

Update from EFRAG

April 15th, 2025



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Update on the ESRS Set 1 XBRL Taxonomy



EFRAG launches public call for input on ESRS Set 1 Revision

EFRAG is seeking stakeholder feedback on the revision and simplification of ESRS Set 1, following the European Commission's mandate and the Omnibus proposals.

This consultation targets companies applying the ESRS for the first time, as well as other stakeholders. It complements interviews and workshops with preparers, auditors, and users.

Your feedback will help ensure the ESRS are clear, efficient, and aligned with other EU and global sustainability frameworks.

📧 Questions? Contact us at revision@efrag.org.

📅 Deadline: Tuesday, 6 May 2025

 Submit your input via the online questionnaire



Digital Reporting with the VSME Standard

- The VSME Draft Digital Template and XBRL Taxonomy fall within the fifth deliverable “VSME Support Guides” as they were requested by preparers and users during the public consultation of the VSME Exposure draft that took place from the 22 January to 21 May 2024.
- All materials developed by the EFRAG secretariat will be released for free and as open source, which will enable any stakeholder to further enhance them and integrate them into commercial solutions.
- The EFRAG Secretariat has been working on 3 deliverables:
 - **The VSME Draft Digital Template** which enables a user-friendly data-entry
 - **The VSME Draft XBRL Taxonomy** enables digitization of VSME disclosures that provides a tool-independent data model of the VSME disclosures, enabling reporting in various technical formats (Inline XBRL, XBRL-XML, XBRL-JSON, XBRL-CSV).
 - **An Excel-to-XBRL converter**, in order to enable the conversion of the VSME Draft Digital Template into a digital human- and machine-readable XBRL report. This is still in the finalisation process and will be ready in May 2025.

VSME Objective and Scope

Objective: to credibly replace a substantial part of the questionnaires used by lenders, investors and corporate clients – supply chain dimension and to support SMEs in monitoring their sustainability performance.

➤ **Why a voluntary standard for SMEs?**

- i. [EC Q&A Delegated Acts ESRS in July 2023](#): “EFRAG is developing simpler, voluntary standards for use by non-listed SMEs [...] **to respond to requests for sustainability information in an efficient and proportionate manner, and so facilitate their participation in the transition to a sustainable economy.**”
- ii. [EC SME Relief Package of September 2023](#) Action 14 tasks EFRAG to develop a simple and standardised framework for SMEs to report on ESG issues, creating better opportunities to obtain green financing and thus facilitating the transition to a sustainable economy. In particular, Action 14 mentions that the “*Commission will ensure that SMEs have a simple and standardized framework to report on ESG issues ... ensuring the rapid delivery of voluntary standards for non-listed SMEs.*”
- iii. **Commitment of market participants** (larger corporates and banks) essential for the success of the standard

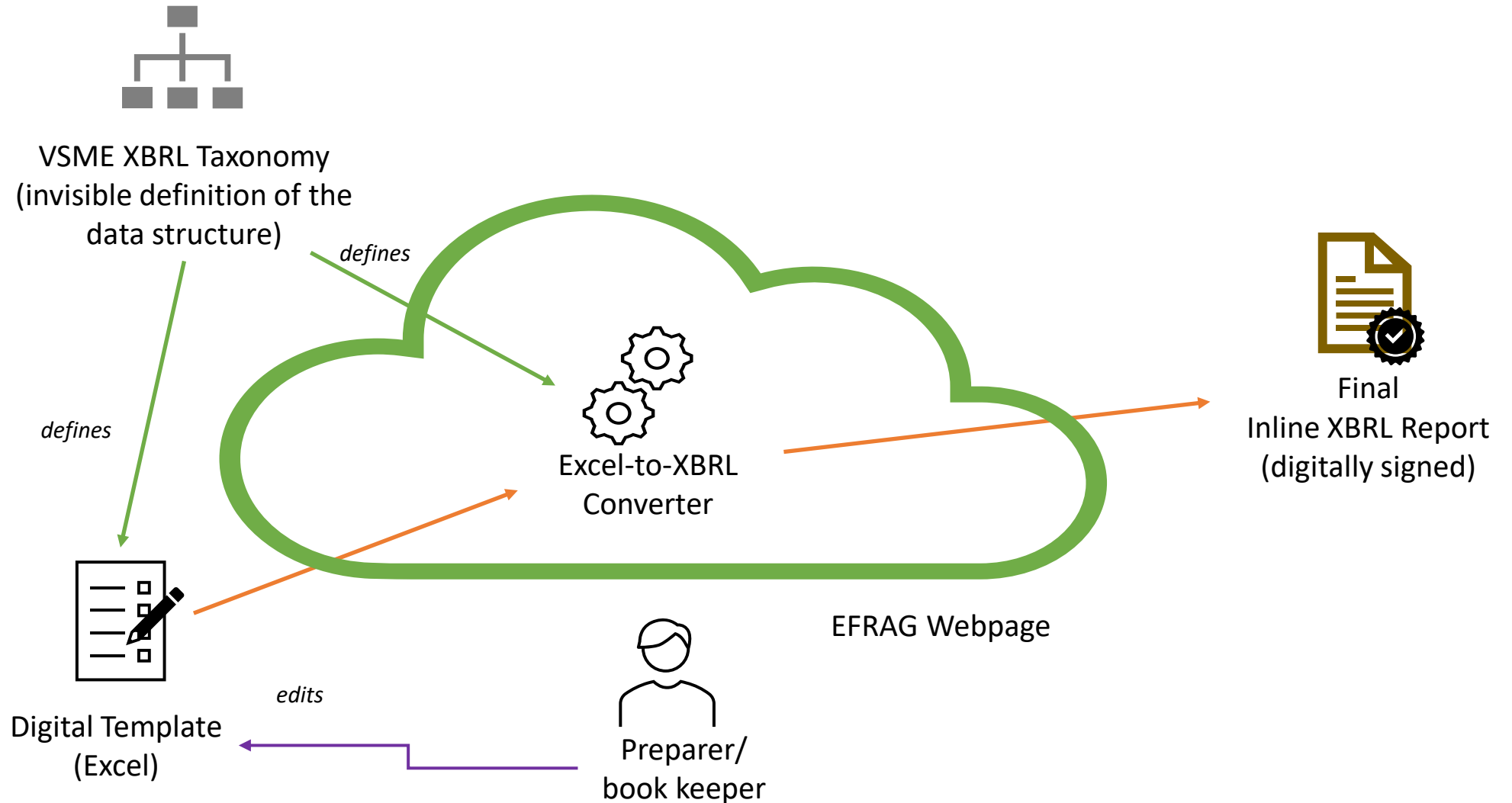
➤ **Not legally binding** – outside CSRD- but to fulfill market needs.

➤ **Proportionality** = simplified language + modularity + overall ESRS consistency

➤ **Scope: Non-listed Micro and SMEs in EU**

99.8% of total EU companies

VSME Draft Digital Template and XBRL Taxonomy



Deliverable 5 – Support Guides: Benefits of the VSME XBRL Taxonomy & Digital Templates

- The primary purpose of the VSME digital template and converter is to support the SME ecosystem by **illustrating a technical reporting solution** and by **providing education material**.
- The purpose of the digital template is **not to be competing with commercial providers**, therefore:
 - All materials will be provided for free
 - The template will only have basic but solid functionality, allowing market participants to offer enhanced solutions
 - The priority is simplicity and user-friendliness.
- The VSME XBRL Taxonomy ensures that a **common and tool/vendor independent data-exchange format** is used.
- In the first instance, the online converter should be **free of charge for individual persons (potentially agreeing to terms-of-use and/or solving captchas)**.
- The corresponding software code developed will be released as **open source**, which will enable any stakeholder to further enhance it and integrate it into commercial solutions.
- The digital VSME XBRL taxonomy maintained by EFRAG ensures that the data structure and **data point definitions stay in line with the standard**. However, EFRAG can provide **illustrations** how the XBRL taxonomy and digital template can be **extended** in order to enable adding additional **third-party disclosures (e.g. bank or jurisdiction specific)**.
- EFRAG could **engage** with its SME related stakeholder groups (SME Working Groups and DRCF) and test it with them before it is shared with the public.
- To be decided, if a public **consultation** at least on the VSME XBRL taxonomy, is needed. Anyway, it would most likely not be before the final VSME standard has been published by the EC.



AI in the context of digital ESG reporting

Using AI instead of digital tagging – My personal perspective

- Experiments with the EFRAG secretariat reveal, that AI is not able to replace digital tagging:
 - The problem of hallucinations seems to provide not always true and accurate data and information, when extracting from PDFs.
 - AI seems to be missing context: Important context information provided in very different parts of the report is often missed, or generalized assumptions based on common knowledge are applied, instead of the reading the full report.
 - Information in tables, where footnotes and visual properties are provided are not well understood by AI.
- Digital tagging is not a rocket science, and it provides accurate, reviewed and often audited and reliable information with reasonable effort.
- The goal of a standardized ESG reporting with digital tagging is, to get rid of interpretations and intransparent ESG ratings – AI will not solve this. Companies can convey accurate, traceable and comparable information to users like analysts and data providers with digital tagging, it should be in everybody's interest to do so.
- However, the EFRAG secretariat assumes that XBRL tagging can support AI in the analytical process. For instance, tagging will help AI to find the relevant pages for a detailed analysis and provide 100% accurate numerical data. Additionally, it will serve as machine learning data.



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THANK YOU!