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Stockholm 20 February 2026

Joint letter from the Professional Accountancy Organisations on the Voluntary Sustainability Reporting Standard for SMEs (VSME)

The Professional Accountancy Organisations (PAOs) in Sweden, Norway, Finland and Iceland welcome the Commission's efforts to simplify sustainability reporting and reduce administrative burden through the Omnibus initiative. We strongly support sustainability reporting based on shared standards as a tool for transparency, comparability, and informed decision-making, and we recognise the importance of limiting changes to the VSME standard to what is strictly necessary.

At the same time, recent changes to the CSRD scope fundamentally alter the context in which the VSME standard will be applied. The extension of its use to companies with up to 1,000 employees, both as protected undertakings in value chains and as voluntary reporters, raises questions of suitability that go beyond the original design and purpose of the standard.

The VSME standard works well for micro and small companies and remains an appropriate and proportionate ceiling for information requests directed at SMEs. However, when applied to significantly larger companies, differences in scale, complexity, and sustainability impacts become material. When applied to larger companies, it risks resulting in insufficient information quality, unmet stakeholder needs, and challenges in obtaining relevant value-chain data. While we strongly support simplification and proportionality, these objectives must not come at the expense of a reporting framework that remains functional, credible, and sufficiently robust in practice.

We believe that simplification is best achieved by ensuring that the VSME standard remains fit for purpose across its expanded application. Addressing these concerns now will reduce implementation risks, prevent fragmentation, and support both competitiveness and high-quality sustainability reporting in the EU and beyond.



The VSME standard’s suitability for protected undertakings that are large companies

The Omnibus Directive introduces protection for companies that are not required to prepare a statutory sustainability report, allowing such protected undertakings to refuse information requests that go beyond the VSME standard. We support this protection for SMEs and consider the VSME standard a reasonable and proportionate limit for information requests directed at smaller actors in the value chain.

However, as a result of the increased reporting thresholds, larger companies also become protected undertakings. These companies may contribute significantly to reporting companies’ impacts, risks, and opportunities and may represent critical dependencies within value chains.

If larger companies apply the VSME standard in its current form as protected undertakings, this may result in less relevant reporting, material gaps in value chain information, and reduced data quality accompanied by increased uncertainty. Taken together, this risks undermining the value of sustainability reporting for users of sustainability reports and reducing its effectiveness as a management tool for companies seeking to strengthen sustainability performance, competitiveness, and long-term resilience.

The VSME standard’s suitability for large companies voluntary sustainability reporting

A separate but related situation arises where larger companies apply the VSME standard on a voluntary basis for their own sustainability reporting. Feedback from stakeholders, including large companies themselves, their business partners, and financial institutions, indicates that the VSME standard does not meet market or stakeholder needs when used in this context.

The most significant concern raised is the absence of a risk-based and double materiality approach. As a result, reporting under VSME is not anchored in what is material for larger companies or their stakeholders, and the information produced is often insufficient for decision-making purposes. This also limits the usefulness of such reporting as a management tool and makes it difficult to scale reporting if a company grows or later transitions to ESRS-based reporting.

Stakeholders further report that, for larger companies, relevant sustainability information often extends beyond what is currently covered by the VSME standard. Frequently cited examples include:

- Scope 3 emissions where relevant;
- information on the existence of transition plans or science-based targets, where available;
- more granular information on anti-corruption measures;
- risks identified through human rights due-diligence processes rather than only confirmed incidents;

- information on the link between governance, strategy, and management responsibilities; and
- disclosures on data quality, internal controls, and key assumptions.

In practice, these limitations lead larger companies either to supplement VSME with additional frameworks or to partially apply ESRS requirements. This reduces comparability and risks recreating the fragmented sustainability reporting landscape that existed prior to the CSRD.

A proportionate solution: a third module for larger companies

We strongly support simplification, proportionality, and the objective of reducing unnecessary administrative burden through the Omnibus Directive. At the same time, simplification must remain compatible with a voluntary reporting framework that is credible, functional, and capable of meeting stakeholder information needs across the expanded scope now envisaged. Unlike statutory reporting, voluntary and market-facing sustainability reporting relies on relevance, credibility, and usability to be effective.

Given that the VSME standard was designed for micro and small companies, it cannot, in its current form, function as the sole voluntary reporting framework for all companies now within scope without risking weak market acceptance. If the framework does not meet stakeholder expectations, there is a clear risk that larger companies will either supplement VSME with other frameworks—thereby reducing comparability—or disengage from voluntary sustainability reporting altogether.

In this context, and in line with the objectives of simplification and deregulation, the most proportionate approach is to make use of the modular structure expressly provided for in the Omnibus Directive.

The introduction of a separate, optional module for larger companies (250–1,000 employees) would allow the core VSME standard to remain unchanged and simple for SMEs, while providing a credible and functional reporting pathway for larger undertakings now within scope. Such a module would address the most critical gaps arising from the expanded application of VSME by basing reporting on a simplified double materiality assessment conducted in line with the simplified ESRS, and by adding datapoints from the simplified ESRS where additional information is needed to ensure relevance, comparability, and predictability.

Safeguarding due process and the integrity of standard-setting

We wish to underline the importance of safeguarding due process and the integrity of the EU standard-setting framework. The Omnibus initiative was introduced at considerable speed and represents a clear deviation from the ordinary legislative procedure. While the intention to accelerate the development of the voluntary SME standard is understandable, such an



expedited process raises concerns regarding legal certainty, transparency, and institutional balance.

The established model where EFRAG conducts technical work through open and consultative procedures and the Commission adopts the standards via delegated acts is designed to ensure quality, legitimacy, and predictability. It remains essential that the resulting standard is fit for purpose, even if this entails some adjustment to the timeline. The priority now must be to get this right.

This joint letter reflects the shared position of the following professional accountancy organisations:

DnR – Den norske Revisorforeningen (Norway)

FAR (Sweden)

FLE Félag löggiltra endurskoðenda (Iceland)

Suomen Tilintarkastajat ry (Finland)