

# Voluntary Sustainability Reporting Standards (VSRS)

# What is VSRS?

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## Objective:

To develop voluntary sustainability reporting standard to be applied by **non-listed small and medium-sized undertakings** that fall outside the scope of the CSRD.

- The VSRS SME would **not be legally binding** but aims to be consistent with the CSRD by applying the ESRS disclosure principles with the highest degree of proportionality and simplification.
- 16 disclosure principles
  - 1 Disclosure principle: Basis for preparation
  - 10 Disclosure principles: Basic Module
    - 1 Basic Metric - General
    - 5 Basis Metrics – Environment
    - 3 Basic Metrics – Social Matters
    - 1 Basic Metric – Business Conduct
  - 5 Disclosure principles: Narrative – Policies, Actions and Targets Module

# What is VSRS?

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The Standard includes three modules that the undertaking can use as the basis for preparation of its sustainability report.

## a) **Basic Module**

- Disclosures B1 and B2 and Basic Metrics (B3 – B11)
- This module is the target approach for micro-undertakings and a minimum requirement for other undertakings. Materiality analysis is not required.

## b) **Narrative-Policies, Actions and Targets (PAT) Module**

- This module defines narrative disclosures (N1-N5) in relation to Policies, Actions and Targets (PAT), to be reported if the undertaking has them in place.
- This module is suggested to undertakings that have formalised and implemented PAT.
- Materiality analysis is required in order to disclose which of the sustainability matters in Appendix B are relevant for the undertaking's business and organization.

## c) **Business Partners (BP) Module**

- This module sets additional datapoints that are likely to be included in data requests from lenders, investors and corporate clients of the undertaking.
- Materiality analysis is required in order limit the report only to the datapoints that are relevant for the undertaking.

# Narrative – Policies, Actions and Targets (PAT) Module

# Disclosure Principles – Narrative - Policies, Actions and Targets (PAT) Module

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- Disclosure N 1 – Strategy: business model and sustainability related initiatives
- Disclosure N 2 – Material sustainability matters
- Disclosure N 3 – Management of material sustainability matters
- Disclosure N 4 – Key stakeholders
- Disclosure N 5 – Governance: responsibilities in relation to sustainability matters

# Narrative – Policies, Actions and Targets (PAT) Module

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## **Disclosure N 1 – Strategy: business model and sustainability related initiatives**

57. The undertaking shall disclose the key elements of its strategy and its business model, including:

- a) a description of significant groups of products and/or services offered;
- b) a description of significant market(s) the undertaking operates in (B2B, wholesale, retail, countries);
- c) a description of main business relationships (such as key suppliers, customers distribution channels and consumers); and
- d) if applicable, a description of the key elements of its strategy that relate to or affect sustainability matters.

## **Disclosure N 2 – Material sustainability matters**

58. The undertaking shall disclose the material sustainability matters resulting from its materiality assessment (see from paragraph 41 to 56) including a brief description of each sustainability matter (listed according to par. 41) and:

- a) how each matter has an impact on people or the environment;
- b) its actual and potential effects on the undertaking's present or future financial position and performance; and
- c) its actual and potential effects on the undertaking's activities and strategy.

# Narrative – Policies, Actions and Targets (PAT) Module

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## Disclosure N 3 – Management of material sustainability matters

59. The undertaking shall disclose how it manages its material sustainability matters, including:

- a) whether it has adopted policies or actions to (i.) prevent, (ii.) mitigate and (iii.) remediate actual and potential negative impacts and/or to address financial risks. If applicable, the undertaking may refer to the sustainability due diligence or risk management processes implemented;

## Disclosure N 4 – Key stakeholders

63. If the undertaking engages with stakeholders, it may disclose:

- a) the categories of key stakeholders considered (the undertaking can use categories such as investors, lending banks/creditors, business partners, trade unions, NGO); and
- b) a brief description of the engagement activities.

## Disclosure N 5 – Governance: responsibilities in relation to sustainability matters

64. The undertaking shall describe:

- a) the governance and responsibilities in relation to sustainability matters. If applicable, this disclosure shall cover roles and responsibilities of the highest governance body or of the individual(s) in charge of managing sustainability matters within the undertaking.

# Basic Module



# Disclosure Principles – Basic Module

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## **Basic Module**

- Disclosure 1 – Basis for Preparation
- Disclosure B 2 – Practices for transitioning towards a more sustainable economy

## **Basic Metrics - Environment**

- Disclosure B 3 – Energy and greenhouse gas emissions
- Disclosure B 4 – Pollution of air, water and soil
- Disclosure B 5 – Biodiversity
- Disclosure B 6 – Water
- Disclosure B 7 – Resource use, circular economy, and waste management

## **Basic Metrics – Social matters**

- Disclosure B 8 – Workforce – General characteristics
- Disclosure B 9 – Workforce - Health and Safety
- Disclosure B 10 – Workforce – Remuneration, collective bargaining, and training

## **Basic Metrics – Business conduct**

- Disclosure B 11 – Convictions and fines for corruption and bribery

# Basic Module

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## B1 – Basis for Preparation

24. The undertaking shall disclose:

- a) which of the following options it has selected in the preparation of its sustainability report using this Standard:
  1. **OPTION A: Basic Module (only);**
  2. **OPTION B: Basic Module and Narrative-PAT Module;**
  3. **OPTION C: Basic Module and Business Partners Module; or**
  4. **OPTION D: Basic Module, Narrative-PAT Module and Business Partner Module.**
- b) whether the sustainability report has been prepared on a consolidated (i.e. the report includes information of the undertaking's and its subsidiaries), or on individual basis (i.e. the report is limited only to the information of the undertaking).
- c) the list of the subsidiaries including their registered address<sup>1</sup> covered in the consolidated sustainability report.

# Basic Module

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## **B2 – Practices for transitioning towards a more sustainable economy**

25. The undertaking may briefly describe specific practices for transitioning towards a more sustainable economy, in case it has them in place.

This may include the practices in relation to 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, or business conduct.

Practices include what the undertaking does to reduce its negative impacts and to enhance its positive impacts on people and on the environment, in order to contribute to a more sustainable economy.

Practices in this context shall not include philanthropic activities (e.g., donations), but for instance initiatives to improve working conditions and equal treatment in the workplace, sustainability training for its workforce, collaboration with universities related to sustainability projects, efforts to reduce the undertaking's water and electricity consumption or to prevent pollution, as well as initiatives to improve product safety. This disclosure does not apply when the undertaking prepares its sustainability report using the Narrative-PAT module.

# Basic Metrics - Environment

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## B 3 – Energy and greenhouse gas emissions

26. The undertaking shall report its impacts on climate, by disclosing its energy usage and greenhouse gas emissions, as requested in the following paragraphs.
27. The undertaking shall disclose its total energy consumption in MWh, with a breakdown between:
  - a) fossil fuels; and
  - b) electricity, as expressed in utility billings (with the breakdown between renewable and non-renewable sources, if available).
28. The undertaking shall disclose its estimated gross greenhouse gas (GHG) emissions in tons of CO<sub>2</sub> equivalents (tCO<sub>2</sub>eq), including:
  - a) The scope 1 GHG emissions in tCO<sub>2</sub>-eq (from owned or controlled sources); and
  - b) The scope 2 emissions in tCO<sub>2</sub>-eq (generation of purchased energy).

## B 4 – Pollution of air, water and soil

29. The undertaking shall disclose, if applicable, the pollutants (with respective amounts) it emits in its own operations to air, water and soil that it is required to report by law to competent authorities (e.g. under the Industrial Emissions Directive and the European Pollutant Release and Transfer Register) or that it already reports according to an Environmental Management System such as EMAS. If this information is already publicly available, the undertaking may alternatively provide a reference to the document where it is reported, for example, through a hyperlink.

# Basic Metrics - Environment

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## B 5 – Biodiversity

30. The undertaking shall disclose, if applicable, metrics related to its impacts on biodiversity and ecosystems and land-use change, as requested in the following paragraphs.
31. The undertaking shall disclose the number and area (in hectares) of sites that it owns, that it has leased or that it manages, that are located in or near biodiversity sensitive areas.
32. The undertaking may disclose metrics related to land-use change such as:
  - a) total use of land;
  - b) total sealed area;
  - c) total nature-oriented area on site; and
  - d) total nature-oriented area off site.

## B 6 – Water

33. The undertaking shall disclose its total water withdrawal, i.e. the amount of water drawn into the boundaries of the organization (or facility); in addition, the undertaking shall separately present the amount of water withdrawn at sites located in areas of high water stress.
34. If applicable, the undertaking shall disclose its water consumption, calculated as the difference between its water withdrawal and water discharge from its production processes.

# Basic Metrics - Environment

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## **B 7 – Resource use, circular economy, and waste management**

35. The undertaking shall disclose how it manages resource use and its waste management practices and whether it applies circular economy principles.

36. The disclosure shall include:

- a) if the undertaking operates manufacturing, construction and/or packaging processes, a description of recycled goods and materials bought and sold (expressed in the metric system units commonly used by the undertaking for the specific type of product/good/material);
- b) if the undertaking operates manufacturing, construction and/or packaging processes, rates of recyclable content in the products and their packaging produced by the undertaking;
- c) total annual generation of waste, by type and expressed in the metric system units commonly used by the undertaking for the specific type of product/good/material, as well as total annual generation of hazardous waste by weight; and
- d) a description of the waste diverted to recycle or reuse (expressed in metric system units commonly used by the undertaking for the specific type of waste).

# Basic Metrics – Social Matters

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## **B 8 – Workforce – General characteristics**

37. The undertaking shall disclose the total number of employees in full-time equivalents or head count broken down:

- a) by type of employment contract: temporary and permanent;
- b) by gender; and
- c) if applicable, by country.

## **B 9 – Workforce - Health and Safety**

38. The undertaking shall disclose the following information regarding its employees:

- a) the number and rate of recordable work-related accidents;
- b) the number of fatalities as a result of work-related injuries and work-related ill health.

# Basic Metrics – Social Matters

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## B 10 – Workforce – Remuneration, collective bargaining, and training

39. The undertaking shall disclose:

- a) when a significant proportion of employees are compensated based on wages subject to minimum wage rules, the relevant ratio of the entry level wage to the minimum wage;
- b) the percentage gap in pay between its female and male employees. The pay gap is defined as the difference of average pay levels between female and male employees, expressed as a percentage of the average pay level of male employees. The undertaking may omit this disclosure when its headcount is below 150 employees.
- c) the percentage of employees covered by collective bargaining agreements;
- d) the average number of annual training hours per employee and by gender related to the development of skills and competences, either through formal or informal forms of capacity building.



# Basic Metrics – Business Conduct

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## **B 11 – Convictions and fines for corruption and bribery**

40. In case of convictions and fines in the reporting period, the undertaking shall disclose the number of convictions and the amount of fines for violation of anti-corruption and anti-bribery laws.

# Business Partners Module

# Business Partners Module

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## Disclosure BP 1 – Revenues from certain sectors

71. The undertaking shall include a statement indicating if it is active in one of the following sectors and what are the related revenues:

- a) controversial weapons such as anti-personnel mines, cluster munitions, chemical weapons and biological weapons; and / or
- b) the cultivation and production of tobacco; and/or
- c) fossil fuel (coal, oil and gas) sector (i.e., the undertaking derives revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and the Council<sup>17</sup>), including a disaggregation of revenues derived from coal, from oil and from gas); and/or
- d) chemicals production, i.e., its activities fall under Division 20.2 of Annex I to Regulation (EC) No 1893/20064.

# Business Partners Module

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## **Disclosure BP 2 – Gender diversity ratio in governance body**

72. If the undertaking has a governance body in place, the undertaking shall disclose the related gender diversity ratio.

## **Disclosure BP 3 – GHG emissions reduction target**

73. If the undertaking has set GHG emission reduction targets, it shall provide its GHG emission reduction targets for:

- a) scope 1 emissions; and
- b) scope 2 emissions.

# Business Partners Module

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## Disclosure BP 4 – Transition plan for climate change mitigation

74. The undertaking shall provide information about its transition plan for climate mitigation with an explanation of how GHG emission reduction targets are compatible with the limiting of global warming to 1.5°C in line with the Paris Agreement. This disclosure is applicable only if the undertaking has adopted such transition plan.

# Business Partners Module

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## Disclosure BP 5 –Physical Risks from climate change

75. The undertaking shall disclose the anticipated financial effects that physical risks from climate change may have on the company. In particular:

- a) the monetary amount and the percentage of the undertaking's total assets that can be subjected to material physical risks over the short, the medium and the long-term, before considering climate change adaptation actions disaggregated by acute and chronic physical risk;
- b) the proportion of assets at material physical risk addressed by the climate change adaptation actions;
- c) the location of the significant assets affected by material physical risks;
- d) the monetary amount and proportion (percentage) of net revenue from its business activities at material physical risk over the short-, medium- and long-term; and
- e) the breakdown of the undertaking's carrying value of its real estate assets, by energy efficiency classes.

# Business Partners Module

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## **Disclosure BP 6 – Hazardous waste and/or radioactive waste ratio**

76. If the undertaking generates hazardous and/or radioactive waste, the undertaking shall disclose the total amount of hazardous waste and/or radioactive waste generated (radioactive waste is defined in Article 3(7) of Council Directive 2011/70/Euratom).

## **Disclosure BP 7 – Alignment with internationally recognized instruments**

77. The undertaking shall disclose whether its policies with regard to its own workforce are aligned with relevant internationally recognized instruments, including the UN Guiding Principles on Business and Human Rights.

# Business Partners Module

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## **Disclosure BP 8 – Processes to monitor compliance and mechanisms to address violations**

78. The undertaking shall disclose whether it has processes in place to monitor compliance with the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the International Bill of Human Rights and the eight fundamental conventions identified in the ILO Declaration or grievance/complaints handling mechanisms to address violations of the above standards with regard to its own workforce.

## **Disclosure BP 9 – Violations of OECD Guidelines for Multinational Enterprises or the UN Guiding Principles (including the principles and rights set out in the 8 fundamental conventions of the ILO Declaration and the International Bill of Human Rights)**

79. The undertaking shall disclose whether there have been any violations of the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work or the OECD Guidelines for Multinational Enterprises with regard to its own workforce during the reporting year.



# Business Partners Module

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## **Disclosure BP 10 – Work-life balance**

80. The undertaking shall disclose the percentage of employees:

- a) entitled to take family-related leave, with a breakdown by gender; and
- b) that took family-related leave, with a breakdown by gender.

Family-related leave includes maternity, paternity, parental, and carers' leave.

## **Disclosure BP 11 – Number of apprentices**

81. If applicable, the undertaking shall disclose the number of apprentices in the reporting period.

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