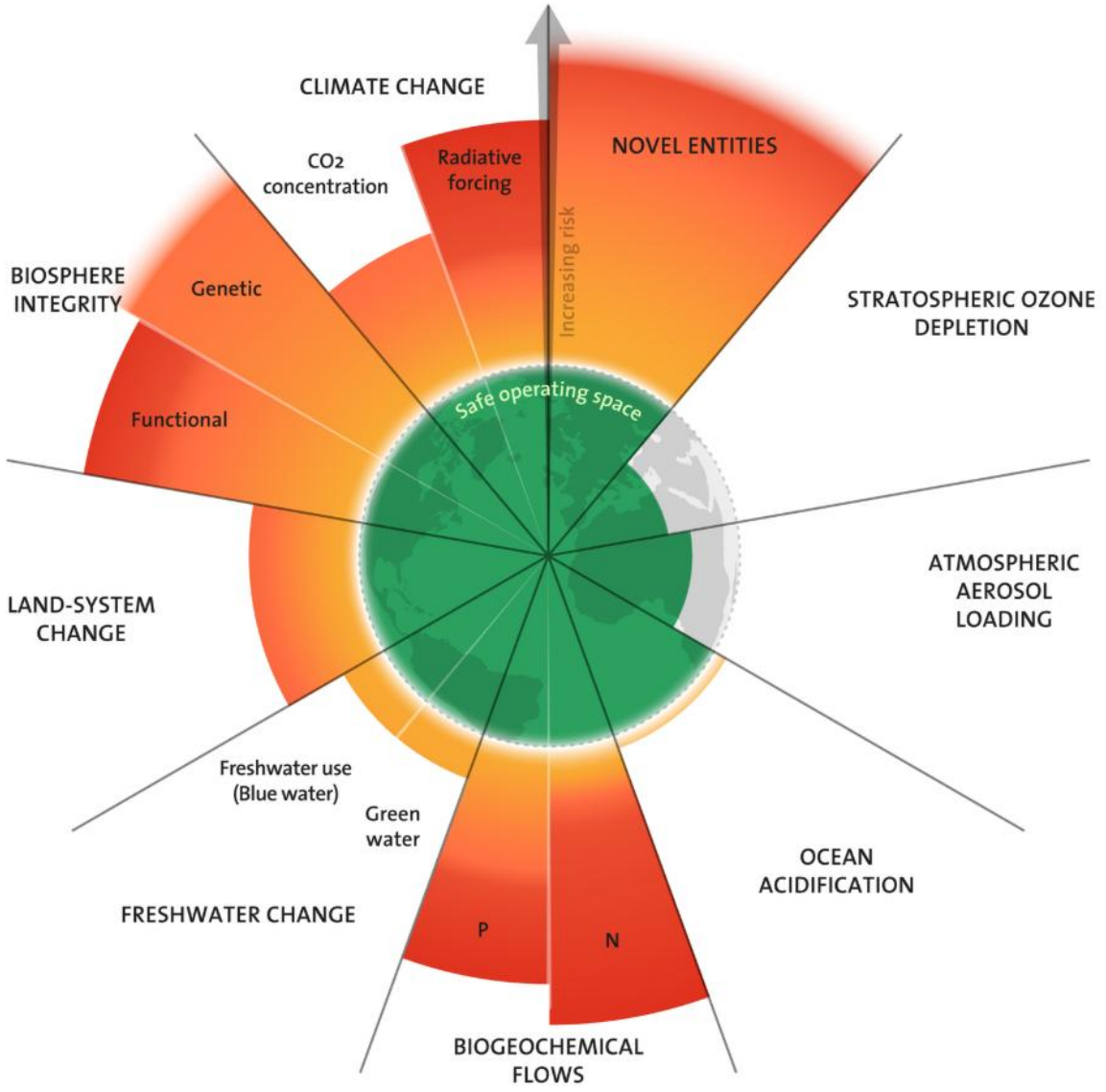
Planetary Boundaries

2023 – 9 boundaries assessed,
6 crossed

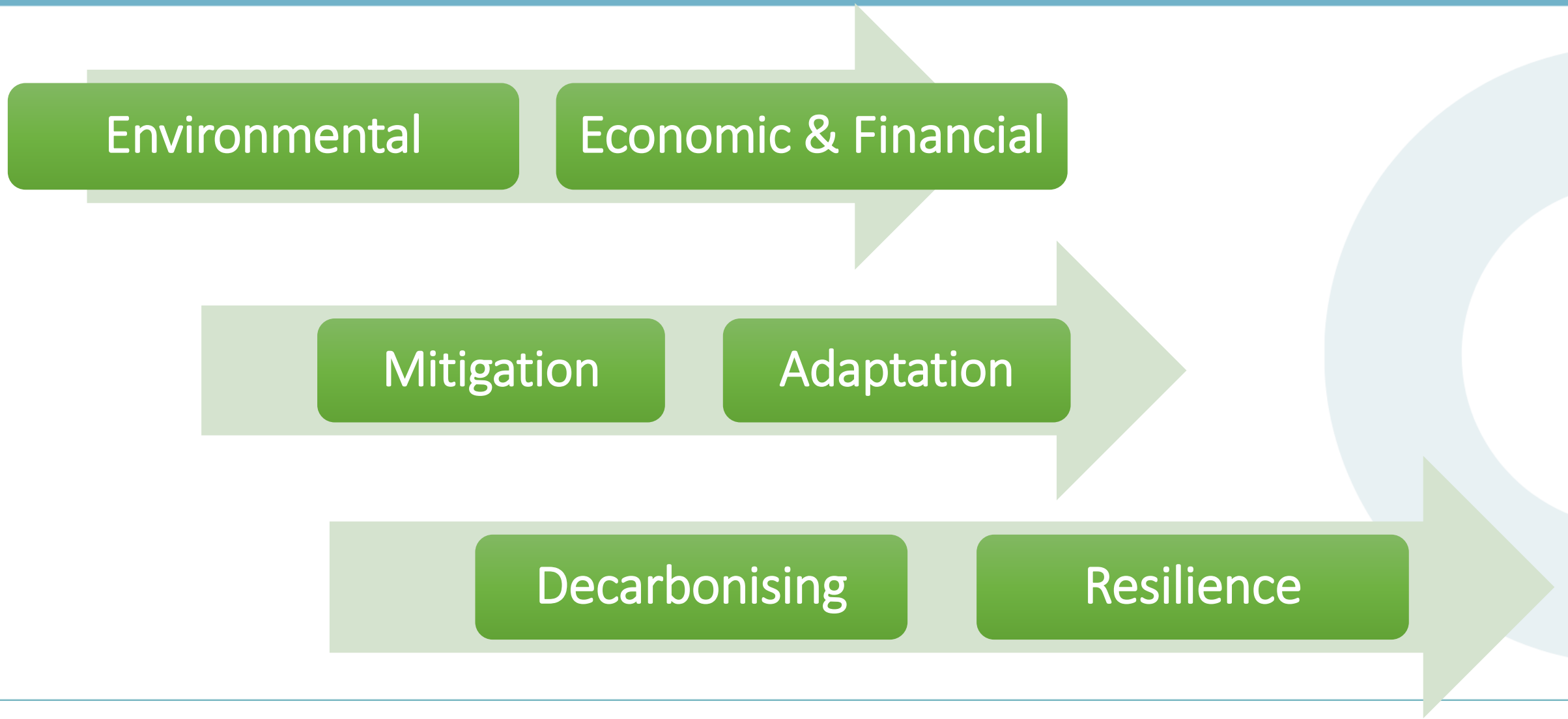


Planetary Boundaries

2025 – 9 boundaries assessed,
7 crossed



A changing narrative



Sustainability no longer optional; it is a business necessity

- Focus of monetary policy & banking supervision
- ECB: 72% of firms, critically dependent on ecosystem service
- Invest in resilience – treat adaptation as risk management
- World Bank: €1 resilience saves €4 in avoided losses
- Demand for Transparency – trackable and traceable supply chains

A Complex Challenge



The challenge of ‘sustainability’ confronts us with a **complex of interrelated problems** that have **no obvious known solutions**.



View climate change and nature impacts as **cost drivers** that affect **pricing, procurement and investment** decisions.



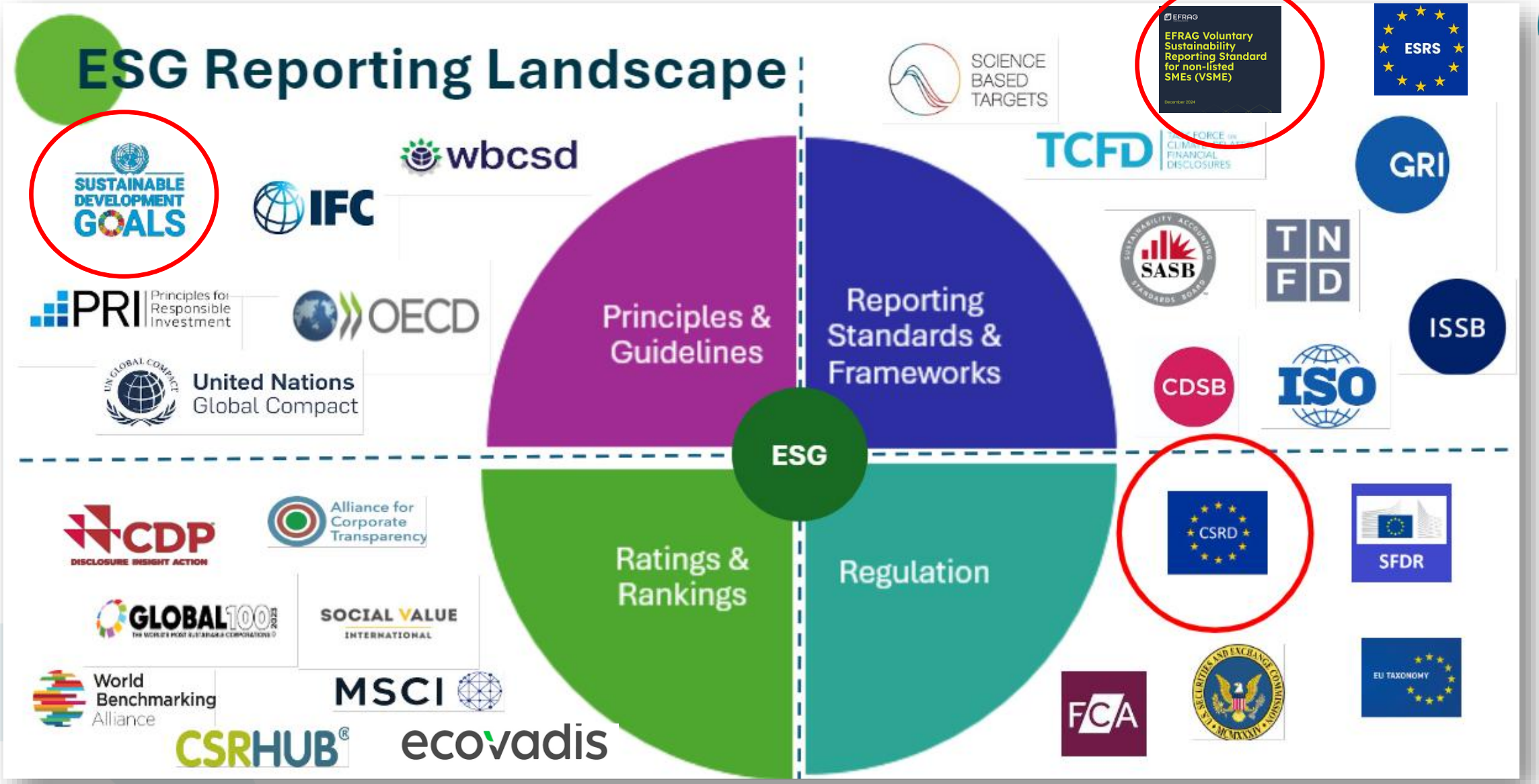
Leadership is critical to keeping ‘solution focussed’ but it must be both vertically and horizontally imagined. e.g., both top-down and bottom up.

Businesses need a clear pathway

Benefits of Reporting Frameworks



- Improves access to information, accountability, and transparency for stakeholders
- Supports decision-making and value creation
- Helps boost business performance
- Engages stakeholders
- Builds trust and improves reputation
- Has the potential to attract investment

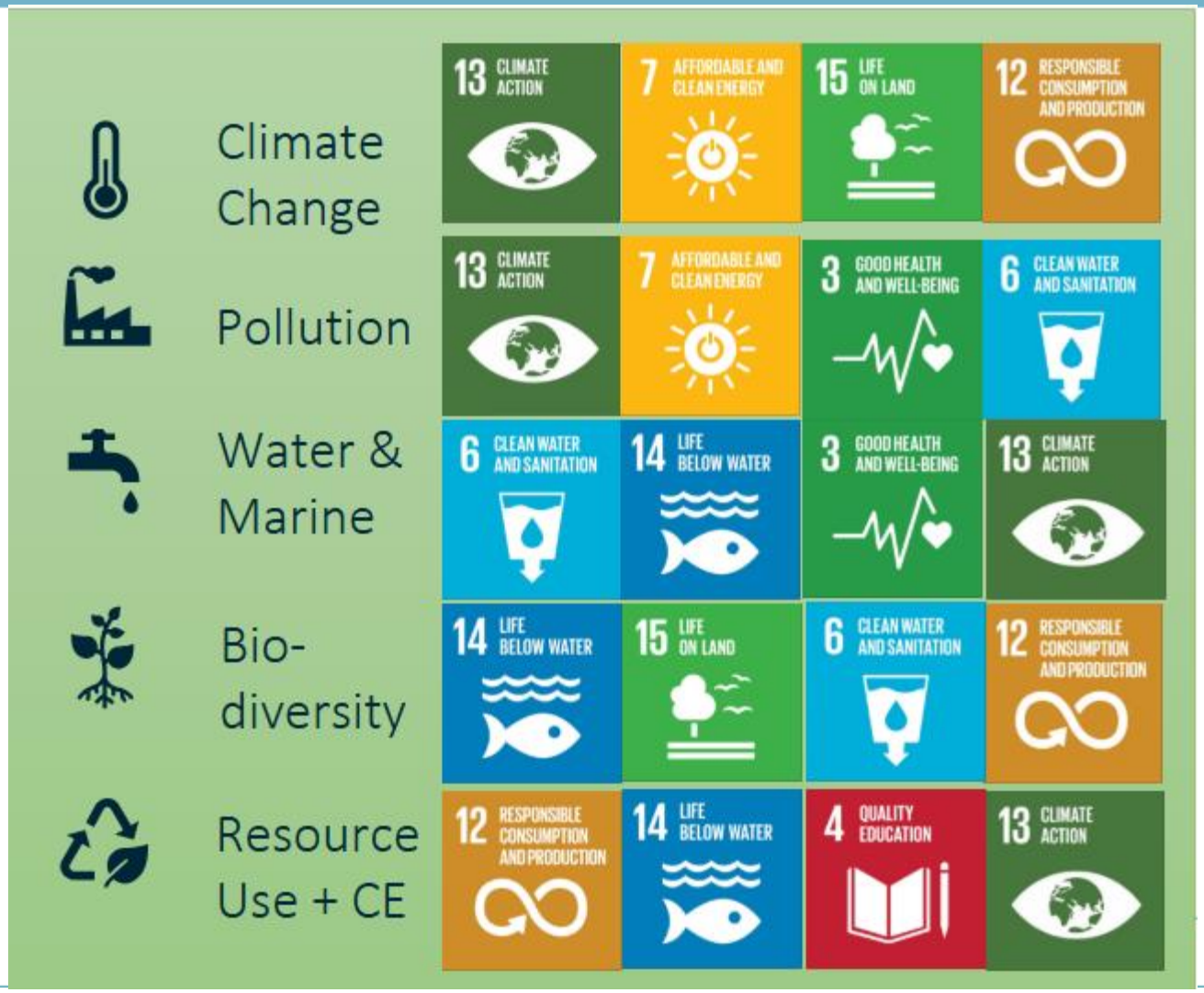

ESG Reporting Landscape
SUSTAINABLE DEVELOPMENT GOALS
wbcsd
IFC
PRI Principles for Responsible Investment
OECD
United Nations Global Compact
SCIENCE BASED TARGETS
EFRAG Voluntary Sustainability Reporting Standard for non-listed SMEs (VSME)
ESRS
TCFD
GRI
SASB
TNFD
ISSB
CDSB
ISO
Principles & Guidelines
Reporting Standards & Frameworks
ESG
Ratings & Rankings
Regulation
CSRD
SFDR
EU TAXONOMY
FCA
CDP
DISCLOSURE INSIGHT ACTION
Alliance for Corporate Transparency
GLOBAL100
SOCIAL VALUE INTERNATIONAL
World Benchmarking Alliance
MSCI
CSRHUB
ecovadis

What is the VSME

- Simplified voluntary framework – aligned to CSRD requirements.
- Flexible and scalable - can engage at a level that matches resources & expertise.
- Align sustainability practices with stakeholder expectations and market needs.
- 'If applicable' principle - only report on areas that are directly relevant.
- Double Materiality – recommended not mandatory.



VSME and SDG Alignment



It's a start not a destination

Framework for Strategy Development



GOVERNANCE



STRATEGY



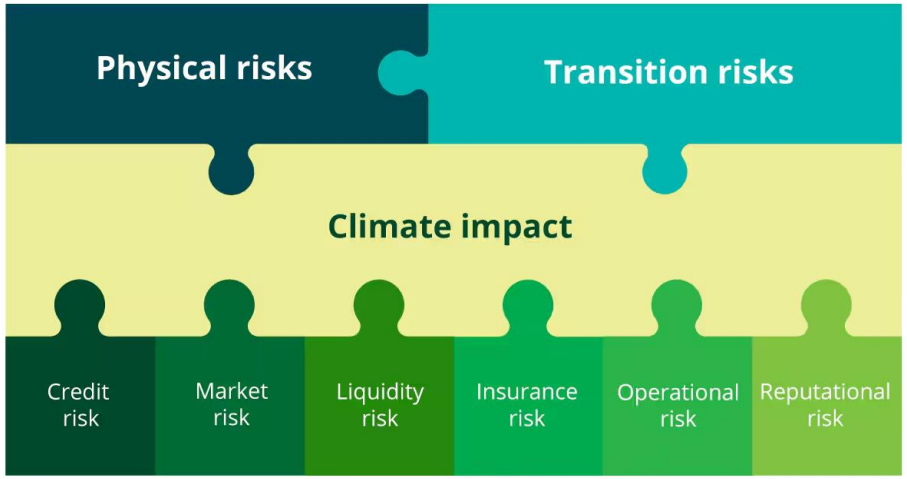
IRO MANAGEMENT



TARGETS AND METRICS

Risks & Resilience Planning

- **Dependencies -** The resources that you depend on for your business right across your value chain.

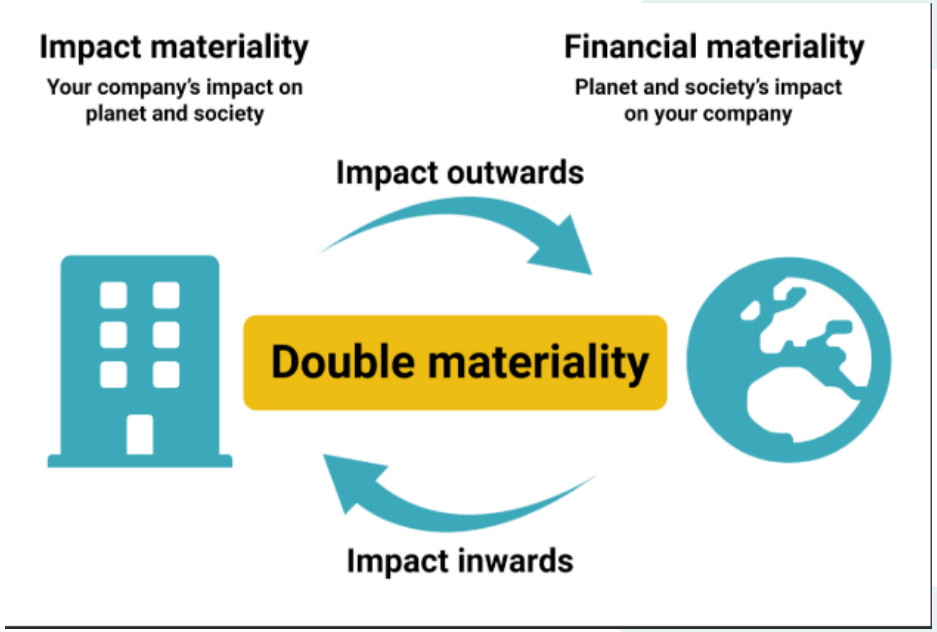






Double Materiality

Conducting a double materiality assessment allows a company to identify its **impacts** on the environment and society, and the most relevant **financial risks and opportunities** that their company is exposed to from the environment and society.



Beyond compliance

In practice

"Provided a valuable framework for embedding sustainability strategically across all areas of our operations"

"The structured approach helped us assess current performance, identify priority areas, and establish clear action plans. We also gained a deeper understanding of stakeholder engagement, the emphasis on collaboration, has highlighted how external partnerships can enhance accountability and accelerate progress"

"A clear understanding of how sustainability integrates into daily operations and long-term strategy. It highlighted the importance of employee engagement, data tracking, and aligning with international standards like the SDGs and CSRD"

"A key takeaway for me was realising how the SDGs and CSRD provide a structured framework for aligning business practices with global sustainability efforts. This has given me a solid foundation to begin integrating sustainability more intentionally into our operations"

"..real-world follow-up showed me the diversity of understanding and maturity levels around sustainability in our supply chain and highlighted the opportunity we have to lead by example and support our partners in adopting more sustainable practices"

What role do you play?



Skillnet CLIMATE READY ACADEMY

Thank You

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VSME: Voluntary Sustainability Reporting for SMEs

A practical guide to the new Voluntary Sustainability Reporting Standard for non-listed SMEs (VSME) - helping smaller businesses navigate ESG reporting requirements efficiently and effectively.

GG **by Caroline Geoghegan**
CG Business Consulting





Introducing VSME

What is VSME?

Voluntary Sustainability Reporting Standard for non-listed SMEs introduced by EFRAG in December 2024.

Who Created It?

European Financial Reporting Advisory Group (EFRAG), the technical body behind ESRS and CSRD.

Why It Matters

Provides a practical, proportionate framework for smaller businesses to report on sustainability.

Sustainability for SMEs

Value of the VSME standard according to the Omnibus Proposal

Only companies with > 1,000 employees are likely to be subject to mandatory reporting under the SSRD

SMEs are still not legally obliged, but are increasingly confronted with ESG requirements from customers, banks, and partners

VSME* Standard was developed to provide a voluntary, proportionate, and simplified standard tailored to the reality of SMEs

The EU's goal is to reduce bureaucracy without compromising transparency, accountability, and competitiveness

At the end of July 2025, the EU Commission recommended the VSME for SMEs with up to 250 employees

- VSME = Voluntary Sustainability Reporting Standard for non-listed SME's





Who Should Use VSME?

Alignment Seekers

Businesses wanting European ESG standards without unnecessary complexity.

Data Providers

Companies needing to share ESG data with banks, investors, or business partners.

Supply Chain Members

Businesses in supply chains that prioritise sustainability transparency.

Tender Participants

Organisations responding to procurement or tender ESG requirements.

Key Principles of VSME standard:

1. Relevance, Faithful Representation, Comparability, Understandability, Verifiability

VSME explicitly requires that reported information must be relevant, faithful, comparable, understandable, and verifiable

2. Comparative Information

Entities must provide comparative figures for the previous year - from the second year onwards. This supports year-over-year comparison & consistency

3. "If Applicable" Principle

Certain disclosures within the VSME only apply under specific circumstances. If a disclosure is omitted, it's assumed not applicable. This allows flexibility without imposing unnecessary obligations on SMEs

4. Inclusion of Subsidiaries

If the reporting entity is a parent company, it's recommended to report on a consolidated basis, including data from subsidiaries. The report should clearly list which subsidiaries are included

5. Confidentiality / Sensitive Data Exemption

The VSME allows omission of sensitive or classified information, provided the omission is disclosed. This helps SMEs protect commercially valuable or sensitive information



Structure of the VSME Standard

CGBC

Two modules support characteristic of SME's



Basic Module



- Primarily aimed at **micro-enterprises**
- Contains **11 basic reporting** requirements that do not require an in-depth materiality analysis
- Metrics cover the **most important areas of sustainability** and help companies to measure and report on their ESG performance

Comprehensive Module



- Aimed at **small & medium-sized enterprises**, in addition to the basic module
- **Expands the basic module** with information of interest for business partners, such as investors, banks, and corporate customers
- Aligns with legal **ESG disclosure obligations** of financial market participants and corporate clients
- Supports assessment of the company's **sustainability risk profile**
- Applicable to **potential suppliers and debtors**

OVERARCHING CONTENT	Environment		Social		GOVERNANCE
B1 Basics of preparation	**B3** Energy and greenhouse gas emissions (Scope 1 & 2)	**C3** Greenhouse gas reduction targets and climate change	**B8** Workforce - General characteristics	**C5** Additional (general) characteristics of the workforce	**B11** Convictions and fines for corruption and bribery
B2 Practices, strategies, and future initiatives for the transition to a more sustainable economy	**(C2)** Scope 3 - GHG emissions	**C4** Climate risks	**B9** Workforce - Health and Safety	**C6** Additional information for own workforce - human rights policy and procedures.	**C8** Revenue from certain sectors and exclusion from EU reference benchmarks
C1 Strategy: Business model and sustainability	**B4** Air, water, and soil pollution		**B10** Workforce - Remuneration, collective bargaining, and training	**C7** Serious negative incidents in the area of human rights	**C9** Gender diversity in management bodies
C2 Description of practices, strategies, and future initiatives for the transition to a more sustainable economy	**B5** Biodiversity				
	B6 Water				
	B7 Resource utilisation, circular economy, and waste management				

Structure of the VSME standard
- a simplification for SMEs

CGBC

Reporting with VSMEs: the steps of the process

CGBC

System & Context analysis of the organisation

- Assign a representative & be trained on VSMEs
- Evaluation of internal dynamics and business processes
- Examination of the legal framework and industry standards, benchmarking with competitors, and best practices

Calculation of emissions

- Calculation of a company's greenhouse gas emissions (Scope 1 and Scope 2)
- Possible identification of strategies for reducing emissions

Impacts analysis & stakeholder engagement

- Analysis of the company's sustainability impacts and ESG risks and opportunities
- Involvement of stakeholders for a comprehensive assessment

Sustainability strategy & complete data collection

- Setting goals and measures to improve ESG performance
- Integration of sustainability into corporate strategy
- Complete data collection for all selected indicators

Reporting VSME – compliant sustainability reporting

- VSME-compliant sustainability reporting
- Voluntary 3rd party Verification of the report

Workshop on sustainability communication

- Development of targeted communication strategies for different stakeholders
- Effective use of media channels to convey sustainable values

Advantage

Anticipating market trends enables you to be more competitive and compliant

Reducing emissions means lowering energy costs and improving your company's image

Identifying ESG risks and opportunities increase resilience and improve corporate governance

A clear strategy makes it possible to attract investors and customers who value sustainability

Transparent reporting, and external assurance improves stakeholder confidence and facilitates access to financing

Convincing external communication strengthens the company's image and increases its credibility

Ways of implementation:

How SME's can manage the requirements of VSME reporting standard

STAND ALONE



- **Structure a system to collect, control and report** the VSMEs indicators
- **Maintain the KPIs processes up to date**
- Enables SMEs without ISO/EMAS certifications to produce a comparable and verifiable sustainability report

INTEGRATION TO MANAGEMENT SYSTEM



- **Embed** VSMEs indicators **in Management System**
- **Maintain the KPIs processes up to date** benefiting from the management systems in place
- **Add-on approach:** Maximises efficiency, avoids duplication, and demonstrates alignment between existing management system & sustainability reporting

B2 - Practices, policies and future initiatives

	Do you have existing sustainability practices/ policies/ future initiatives that address any of the following sustainability issues? [YES/NO] + [description]	Are they publicly available? [YES/NO]	Do the policies have any targets? [YES/NO]
Climate Change			
Pollution			
Water and Marine Resources			
Biodiversity and Ecosystems			
Circular Economy			
Own Workforce			
Workers in the Value Chain			
Affected Communities			
Consumers and end-users			

Note: Cooperatives may disclose worker, user, or community involvement in governance; investments in social economy entities; and any profit distribution limits tied to their mutual or public-interest services.

Applying VSME indicators as a stand-alone report

First SMEs started to publish their reports according to VSME requirements

OVERARCHING CONTENT

B1
Basics of preparation

B2
Practices, strategies, and future initiatives for the transition to a more sustainable economy

C1
Strategy: Business model and sustainability

C2
Description of practices, strategies, and future initiatives for the transition to a more sustainable economy

B2

Yes / No	Are there sustainability practices / policies that address the following sustainability issues?	Are they publicly available?	Do policies have objectives?
Climate Change	✓	⊘	✓
Pollution	✓	⊘	✓
Water & Marine Resources	⊘	--	--
Biodiversity & Ecosystems	⊘	--	--
Circular Economy	✓	⊘	⊘
Own Labor Force	✓	⊘	✓
Workers in the Value Chain	⊘	--	--
Community	Not Applicable	--	--
Consumers & End-Users	✓	⊘	⊘
Corporate Conduct	✓	⊘	✓

Service Provider & Statutory auditing association for the Bavarian cooperative organisation.

- 503 FTE
- Reports key social & environmental metrics independently, without integrating them into existing certified management systems

Source: Sustainability Report of Genossenschaftsverband Bayern e.V., Status 09/2025

Applying VSME indicators integrated in management systems

OVERARCHING CONTENT

B1
Basics of preparation

B2
Practices, strategies, and future initiatives for the transition to a more sustainable economy

C1
Strategy: Business model and sustainability

C2
Description of practices, strategies, and future initiatives for the transition to a more sustainable economy

B2

B2 - Sustainability Initiatives

- Adoption of ISO 50001 and ISO 14001 standards for optimising energy use and waste management
- Significant energy efficiency improvements, including optimised machinery schedules and retrofitted heating systems, reducing energy consumption by 15% from 2022/2023 compared to 2021/2022
- Development of eco-friendly mobile homes and engagement with suppliers to promote a circular economy
- Employee training on environmental and safety issues

B3 - Energy and GHG Emissions

- Emissions categorised under Scope 1 (direct emissions from vehicles and natural gas), Scope 2 (electricity and heating consumption), and Scope 3 (air travel and employee commuting)

Manufacturer of mobile homes

- 87 FTE
- Other SMEs have added VSME indicators as a complement to data already monitored within their certified systems (e.g. ISO 14001, ISO 50001, EMAS)
- VSME is leveraging existing compliance structures.

Source: EG Report of nordMOBIL 2023

Download the CGBC VSME Report Here

CGBC VSME Report



The VSME Standard

Voluntary reporting standard for SMEs (VSME), Concluded | EFRAG

Educational Videos on the VSME Standard:
In addition to the VSME Standard, EFRAG has prepared 2 series of educational videos on the content of the standard.



VSME Digital Template

VSME Digital Template

•VSME Digital Template Version 1.0.0 (XLSX, 500KB), published on 27 May 2025.

•Mock-up example of pre-filled VSME Digital Template Version 1.0.0 (XLSX, 500KB), published on 27 May 2025.



VSME XBRL Taxonomy

•VSME XBRL Taxonomy Package (ZIP, 300KB), published on 27 May 2025.

•Annex II VSME XBRL Taxonomy illustrated in Excel (XLSX, 360KB), published on 27 May 2025.



Business Benefits of VSME Adoption

CGBC

Enhanced Credibility

Gain trust with investors, customers, and lenders through standardised reporting.

Streamlined Communication

Simplify ESG discussions with a consistent reporting framework.

Future-Proofing

Prepare for evolving regulatory requirements and market expectations.

Risk Management

Better understand sustainability risks, opportunities, and impacts.



CGBC

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What about my auditors



Where do you make the report

Standalone sustainability report – unaudited

Standalone sustainability report - audited

- Limited assurance
- Reasonable assurance
  - Using ISSA 5000 or ISAE 3000 (IAASA plan)

Information incorporated into annual report

- “Other information”



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Other information – audit report extract

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Other information includes the sustainability report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.



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Other information

Auditors responsibility for other information

- Material inconsistency between the other information and the financial statements;
- material inconsistency between the other information and the auditor's knowledge obtained in the audit
- respond appropriately when it is inconsistent
- To report inconsistency



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Thank you

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Meet your presenters:



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