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## **COMMISSION RECOMMENDATION**

**of 30.7.2025**

**on a voluntary sustainability reporting standard for small and medium-sized  
undertakings**

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## on a voluntary sustainability reporting standard for small and medium-sized undertakings

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 292 thereof,

Whereas:

- (1) Directive (EU) 2022/2464 of the European Parliament and of the Council<sup>1</sup> entered into force on 5 January 2023. That Directive strengthens and modernises corporate sustainability reporting requirements through modifications to Directive 2013/34/EU of the European Parliament and of the Council,<sup>2</sup> Directive 2004/109/EC of the European Parliament and of the Council,<sup>3</sup> Directive 2014/56/EU of the European Parliament and of the Council<sup>4</sup> and Regulation (EU) No 537/2014 of the European Parliament and of the Council<sup>5</sup>.
- (2) Directive (EU) 2022/2464 is an important element of the European Green Deal<sup>6</sup> and of the Sustainable Finance Action Plan.<sup>7</sup> That Directive aims to ensure that investors have the information they need to understand and manage the risks to which investee undertakings are exposed from climate change and other sustainability issues. That Directive also aims to ensure that investors and other stakeholders have the information they need about the impacts of undertakings on people and the environment.

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<sup>1</sup> Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (OJ L 322, 16.12.2022, p. 15, ELI: <http://data.europa.eu/eli/dir/2022/2464/oj>).

<sup>2</sup> Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19, ELI: <http://data.europa.eu/eli/dir/2013/34/oj>).

<sup>3</sup> Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC (OJ L 390, 31.12.2004, p. 38, ELI: <http://data.europa.eu/eli/dir/2004/109/oj>).

<sup>4</sup> Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014 amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts (OJ L 158, 27.5.2014, p. 196, ELI: <http://data.europa.eu/eli/dir/2014/56/oj>).

<sup>5</sup> Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (OJ L 158, 27.5.2014, p. 77, ELI: <http://data.europa.eu/eli/reg/2014/537/oj>).

<sup>6</sup> Communication from the Commission to the European Parliament, the European council, the Council, the European Economic and Social Committee and the Committee of the Regions, The European Green Deal, Brussels, 11.12.2019 COM (2019) 640 final.

<sup>7</sup> Communication from the Commission to the European Parliament, the European council, the Council, the European Economic and Social Committee and the Committee of the Regions, Action Plan: Financing Sustainable Growth, Brussels, 8.3.2018 COM (2018) 97 final.

- (3) Directive (EU) 2022/2464 requires large undertakings, parent undertakings of a large group and undertakings with securities admitted to trading on a regulated market in the Union (except micro-undertakings) to report sustainability information according to sustainability reporting standards. Article 29b of that Directive requires the Commission to adopt such standards through delegated acts, taking account of the technical advice of EFRAG. On 31 July 2023, the Commission adopted the first set of European Sustainability Reporting Standards (ESRS) by means of Commission Delegated Regulation (EU) 2023/2772.<sup>8</sup>
- (4) Directive (EU) 2022/2464 allows small and medium-sized undertakings whose securities are admitted to trading on a regulated market in the Union (listed SMEs) to report using a separate and lighter, proportionate set of standards instead of the full set of ESRS. That Directive does not impose any mandatory sustainability reporting requirements on small and medium-sized undertakings whose securities are not admitted to trading on a regulated market in the Union (non-listed SMEs).
- (5) Directive (EU) 2022/2464 requires undertakings subject to sustainability reporting requirements to report value-chain information to the extent necessary for an understanding of their sustainability-related impacts, risks and opportunities. The requirement to report value-chain information can create a so-called trickle-down effect, whereby undertakings subject to the reporting requirements request sustainability information from undertakings in their value chain. That can lead to additional burden on SMEs in the value chain of larger undertakings, even if, as is the case for non-listed SMEs, they are not themselves subject to the sustainability reporting requirements. Other factors besides Directive (EU) 2022/2464 itself may cause the trickle-down effect. For example, many undertakings seek sustainability information from undertakings in their value chains to better understand and manage their sustainability-related risks, impacts or opportunities, or to meet legal requirements other than those established in Directive (EU) 2022/2464, including as regards corporate sustainability due diligence under Directive (EU) 2024/1760.
- (6) To limit the trickle-down effect on SMEs, Directive (EU) 2022/2464 established a so-called value-chain cap, which states that the ESRS may not contain reporting requirements that would require undertakings to obtain information from SMEs in their value chain that exceeds the information to be disclosed under the proportionate standard for listed SMEs (LSME).
- (7) Separately from the LSME standard provided for by Directive (EU) 2022/2464, the Commission requested EFRAG to develop a separate, simpler standard for voluntary use by non-listed SMEs. On 12 September 2023, the Commission published the SME Relief Package.<sup>9</sup> Under Action 14 of that package, the Commission committed to ensuring that SMEs have a simple and standardised framework to report on ESG issues, thereby creating better opportunities for SMEs to obtain green financing and thus facilitating the transition to a sustainable economy. That standardised framework for SMEs would also limit the risk of disclosure requirements trickling down on non-

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<sup>8</sup> Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards (OJ L, 2023/2772, 22.12.2023, ELI: [http://data.europa.eu/eli/reg\\_del/2023/2772/oj](http://data.europa.eu/eli/reg_del/2023/2772/oj)).

<sup>9</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, SME Relief Package, Strasbourg, 12.9.2023 COM(2023) 535 final.

listed SMEs in the value chain of undertakings in the scope of Directive (EU) 2022/2464.

- (8) The primary aim of this voluntary standard is to help undertakings not in scope of Directive (EU) 2022/2464 to respond to information requests that they receive from financial institutions, large undertakings and other stakeholders. This voluntary standard aims to reduce the need for SMEs to respond to separate requests for information from individual counterparties for their reporting, due diligence and risk management or other uses of sustainability information. In addition, voluntary reporting of sustainability information can facilitate access to sustainable finance and help SMEs to better understand and monitor their own sustainability performance, thereby improving resilience and competitiveness.
- (9) A fundamental aspect of a voluntary sustainability reporting standard for SMEs is its market acceptance both from the users' side (i.e. acceptance by business partners and financial partners to replace their own questionnaires and instead use the standard to gather sustainability data from SMEs) and the SME side (i.e. SMEs accepting the standard as a reporting tool).
- (10) EFRAG developed its draft technical advice on a voluntary sustainability reporting standard for non-listed SMEs (or "VSME") following a rigorous due process which included a public consultation and a field-testing of the draft standard. SMEs themselves and the intended users of the reported information have expressed support for the VSME standard as a simplified reporting tool that is a credible replacement for a substantial portion of information requests that banks and large undertakings often send to SMEs in their value chains. EFRAG delivered the VSME standard to the Commission in December 2024.
- (11) The VSME standard developed by EFRAG comprises a basic module and a comprehensive module. Reporting against the basic module is a pre-requisite for reporting against the comprehensive module. The basic module is described as the "target approach" for micro-undertakings. This means that micro-undertakings do not need to apply the basic module in its entirety and are welcome to use only certain parts of it. For small and medium-sized undertakings, the basic module is described as the "minimum requirement" for reporting against the standard. In addition to the basic module and the comprehensive module, EFRAG also developed complementary practical guidance to help SMEs implement the provisions of the standard itself. The basic and comprehensive modules are included in Annex I to this Recommendation, whereas the complementary practical guidance is included in Annex II.
- (12) On 26 February 2025, the Commission adopted the proposal for a Directive of the European Parliament and of the Council amending Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464 and (EU) 2024/1760 as regards certain corporate sustainability reporting and due diligence requirements (omnibus simplification package<sup>10</sup>) which proposes inter alia a number of amendments to the sustainability reporting requirements introduced by Directive (EU) 2022/2464 and to the sustainability due diligence requirements in Directive (EU) 2024/1760 of the European Parliament and of the Council.

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<sup>10</sup> Proposal for a Directive of the European Parliament and of the Council amending Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464 and (EU) 2024/1760 as regards certain corporate sustainability reporting and due diligence requirements, Brussels, 26.2.2025 COM (2025) 81 final.

- (13) Regarding Directive (EU) 2022/2464, the Commission proposes, inter alia, to reduce the number of undertakings subject to the sustainability reporting requirements. According to the Commission's proposal, only large undertakings with more than 1000 employees would remain subject to the requirement to report sustainability information. For undertakings with up to 1000 employees, the Commission proposes to adopt a voluntary standard by means of a delegated act. Such voluntary standard would be based on the VSME standard developed by EFRAG.
- (14) The omnibus simplification proposal as regards Directive (EU) 2022/2464 also extends and strengthens the value-chain cap. According to that proposal, the value chain cap would apply directly to the reporting undertaking instead of being only a limit on what the ESRS can specify. It would protect all undertakings that would no longer be in scope of Articles 19a and 29a of Directive 2013/34/EU according to the omnibus simplification proposals (i.e. undertakings with up to 1000 employees) rather than just SMEs as is currently the case. And the limit would be defined by the voluntary reporting standard for use by undertakings with up to 1000 employees, to be adopted by the Commission by means of a delegated act and based on the VSME standard developed by EFRAG, which is the subject of this Recommendation. Furthermore, the omnibus simplification proposal also introduces a value chain cap linked to the VSME standard into Directive (EU) 2024/1760 on Corporate Sustainability Due Diligence, albeit subject to necessary exceptions, concerning information requests regarding the mapping of the value chain. Therefore, the content of the future voluntary reporting standard for use by undertakings with up to 1000 employees, might differ from the current Recommendation. The empowerment of the Commission to adopt that standard by means of a delegated act, and the timing of any such adoption, depends on the conclusion of negotiations between co-legislators on the omnibus simplification proposal.
- (15) This Recommendation is adopted as a deliverable of the 2023 SME Relief Package and the 2025 Single Market Strategy. It constitutes an intermediary solution to address market demand until a voluntary standard based on the VSME standard developed by EFRAG is adopted by means of a delegated act under the omnibus simplification proposal, the timing of which will depend on the pace and conclusion of negotiations between the co-legislators. In the meantime, it remains urgent and necessary to help SMEs to respond to the information requests that they already receive from financial institutions, large companies and other stakeholders. The Commission can provide guidance to the market and thereby reduce the administrative burden for SMEs and other stakeholders by encouraging SMEs to publish sustainability information using the VSME standard developed by EFRAG and by encouraging those requesting sustainability information from SMEs to use this standard to the extent possible.
- (16) Through this Recommendation, the Commission recommends that non-listed SMEs and micro-undertakings that wish to voluntarily report sustainability information should do so in accordance with the VSME standard developed by EFRAG. To this end, the use of self-declarations by non-listed SMEs and micro-undertakings is deemed proportionate. This means that there is no obligation to provide assurance to the information reported by non-listed SMEs and that a self-declaration by the SME is sufficient. Non-listed SMEs and micro-undertakings may also refer to the practical guidance developed by EFRAG which accompanies the voluntary standard and facilitates the practical application of the voluntary standard.
- (17) The Commission has encouraged large corporates and financial intermediaries to apply the principle of proportionality when engaging with SMEs and to exercise

restraint when requesting information from SME value chain partners.<sup>11</sup> Following the adoption of this Recommendation, large corporates and financial intermediaries should limit, as far as possible, such requests to information that is coherent with the disclosures included in the VSME.

- (18) Member States also play an important role in raising awareness and supporting the uptake of the VSME, in order to facilitate burden reduction and streamline the information which SMEs have to provide for the different requests they receive. In line with the objective of a green and digital transition of SMEs, it is important to use digital solutions and tools to facilitate sustainability reporting for SMEs. To this end, the Commission is exploring the use of eInvoicing to automatically extract relevant data for sustainability reporting, in compliance with the VSME set out in Annex I. The Commission has also launched the 2025 Technical Support Instrument (TSI) Flagship project ‘Improving sustainability reporting for businesses’, which aims to provide technical assistance to Member States to develop digital support and capacity-building at national level for undertakings’ sustainability reporting.
- (19) In the future, small businesses may want to make their sustainability information publicly accessible on the European Single Access Point (ESAP) in order to become more visible to potential investors, thereby increasing and diversifying funding opportunities. To this end, small businesses would need to provide certain metadata and use a certain format for submitting such information.
- (20) For the purposes of providing sustainable lending or making sustainable investments, lenders or investors might ask SMEs for other types of sustainability information than what is covered in the VSME standard. The Commission will follow up separately on the commitment made in the SME Relief Package to scale up sustainable finance to SMEs, based also on the report of the Platform on Sustainable Finance on Streamlining Sustainable Finance to SMEs and building on existing frameworks, such as the InvestEU Sustainability guarantee use case document and the European Investment Bank Green Checker.
- (21) The voluntary sustainability reporting standard set out in Annex I operates without prejudice to the reporting obligations of undertakings deriving from other Union legislation.

HAS ADOPTED THIS RECOMMENDATION:

#### **Definitions:**

For the purposes of this Recommendation, the following definitions apply:

- (1) ‘small and medium-sized undertakings (SMEs)’ means undertakings as referred to in Article 3(2) and Article 3(3) of Directive 2013/34/EU;
- (2) ‘micro-undertaking’ means an undertaking as referred to in Article 3(1) of Directive 2013/34/EU;
- (3) ‘financial market participant’ means:
  - (a) an insurance undertaking which makes available an insurance-based investment product (IBIP);

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<sup>11</sup> Commission Recommendation (EU) 2023/1425 of 27 June 2023 on facilitating finance for the transition to a sustainable economy, C/2023/3844, OJ L 174, 7.7.2023, p.19–46, ELI: <http://data.europa.eu/eli/reco/2023/1425/oj>.

- (b) an investment firm which provides portfolio management;
- (c) an institution for occupational retirement provision (IORP);
- (d) a manufacturer of a pension product;
- (e) an alternative investment fund manager (AIFM);
- (f) a pan-European personal pension product (PEPP) provider;
- (g) a manager of a qualifying venture capital fund registered in accordance with Article 14 of Regulation (EU) No 345/2013 of the European Parliament and of the Council;
- (h) a manager of a qualifying social entrepreneurship fund registered in accordance with Article 15 of Regulation (EU) No 346/2013 of the European Parliament and of the Council;
- (i) a management company of an undertaking for collective investment in transferable securities (UCITS management company).

(4) 'insurance undertaking' means an insurance undertaking authorised in accordance with Article 18 of Directive 2009/138/EC of the European Parliament and of the Council;

(5) 'financial institution' means financial institution as defined in Article 4(1), point (26) of Regulation (EU) No 575/2013 of the European Parliament and of the Council.

#### **Recommendations to SMEs:**

1. The Commission recommends that non-listed SMEs and micro-undertakings that wish to voluntarily report sustainability information do so in accordance with the voluntary sustainability reporting standard set out in Annex I.
2. The voluntary sustainability reporting standard set out in Annex I may also be used by SMEs and micro-undertakings in third countries which wish to provide sustainability information on a voluntary basis.
3. Undertakings applying the standard set out in Annex I to report sustainability information voluntarily may also use the practical guidance included in Annex II.

#### **Recommendations to financial institutions, financial market participants, insurance undertakings, credit institutions and other undertakings seeking sustainability information from SMEs:**

4. The Commission recommends that undertakings subject to the requirements laid down in Articles 19a and 29a of Directive 2013/34/EU, where they need sustainability information from SMEs in their value chains for the purposes of sustainability reporting, should limit as far as possible their requests for such information to the information provided pursuant to the voluntary sustainability reporting standard set out in Annex I to this Recommendation.
5. The Commission recommends that financial institutions, financial market participants, insurance undertakings and credit institutions, where they need sustainability information from SMEs, should limit as far as possible their requests for such information to the information provided pursuant to the voluntary sustainability reporting standard set out in Annex I.

**Recommendations to Member States:**

6. The Commission recommends that Member States raise awareness among SMEs of the benefits of voluntarily reporting sustainability information in accordance with the standard set out in Annex I.
7. The Commission recommends that Member States take appropriate measures at national level to foster the implementation and acceptance of the voluntary sustainability reporting standard for SMEs set out in Annex I.
8. The Commission recommends that Member States also take appropriate measures at national level to encourage the entities referred to in paragraphs 4 and 5 to limit as far as possible their requests to SMEs and micro-undertakings for sustainability information to be used for the purposes of sustainability reporting to the information provided pursuant to the voluntary sustainability reporting standard set out in Annex I.
9. The Commission recommends that Member States take appropriate measures to support the automatic digitalisation of SME sustainability reporting based on the standard set out in Annex I, to enable an efficient exchange of data that respects SMEs data ownership.

Done at Brussels, 30.7.2025

*For the Commission  
Maria Luis Albuquerque  
Member of the Commission*