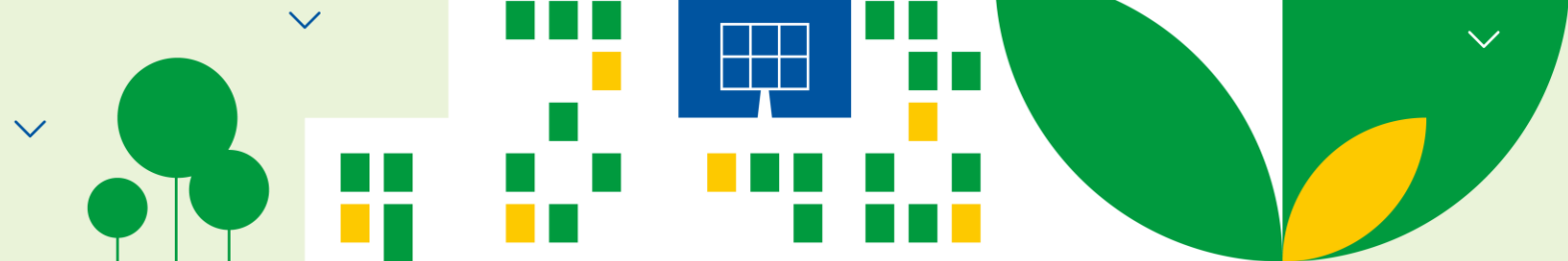




European
Commission

Shape the new European sustainability reporting standards for SMEs

Webinar for
EMAS-companies





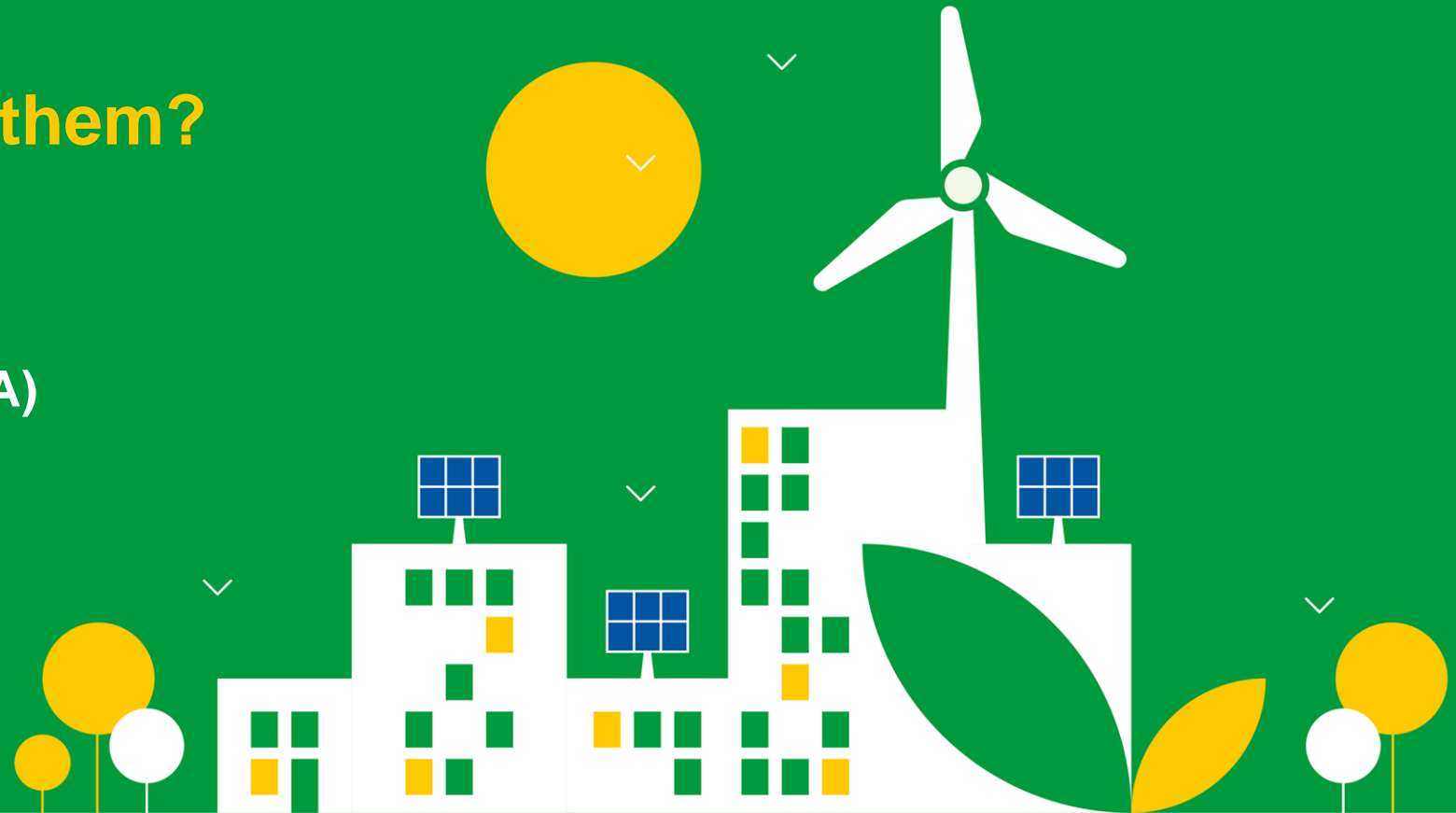
EMAS and the draft VSME standard

How can we better align them?

Christoph Töpfer
German Environment Agency (UBA)

Note: This presentation is for information purposes only and presents the opinion of the author.

It is no position of the German Government, EFRAG nor the European Commission.



Comparison of the main features

EMAS

- Voluntary scheme for organisations of all types and sizes
- Organisation and their sites
- Management and audit scheme with a reporting component
- Focus on environmental matters
- Focus on environmental impacts
- Mandatory verification and validation

VSME

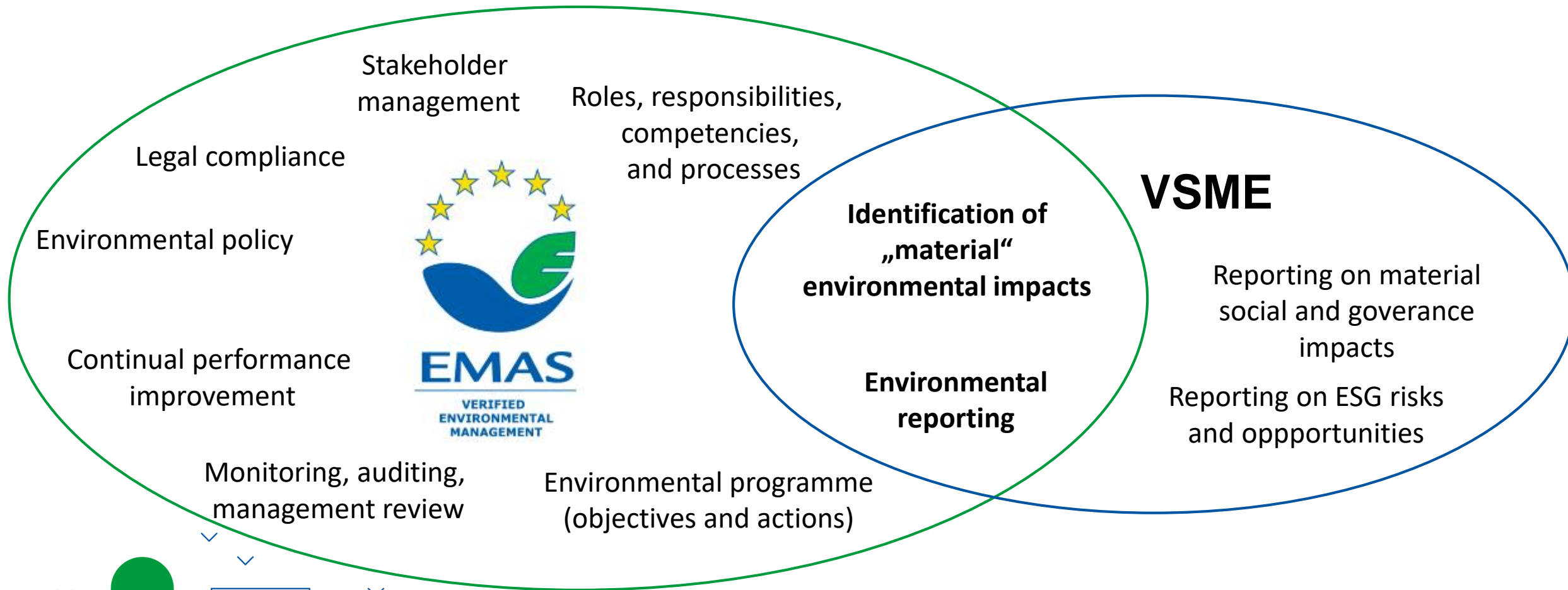
- Voluntary standard for small and medium enterprises
- Legal entity (as for financial reporting)
- Reporting standard
- Environmental, social and governance matters
- Sustainability-related impacts, risks and opportunities
- No assurance requirement



Management scheme vs. reporting standard



EMAS is a tool to improve environmental performance, enabling to report progress



Material environmental impacts



Both standards follow the same idea – manage and report what matters

EMAS

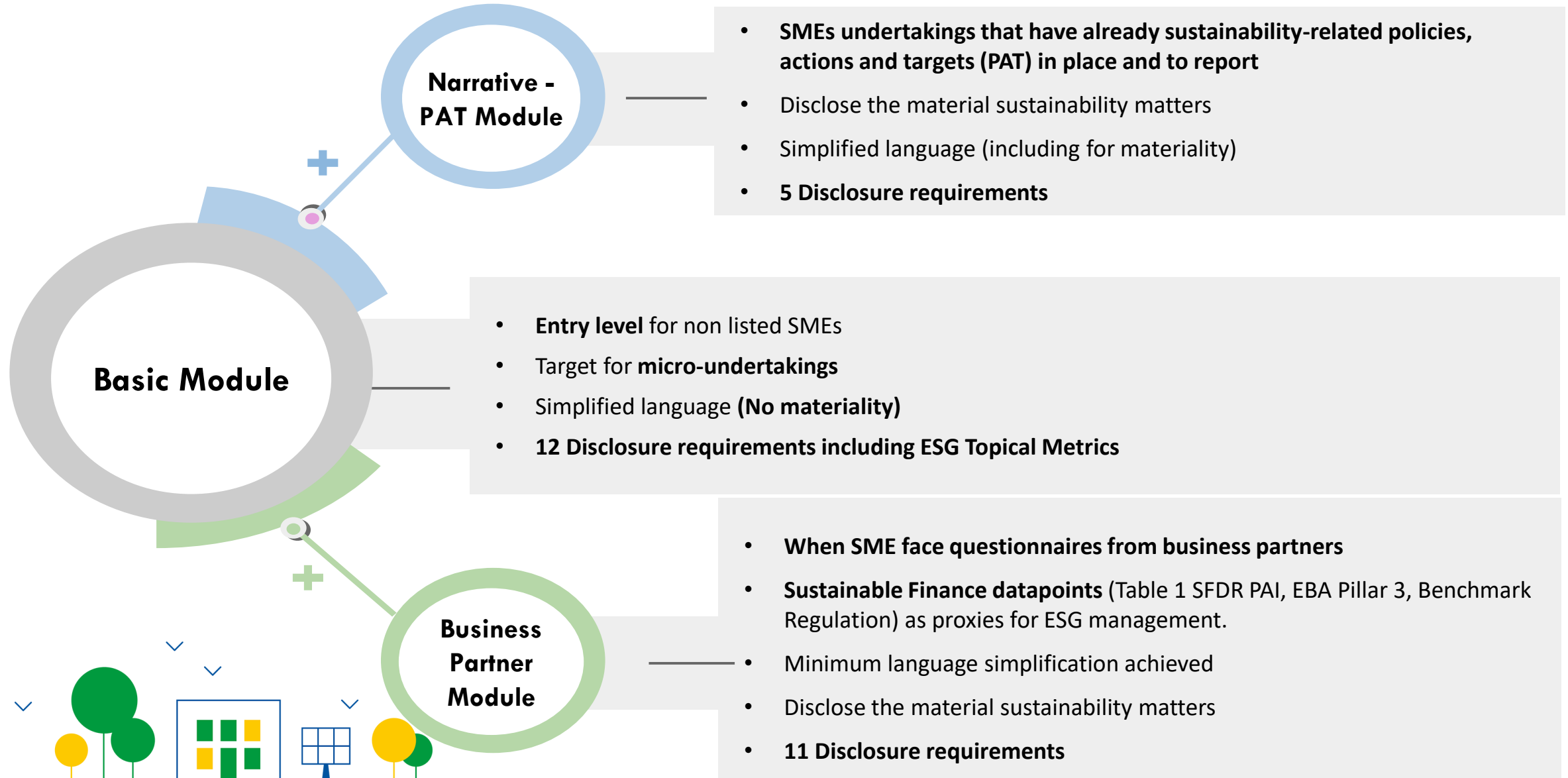
- Core environmental performance indicators → mandatory
- Identification and reporting of **significant** environmental aspects and impacts
 - Dimensions
 - Past, present and planned
 - Positive and negative
 - Criteria
 - potential harm or benefit to the environment, condition of the environment, size, number, frequency and reversibility
 - Others (existing legislation, stakeholder views)

VSME

- Basic environmental metrics → mandatory
- Identification and reporting of **material** ESG matters and information (PAT / BP-module)
 - Dimensions
 - Actual (current) and potential (future) over the short-, medium-, and long-term
 - Positive and negative
 - Criteria
 - Severity, including scale (how grave the impact is), scope (how widespread it is) and irremediable character + likelihood of occurrence
 - No others



Draft VSME reporting requirements



Mapping of EMAS and VSME environmental reporting requirements



Objectives

- Identify corresponding reporting requirements and differences
- Identify possibilities for further alignment of the VSME standard with EMAS
- Explore how information from EMAS environmental statements can be used to fulfil the VSME reporting requirement

Approach

- Working meetings with EC, EFRAG and EMAS/CSRD from February to March 2024
- Comparison of VSME reporting requirements with EMAS Annex IV

Next steps

- Discussion in EFRAG committees and EMAS Committee planned in April
- Redeliberation of VSME standard after end of consultation period in May



VSME ED BASIC MODULE

Disclosure B1 – Basis for Preparation

Disclosure B2 – Practices for transitioning towards a more sustainable economy

Environmental Metrics

B3 – Energy and greenhouse gas (GHG) emissions

B4 – Pollution of air, water and soil

B5 – Biodiversity

B6 – Water

B7 – Resource use, circular economy, and waste management

Social Metrics

B8 – Workforce – General characteristics

B9 – Workforce - Health and Safety

B10 – Workforce – Remuneration, collective bargaining, and training

B11 – Workers in the value chain, affected communities, consumers and end-users

Governance Metrics

B12 – Convictions and fines for corruption and bribery

EMAS core environmental performance indicators



VSME

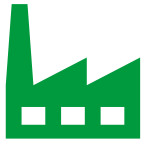
EMAS



Energy

- Total energy consumption, broken down by
 - **fossil fuels**
 - electricity

- Total direct energy consumption, broken down by
 - **renewable energy**



GHG emissions

- Gross GHG emissions (scope 1 and 2) **based on GHG Protocol**

- Total annual emission of GHG, **recommendation for established methodologies** such as the GHG protocol



VSME

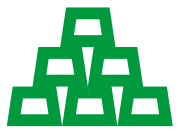
EMAS



Biodiversity

- Number and area (in hectares) of sites owned, leased or managed, that are located in or near **biodiversity sensitive areas**
- land-use metrics from EMAS (optional)

- **land use** with regard to biodiversity:
 - total use of land
 - total sealed area
 - total nature-oriented area on site
 - total nature-oriented area off site



Materials

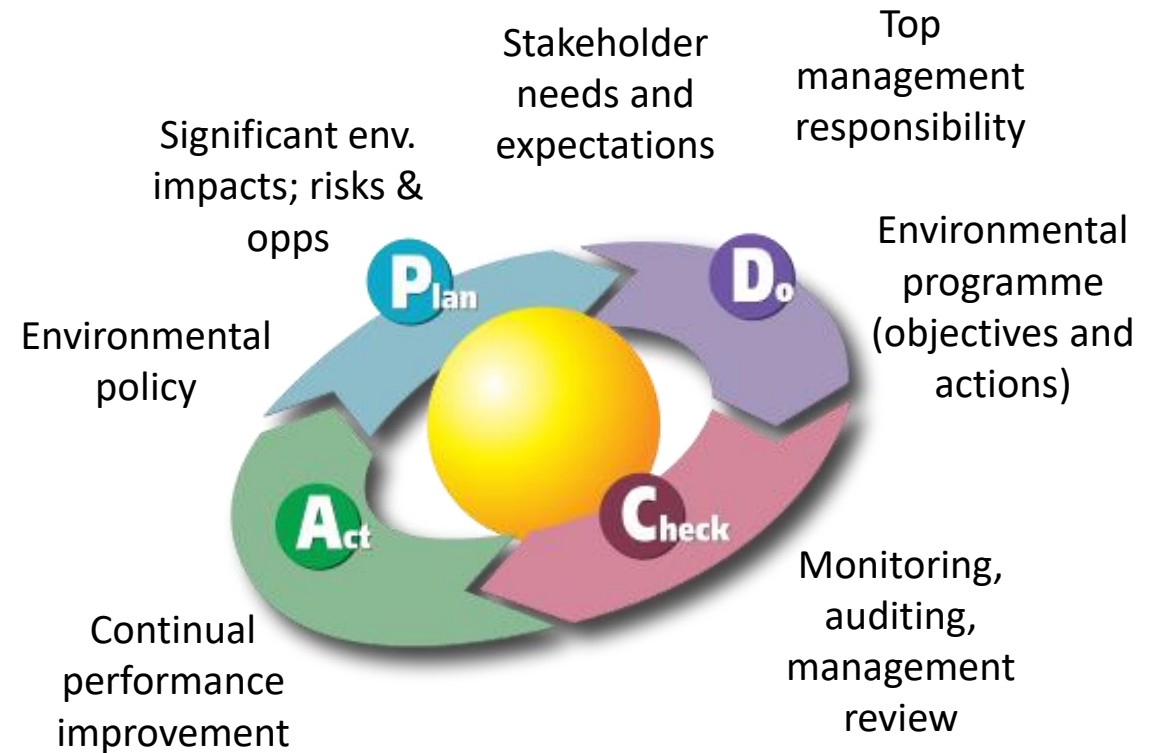
- Description of **resource and waste management practices**
- Recycled and recyclable content in products and packaging (for manufacturing and construction sector only)

- annual **mass-flow of key materials** used (excluding energy carriers and water)



EMAS management system logic

VSME ED NARRATIVE-PAT MODULE
Disclosure N1 – Strategy: business model and sustainability related initiatives
Disclosure N2 – Material sustainability matters
Disclosure N3 – Management of material sustainability matters (policies, actions and targets)
Disclosure N4 – Key stakeholders
Disclosure N5 – Governance: responsibilities in relation to sustainability matters



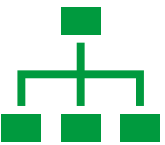
VSME

EMAS



**Policies,
action, targets**

- Policies and actions to address negative impacts and/or financial risks + **details**
- Targets the undertaking uses to monitor the implementation of the policy and the progress achieved



Governance

- Governance and responsibilities in relation to sustainability matters
- If applicable, roles and responsibilities of the highest governance body or individual(s) in charge of managing sustainability matters

- Environmental policy
- Actions to improve environmental performance, achieve objectives and targets and ensure compliance with legal requirements
- Environmental objectives and targets related to significant environmental aspects and impacts

- Brief description of the governance structure supporting the environmental management system



VSME

EMAS



Strategy

- Key elements of the strategy and business model, including:
 - significant groups of products and/or services
 - description of significant market(s) the undertaking operate
 - main business relationships
 - relation of strategy to sustainability matters

- Summary of the organisation's activities, products and services
- Environmental policy



VSME ED Business Partners Module

Disclosure BP1 – Revenues from certain sectors

Disclosure BP2 – Gender diversity ratio in governance body

Disclosure BP3 – GHG emissions reduction target

Disclosure BP4 – Transition plan for climate change mitigation

Disclosure BP5 – Physical risks from climate change

Disclosure BP6 – Hazardous waste and/or radioactive waste ratio

Disclosure BP7 – Alignment with internationally recognized instruments

Disclosure BP8 – Processes to monitor compliance and mechanisms to address violations

Disclosure BP9 – Violations of OECD Guidelines for Multinational Enterprises or the UN Guiding Principles

Disclosure BP10 – Work-life balance

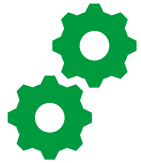
Disclosure BP11 – Number of apprentices

Typically reported as environmental objective

In scope of environmental management...but beyond EMAS reporting

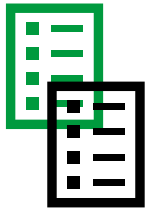
Aligned





Information from EMAS can be used for VSME reporting

- VSME has a broader scope than EMAS and reporting requirements are more granular
 - Most EMAS datapoints can be matched with VSME datapoints
 - Additional VSME environmental information can be included in the environmental statement



Corresponding requirements on environmental metrics, policies, actions and targets – but the devil's in the detail

- How the standard setters could better align:
 - Fully align datapoints where EMAS and VSME are already close (e.g. energy / waste)
 - Rely on EMAS core indicators, where meaningful (e.g. materials)
 - Provide flexibility under EMAS





Validated information is EMAS' core strength – it needs to be acknowledged under the VSME



How to best combine the environmental statement with the VSME report?



Public consultation of the draft VSME

The public consultation questionnaire has specific questions for better alignment of the Basic and PAT module with EMAS

Q15. B3 to B7 require disclosure of **environmental performance metrics**. There are other schemes used by SMEs requiring reporting of similar metrics, such as EMAS. Do you see any potential for better alignment with those other reporting schemes?

Q28. N3 requires the **disclosure of policies, actions and targets to manage material sustainability matters**. There are other schemes used by SMEs requiring reporting of similar information, such as EMAS, regarding environmental policies, actions and targets. Do you see any potential for better alignment with those other reporting schemes?



The poster features the EFRAG logo at the top right, with the text 'EFrag PUBLIC CONSULTATION' in large yellow letters. Below this, it reads 'Exposure drafts on sustainability reporting standards for SMEs' in a smaller font. At the bottom, it states 'Deadline: 21 May 2024'. On the right side, there is a dark blue box with a yellow horizontal band containing the text 'VOLUNTARY ESRS FOR NON-LISTED SMALL- AND MEDIUM-SIZED ENTERPRISES (VSME ESRS) JANUARY 2024'. Above and below this band, it says 'EXPOSURE DRAFT' and 'OPEN FOR COMMENTS UNTIL 21 MAY 2024' respectively.

[Participate](#)





Thank you!

