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**Sustainability Reporting Technical  
Committee**

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Berlin, 3 June 2026

**Re: Have your say – Public consultations and feedback on the sustainability reporting standard for voluntary use – Ares(2026)4624010**

Dear Sir or Madam,

On behalf of the DRSC's Technical Committee for Sustainability Reporting, I am writing to comment on the Draft delegated act (DDA) for a sustainability reporting standard for voluntary use (Voluntary Standard, VS) issued by the European Commission on 6 May 2026. We welcome the opportunity to provide our comments on this DDA.

The DRSC would like to emphasize that we welcome the delegated act for the VS since numerous undertakings as well as their stakeholders are expecting to benefit from voluntarily provided sustainability information by those undertakings that are not subject to reporting under ESRS Set 1. They expect that the VS will support the harmonisation of the currently fractured nature of presenting and asking for sustainability information from undertakings that are not subject to mandatory reporting requirements. Nevertheless, there are several aspects where – in our view – the current DDA would benefit from further (editorial) adjustments and clarifications.

We would like to place particular focus on the suggested implementation of the value chain cap (VCC) which we consider to be the most significant aspect for further discussion. We support the EU COM's approach to clearly define the information that are subject to the VCC. We fear, however, that the suggested approach will undermine the objective of the VS as we expect undertakings to be inclined to report only up to the VCC limit, resulting in further (individual) requests by other stakeholders and ultimately damaging the concept of the VS.

The VS is structured to include necessary and voluntary information in both, the Basic and the Comprehensive Module. For the purpose of the VCC the DDA now introduces an additional category of information by further differentiating "necessary" information as defined in the VS by (1) "necessary" information for VCC purposes and (2) information that is "necessary, if applicable", the latter not being subject to the VCC. Looking at the complexity of this differentiation, it can be assumed that with these additional categories in place undertakings will be inclined to focus on information "necessary" for VCC purposes. By consequence, this would reduce the availability of voluntary sustainability information foreseen to be provided under the VS.

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The DRSC suggests to instead define the VCC according to the structure of the VS, i.e. all necessary information of the Basic Module for undertakings up to 10 employees and in addition all necessary information of the Comprehensive Module for other undertakings, with “necessary” being understood as defined according to the concept of the VS (i.e., including the category “necessary, if applicable”). This would allow for an aligned understanding of which information is necessary.

Furthermore, this would support not just the range of information provided to ESRS preparers (VCC information) but would also support other purposes that the VS is intended to serve. It will allow for all relevant stakeholders to be voluntarily provided with sustainability information deemed necessary by them – thereby hopefully substantially reducing individual information requests arising for purposes other than sustainability reporting, such as regulatory requirements for banks. In this way, the VS would also support undertakings’ access to finance.

The DRSC believes that, otherwise, the limitation introduced by the DDA may impair the usefulness and uptake of the VS by preparers, as well as the consideration of that information by other stakeholders, such as banks (as loan providers) or equity investors. Consequently, preparers and users may increasingly rely on industry initiatives or platform providers. Users could revert to these expecting more structured and comprehensive data or may revert to issuing individual questionnaires.

We therefore propose to the European Commission that “necessary if applicable” disclosures be included within the VCC, possibly combined with a requirement for VS preparers to explicitly indicate when disclosures are omitted because they are not applicable, i.e., disclose if a DR is “not applicable”.

While the suggested implementation of the VCC in the DDA is the most significant aspect identified, we have also set out further remarks on the DDA in the appendix to this letter that we would ask the European Commission to consider for the final delegated act. These remarks particularly contain suggestions for clarifications we deem necessary to allow a better understanding of the requirements (see Appendix I).

Furthermore, we would like to draw attention to the DRSC staff paper included in Appendix II, which presents the results of a study on the stakeholder assessment of the European Commission’s Recommendation (EU) 2025/1710 on a voluntary sustainability reporting standard and which has provided important input to this response.

If you would like to discuss these issues further, please do not hesitate to contact the responsible Technical Director, Kati Beiersdorf ([beiersdorf@drsc.de](mailto:beiersdorf@drsc.de)), the responsible project manager, Jan-Robert Kirchner ([kirchner@drsc.de](mailto:kirchner@drsc.de)), or me.

Kind regards

Georg Lanfermann  
*President, DRSC*

## **Appendix I – Remarks on the European Commission’s DDA VS**

Please note, that all further references to the VS refer to the DDA.

### **1. Implementation of the VC cap within the VS and comparison with other disclosure categories under the VS (VS para 8, Articles 1 and 3 DDA)**

We consider the proposed design of the VCC to be introducing an unnecessary additional category of information by introducing a distinction between “necessary” disclosures that fall within the scope of the VCC and “necessary if applicable” disclosures, which are viewed as necessary to comply with the VS but do not fall within the scope of the VCC.

As regards the reasoning for this view, we refer to the first page of our feedback statement, where we have already set out our reasoning.

As laid out above, we therefore suggest that “necessary if applicable” disclosures be included within the VCC, possibly combined with VS preparers explicitly indicating when disclosures are omitted because they are not applicable, i.e., disclosing if a DR is “not applicable”.

Furthermore, we would like to draw attention to the DRSC staff paper included in Appendix II, which presents the results of a study on the stakeholder assessment of the European Commission’s Recommendation (EU) 2025/1710 on a voluntary sustainability reporting standard and which has provided important input to this response.

### **2. Clarification of structure / status of Scope 3 disclosure (VS paras 49-52)**

Currently, the VS-Recommendation contains various references to Scope 3 disclosures, but in paragraphs in the VS that are outside of the numbering of all other disclosure requirements. This has led to questions regarding the status of the Scope 3 disclosure (e.g., if mandatory or not).

While it seems to be sufficiently clear that there is no Scope 3 disclosure requirement in the VS, the current structure of the VS with regard to Scope 3 discussion does not seem appropriate considering the importance of information on Scope 3 for users of sustainability information. Therefore, the current structure (various references to Scope 3 outside the actual disclosure requirement structure) should be reconsidered. The VS should be clear on the status of Scope 3 disclosure and on the intention of the VS.

We therefore propose that paragraphs 49-52 be integrated into the existing disclosure requirement structure of the VS, e.g. integrated in C3.

### 3. Disclosure on B6 – Water

VS para 37 states: “the undertaking shall separately present the amount of water consumed at sites located in areas with water stress.” In the European Commission’s Recommendation (EU) 2025/1710 on the VSME, reference was instead made to “... water withdrawn at sites located in areas of high water stress”.

We understand that this is intended to constitute an alignment with E3-4 (ESRS E3.16(b)) of the Simplified ESRS; however, at the same time, it raises questions and remarks.

(1) We agree that alignment with ESRS E3.16(b) is now being established; however, it should be clarified more explicitly that the final sentence in VS paragraph 37 refers to undertakings that “have production processes in place which significantly consume water”. This could, for example, be achieved by rephrasing the final sentence as follows: “In addition, **these** undertakings shall separately present the amount of water consumed at sites located in areas with water stress.”

(2) Furthermore, it appears that the new reference to “areas with water stress” is intended to be broader in scope than the previous reference to “areas of high water stress”. If this change is solely meant to ensure alignment with ESRS E3-4 para 16(b), there should be additional clarification in the VS, or at least in the guidance, on what is meant by “areas with water stress”, similar to AR 1 and AR 2 in ESRS E3-1.

### 4. Disclosure on B7 – Resource use, circular economy and waste management

In the Commission Recommendation (EU) 2025/1710 on the VSME, reporting of total annual waste generation was permitted on either a volume or weight basis. VS para 39(a) now refers to “the total weight of waste generated”, which implies reporting on a weight basis only. However, undertakings often receive from waste management service providers billing information based on volume, i.e., the number of waste containers, rather than information on weight.

Furthermore, VS para 39(b) requires disclosure of “the proportion of waste diverted to recycling or reuse”. It is also unclear whether this proportion of waste necessarily needs to be calculated on the basis of weight (rather than volume) of total waste generated.

We propose that the VS clarifies that both, volume and weight, are permissible bases for reporting under VS paras 39(a) and 39(b).

### 5. Disclosure on C2 – Description of practices, policies and future initiatives for transitioning towards a more sustainable economy

The intention of the newly inserted second sentence in paragraph 47 of VS — “In case the practice, policy, or future initiative covers suppliers or clients, the undertaking shall mention it.” — should be clarified in relation to the following:

Who exactly is meant by “suppliers or clients”? Does this refer to the undertaking’s direct business partners (so-called first tier), or also to upstream and downstream suppliers and clients beyond the first tier (i.e., value chain)? Since the VS does not refer to the value chain we expect that “suppliers or clients” are meant to include direct business relationships only (first tier), but this should nevertheless be clarified.

## 6. Disclosure on C7 – Human rights incidents

In VS para 62(a) it says: “Does the undertaking have confirmed incidents in its own workforce related to ... [child labour, forced labour, human trafficking, discrimination or other?]”.

In the draft Simplified ESRS, reference is made to “substantiated incidents of discrimination” and “substantiated human rights incidents” (e.g., in DR S1-16 (ESRS S1 paragraphs 43(a) and (b)) and in the glossary of defined terms in the draft Simplified ESRS).

In addition, ESRS S1.AR 36 and AR 37 to paragraph 43(a) and (b) clarify that: “For the purpose of this disclosure, only substantiated instances are to be reported. An instance is substantiated when it is evidenced by objective, factual and verifiable information. Not all ongoing judicial or non-judicial proceedings, and not all other instances registered by the undertaking, are necessarily substantiated instances.”

Please note that the DRSC has also commented on the Draft Delegated Act on the revised ESRS Set 1 and, with regard to ESRS S1, S2, S3 and S4, recommends referring to “severe incidents” (as used in the SFDR) and (first-instance) rulings instead of the undefined term “substantiated instances” and “ongoing judicial and non-judicial proceedings”. See the DRSC’s comment on the Draft Delegated Act on the revised ESRS Set 1 for further information.

The glossary of the VS DDA defines an “incident” as: “A legal action or complaint registered with the undertaking or competent authorities through a formal process, or an instance of non-compliance identified by the undertaking through established procedures. Established procedures to identify instances of non-compliance can include management system audits, formal monitoring programs, or grievance mechanisms.”

Given the differences in both, terminology and meaning, between Simplified ESRS and VS, we suggest clarifications in relation to the following:

(1) What is the difference between “confirmed incidents” in the VS and “substantiated incidents” in the Simplified ESRS? If there is no substantive difference intended between “confirmed incidents” in the VS and “substantiated incidents” in the Simplified ESRS, the terminology in the VS should be aligned with that used in the Simplified ESRS, preferably “severe incidents”, rather than “substantiated incidents”, as mentioned above and laid out in our comment letter to the DDA on simplified ESRS.

(2) There is no equivalent provision in the VS to ESRS S1.AR 36 and AR 37. Does this imply that VS undertakings may, in certain cases, be required to report more extensively than undertakings reporting under ESRS? This seems to be confirmed by the amendment to the heading of C7 from “Severe human rights incidents” to “Human rights incidents”. This amendment mirrors the (previously existing) context of C7, however, it seems to broaden the scope of cases covered to all cases. It seems inappropriate to limit the disclosure for ESRS preparers but not in the VS.

Furthermore, we suggest clarifications on Disclosure Requirement C7 in relation to:

(3) VS para 62(c) states: “Is the undertaking aware of any confirmed incidents involving workers in the value chain, affected communities, consumers and end-users identified in the reporting period?” Does this wording, due to the addition of “identified in the reporting period”, refer only to current, newly identified incidents? If so, how should ongoing incidents identified in previous reporting periods be addressed?

## 7. Disclosure on B5 – Biodiversity

Paragraph 35 of the Draft VS states “[Necessary if applicable] If the undertaking has sites or locations in or near a biodiversity-sensitive area (BSA), it shall disclose them, and the name of the BSA.”

Our remarks concern the amendments to the definitions of “Near (Biodiversity-Sensitive Area)” and “Site (or sites)” in the glossary of the VS.

The definition of “Near (Biodiversity-Sensitive Area)” in the VS states that “If the undertakings’s [sic!] site is outside but not adjacent to a biodiversity-sensitive area the undertaking may also determine if it is near such an area by defining the site’s area of influence. The area of influence can be determined by applying buffer distances specific to the undertaking’s type of activity following regulatory requirements, science-based recommendations and industry best practice.”

The DRSC suggests not to include a disclosure requirement concerning the new concept of “outside BSA”. This concept appears relatively complex to operationalise and could lead to highly subjective and difficult-to-compare disclosures.

Furthermore, the amended definition of “site” in the glossary of the VS now states: “In the context of the voluntary standard, a site is a physical location where the undertaking operates and where impacts are likely to occur. Examples include factories, farms, mines, offices or service centres, infrastructure or facilities. Sites can also be shared with other organisations (e.g., the undertaking may share office premises with other undertakings).”

The change in the definition of “site” in the VS appears to be intended as an approximation to the definition of “site” in the Simplified ESRS. In its current form in the DDA VS, however, this definition appears relatively complex to operationalise and could lead to highly subjective and difficult-to-compare disclosures. It furthermore includes some kind of management judgement on where impacts are likely to occur.

Most importantly, however, it seems to limit the sites to be reported (according to disclosure requirement B1 of the VS) to those sites where impacts occur, when in fact this information is also highly relevant for the identification of risks. In fact, this is the one most relevant disclosure for stakeholders to evaluate whether assets of the undertaking are at risk due to their location.

As the definition of “site” already deviates from the ESRS definition, and in order to avoid issues in applying possibly differing understandings of “site” within the VS, we propose that the reference to “where impacts are likely to occur” be deleted from the definition of “site” within the VS glossary.

As an additional aspect we would like to point out that the definition of “Biodiversity-Sensitive Area” is now aligned with that set out in the Simplified ESRS. However, we note that the reference to “UNESCO World Heritage Sites” in the definition lacks sufficient precision. The term is an umbrella designation used by UNESCO for all sites of outstanding universal value deserving protection. It comprises both, Cultural and Natural World Heritage Sites. However, in the context of Disclosure Requirement B5, it needs to be clarified that the reference is intended to cover specifically “Natural World Heritage Sites”. This clarification would enhance consistency and interpretative clarity, given that undertakings are required to disclose “sites or locations in or near a biodiversity-sensitive area (BSA)”.

## **8. Clarification of Disclosure requirement C4 – Climate risks**

VS para 56 states: “If the undertaking has identified climate-related hazards and climate-related transition events, creating gross climate-related risks for the undertaking, it shall ...”.

We suggest carefully revising the wording in order to avoid references to “gross/net” in relation to risks, as this concept is neither further defined in the VS nor included in the Simplified ESRS.

## **9. Clarification of Disclosure requirement B1 – Basis for preparation**

VS para 27(e) iii states: “the following information: ... size of the balance sheet (total assets in monetary units);”

In certain cases, especially for (very) small undertakings, an undertaking does not prepare a balance sheet and is therefore unable to report a balance sheet total (i.e. total assets in monetary units) directly. In such cases, it should be permissible to estimate total assets on an approximate basis using data from other available sources such as bookkeeping or tax accounting.

## **10. Clarification of Disclosure requirement B10 – Workforce – Remuneration, collective bargaining and training**

VS para 42(a) states: “The undertaking shall disclose: [Necessary] whether the employees receive pay that is equal or above the applicable minimum wage for the country it reports on, determined directly by the national minimum wage law or through a collective bargaining agreement;”

The requirement stipulates a binary (“yes/no”) disclosure on whether employees (100% of the employees of an undertaking) receive pay equal to or above the minimum wage. In the case that not all employees are receiving pay equal to or above the minimum wage, even if this only concerns a very small number of employees, a “no” disclosure would, however, not adequately reflect the circumstances in the undertaking.

We therefore suggest that, if the undertaking is unable to state that all employees receive pay equal to or above the applicable minimum wage for the country in question, it “may” additionally disclose context information, such as the percentage of employees who do not receive the applicable minimum wage.

### **Further Remarks:**

#### **Consideration when reporting on GHG emissions under B3 (Basic Module):**

VS para 49 states: “... SMEs operating with manufacturing, agrifood, real estate construction and packaging processes are likely to have significant Scope 3 categories, which may be considered relevant for reporting in the undertaking’s sector.”

In our understanding the explicit reference to “SMEs” seems to be the result of a drafting error and the reference should instead be made to “undertakings”. If it was the intention to refer to “SMEs” specifically, we would like to draw the attention to the fact that – in line with the concept of the VS – SMEs are not otherwise mentioned elsewhere in the VS. This, in turn, would raise

the question of why a specific clarification is provided for SMEs, while no corresponding clarification is included for larger undertakings.

### **Inclusion of subsidiaries in the reported data**

VS para 17 states: “If the parent undertaking has prepared its sustainability report on a consolidated basis, including information from its subsidiaries, the subsidiary undertakings are exempted from reporting.”

It should be clarified that, in addition to subsidiaries, the parent undertaking itself is also exempt from the obligation to prepare an individual sustainability report when preparing a sustainability report on a consolidated basis.

Furthermore, for the sake of clarity, the VS could specify that, in this case, subsidiaries are exempt from sustainability reporting requirements specifically, rather than from reporting obligations more generally. The latter could be understood as including financial reporting obligations, which are not addressed by the VS.

We therefore suggest amending the wording to say that “the parent undertaking and the subsidiary undertakings are exempt from sustainability reporting on an individual basis”.

### **Clarification of Disclosure requirement C3 – GHG reduction targets and climate transition**

VS para 54 states: “If the undertaking that operates in high climate impact sectors has adopted a transition plan for climate change mitigation, it may provide information about it, including an explanation of how it is contributing to reduce GHG emissions.”

From this wording, it is unclear whether the third “it” in paragraph 54 refers to the undertaking or to the transition plan, and therefore what is intended to be described as contributing to the reduction of GHG emissions.

We therefore suggest clarifying the meaning of “it” in VS para 54.



**Appendix II – DRSC Staff Paper: Study on the stakeholder assessment of the European Commission’s Recommendation on a voluntary sustainability reporting standard (EU) 2025/1710**



DRSC Staff Paper 2026

# Voluntary Sustainability Reporting

**Study on the Stakeholder Assessment of the Recommendation of the European Commission on a voluntary sustainability reporting standard (EU) 2025/1710**

# Voluntary Sustainability Reporting

## Study on the Stakeholder Assessment of the Recommendation of the European Commission on a voluntary sustainability reporting standard (EU) 2025/1710

### Background of this study

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In July 2025 the European Commission published its recommendation (EU) 2025/1710 to apply, use and support the application of a voluntary sustainability reporting standard (hereinafter referred to as "VS"<sup>1</sup>) which is based on the VSME as delivered by EFRAG to the European Commission in December 2024. The standard is applicable for all undertakings who decide to voluntarily provide sustainability information. According to the Omnibus Sustainability Package<sup>2</sup> this extends to all undertakings that do not exceed a net turnover of EUR 450 000 000 and 1 000 employees. While these undertakings are not required to prepare sustainability statements in accordance with ESRS they are often asked to provide sustainability information for various other purposes such as transactions with customers or banks. Accordingly, the primary objective of the VS report is to inform actual or potential business counterparties.<sup>3</sup> The European Commission, together with EFRAG, seeks to contribute through the VS to the harmonisation of the voluntary sustainability information provided, thus reducing the burden of this reporting. As such, the purpose of the VS is to (1) provide information that meets the data needs of undertakings requesting sustainability information from their suppliers; (2) provide information that meets the data needs of financial institutions and investors, thereby facilitating undertakings' access to finance; (3) improve the management of sustainability matters, including, as relevant, environmental and social aspects such as pollution and workforce health and safety, in a manner that strengthens the competitiveness and resilience of undertakings; and (4) contribute to a more sustainable and inclusive economy.<sup>4</sup>

### Objective of this study

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This study aims at assessing the suitability of the VS for its intended purpose, as defined by the European Commission, from the perspective of various stakeholders. It addresses questions on the general suitability of the VS, as well as on potential amendments and conceptual considerations for its future review. The re-

sult will be presented to the European Commission as part of the feedback to their currently ongoing public consultation on the VS.<sup>5</sup> Where stakeholder feedback indicates that the purpose intended by the European Commission has not (yet) been met, this feedback should be considered in the review process in due course.

## Methodology

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DRSC staff contacted various stakeholder groups to analyse their views on the VS. These included undertakings that apply or are currently considering applying the VS standard for their sustainability reporting, as well as their (potential) business counterparties who the VS information is prepared for. This includes customers (especially those that are ESRS preparers), banks, equity investors, or sustainability service providers. We also sought the views of employee representatives, who were often engaged in the double materiality assessment (DMA) of large undertakings previously in the scope of the CSRD. With the elimination of mandatory requirements these large undertakings now consider voluntary sustainability reporting under the VS.

From October 2025 to March 2026, we conducted 19 individual online discussions with stakeholders, each lasting approximately 60-120 minutes. To facilitate a structured analysis of their perspectives, stakeholders were grouped as follows:

- Preparers in accordance with the VS
  - Small and medium-sized undertakings (n=4)
  - Large undertakings (n=3)
- Users aimed at in the VS, as stated in paragraphs 1 and 17 of the VS
  - ESRS preparers (n=3)
  - Equity investors (n=2)
  - Banks (loan providers) (n=3)
- Sustainability service providers (n=2)
- Employee representatives (n=2)

**The DRSC sincerely thanks all participants for their time and for their valuable feedback on the VS.**

## Summary of findings

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### General suitability of the VS

- For participants in this study, the voluntary standard serves multiple purposes: in line with the objective of the VS, VS preparers provide relevant information. In addition, considering the VS requirements strengthens the undertaking's sustainability data collection and (internal) reporting processes, while also enhancing its understanding of relevant sustainability issues, ultimately facilitating their more effective management. In this regard, the VS achieves its stated objectives, which extend beyond the mere disclosure of sustainability information. Nevertheless, in the absence of demand for sustainability information, undertakings are unlikely to report under the VS. In such cases, neither the objective of improving the management of sustainability matters nor that of contributing to a more sustainable and inclusive economy is likely to be fulfilled.
- All participants agreed on the importance of ensuring that the VS is widely accepted by the intended users of these undertakings' sustainability information. According to many participants the purpose of the VS—namely, to limit individual requests for sustainability information and to establish a harmonised reporting basis for SMEs—can, in principle, be achieved through the VS, as the provision of sustainability information in accordance with the VS meets the data needs of undertakings requesting such information from their suppliers, as well as those of financial institutions and investors. Nevertheless, additional requests for sustainability information are likely for some purposes (e.g., sector-specific information) or at least cannot be ruled out, especially for large undertakings.
- Banks, ESRS preparers, and equity investors will likely need sustainability information according to both, the Basic and the Comprehensive Module. The fulfilment of the VS objectives might therefore depend on the scope of the VS information provided.

### Measures expected to enhance acceptance of the VS

Participants in this study identify measures expected to contribute to increasing acceptance of the VS among its intended users. This may, at least indi-

rectly, contribute to the achievement of all the objectives of the VS, as widespread acceptance of the VS is a prerequisite.

- **Alignment between VS and ESRS:** Concepts, terminology and definitions of KPIs used in both, VS and ESRS, need to be aligned (to the largest extent possible). This is particularly important for undertakings that want to voluntarily report on selected ESRS datapoints in addition to the VS, or voluntarily apply (parts of) ESRS, or that may become subject to ESRS reporting requirements in the future.
- **Easy-to-use harmonised VS disclosures:** Standard-setting should take into account the interaction with ESRS, as developments in the ESRS may affect the scope and complexity of the VS. For instance, the currently proposed simplified ESRS reduce the need to obtain primary data within the value chain, thereby lowering information requests for non-ESRS preparers and enabling a more streamlined VS. Further harmonisation can be achieved, for example, through the development of an EU-wide database to facilitate the harmonised calculation of greenhouse gas (GHG) emissions.
- **Support the (digital) usage of voluntarily prepared and published VS information:** For example, provide central access for users (e.g., ESRS preparers) to voluntarily published VS data with the possibility to integrate it into their sustainability data systems without further adjustments. Provide tools for VS preparers to easily deliver their VS sustainability data (e.g., without the need to additionally transfer data from VS reports into individual questionnaires).
- **Alignment between the VS and other EU regulation:** Enhance acceptance of the VS through coordination with other EU regulations and directives and crosschecks for potential unintended consequences of voluntary sustainability reporting (e.g., consider European Commission proposal 2025/0361 (COD) amending the SFDR (Regulation (EU) 2019/2088), the CSDDD (Directive (EU) 2024/1760), and the Directive empowering consumers for the green transition (Directive (EU) 2024/825)).

## Detailed findings

Participants in this study identify challenges within the VS disclosures that may hinder the acceptance of the VS among its intended users. This may, at

least indirectly, affect the achievement of all the objectives of the VS, as widespread acceptance of the VS is a prerequisite.

- Alignment between VS, ESRS and other EU regulation, examples for current lack of alignment are:
  - VS currently mentions the concept of gross climate-related risks (VS C4 and VS Guidance, para 166) and gross transition risks without further definition. Simplified ESRS no longer refer to the “gross/net” concept for impacts (ESRS E1 AR 30) and have not specified this concept for risks.
  - Regarding recordable work-related accidents ESRS (Glossary) refer to incidents resulting in a minimum absence of three days, the VS does not include such a specification (B9 and Glossary).
  - Anticipated financial effects (AFE) disclosures in the ESRS are highly debated and subject to a phase-in provision. VS C4, para 58 refers to the voluntary “disclosure of potential adverse effects of climate risks” which seem to resemble the concept of AFE. However, the VS does not include any phase-in provisions. The understanding and expectation around AFE disclosures should be clarified before integrating this concept in the VS.
  - The CSDDD includes disclosure requirements relating to both “severe adverse impacts” and “adverse impacts”. While the VS includes disclosure requirements on “confirmed severe human rights incidents”, it does not include any disclosure requirements for “adverse impacts” (C7).
- Scope 3 disclosures are highly relevant, but at the same time they pose the greatest challenges.
- All stakeholder groups raise concerns regarding the reliability of the provided VS data. Therefore, it is necessary to acknowledge that the use of estimates can increase the data quality.
- Conflict of objectives between, on the one hand, users’ information needs focused on material sustainability information and preparers’ objective to report only material information, and, on the other hand, the application of the “if applicable” reporting approach in the VS.

## Aspects for future consideration

„In order to ensure that the sustainability reporting standards for voluntary use remain aligned with developments relevant to sustainability reporting, the [European] Commission should review those standards at least every four years. In carrying out that review, the Commission should take due account of developments relevant to sustainability reporting as well as whether the standards enable undertakings to achieve relevant objectives ... Where those objectives are not achieved, the Commission should amend the standards accordingly“, as laid out in Recital 22 of Directive (EU) 2026/470.

Participants in this study identify aspects for future consideration within the VS disclosures that may affect acceptance of the VS among its intended and prospective users and may therefore be taken into account by the European Commission in its review.

- Review the approach for defining the disclosures that need to be reported. This includes the review of the “if applicable” reporting approach and the consideration of a possible linkage to a (voluntary) DMA, i.e. reporting of material information only.
- Review the currently existing flexibility provided by the module approach, i.e., consider establishing a fixed set of indicators to increase harmonisation.
- Review VS to analyse whether ensuring the reliability of data needs to be addressed.
- Review VS to enhance alignment with users’ information needs, by considering the development of (few) sector-specific indicators.
- Review VS for additional information needs of ESRS preparers.
- Review VS for potential elimination or adjustments of current disclosure requirements.
- Review VS to analyse whether it strengthens management of sustainability matters, including, as relevant, environmental and social aspects such as pollution and workforce health and safety, in a manner that strengthens the competitiveness and resilience of undertakings.

## Further developments

The EU Commission currently consults on their proposal for the VS. According to the plan of the EU Commission the delegated act for the VS will be adopted in the middle of 2026. With this delegated act the EU Commission will provide for a common ground of voluntary sustainability reporting in Europe. The legislation foresees a regular review of the VS, with the first review to take place within four years of its application. The findings of this study which are based on interactions with various stakeholders of the VS are expected to contribute to the current consultation process of the EU Commission as well as provide inspirations for the more conceptual review of the VS in the years to come.

## Appendix I - Feedback on the general suitability of the VS by stakeholder group

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### **VS Preparers - Small and medium-sized undertakings**

Overall, the VS and especially its Basic Module represent a low threshold for sustainability reporting as it can be easily applied. It is therefore suitable as a starting point for sustainability reporting and the identification of sustainability issues. However, the VS will only be valuable if this information is widely used by customers and used in the form provided by the undertakings, i.e. no additional transformation to company-specific questionnaires is necessary. VS preparers experience challenges in applying the standard especially with regard to data collection, in particular where subsidiaries or value chain undertakings are small or are located outside the European Union.

### **VS Preparers - Large undertakings**

Large undertakings are often both, requesting and providing sustainability information from/to other undertakings. However, even these large undertakings are not always asked for sustainability information. If they are not, they are unlikely to report under the VS (or the ESRS). Typically, these undertakings initially assumed that they would be required to report under the ESRS. As a result, they have previously conducted a DMA and deemed certain VS disclosures to not be material (e.g., B1, B3, B7). There is some concern that the reporting of non-material, yet “applicable”, information does not provide relevant information and could, furthermore, potentially be viewed as greenwashing. From the point of view of requesting sustainability information from other undertakings the VS generally provides useful information.

### **Users aimed at in the VS - ESRS Preparers**

ESRS preparers need sustainability information from undertakings in their value chain. For these undertakings the VS is considered a valuable starting point to analyse their sustainability issues and prepare ESG information. Most importantly, ESRS preparers need to assess their suppliers’ risks in a structured and reliable manner. However, an effective risk assessment must focus on material information, which is currently not identifiable in the VS under the “if applicable” approach. In practice, ESRS preparers often use industry-average data instead of primary data

from suppliers, as the necessary information is often unavailable, not sufficiently reliable, or too burdensome to integrate in the ESRS preparers' system. For example, having to bring together both, supplier-specific and industry-average data for Scope 3 emissions is highly complex and provides only limited additional value compared to relying solely on industry average data. Given the large number of suppliers, it is nearly impossible for ESRS preparers to analyse (qualitative) VS data individually.

Furthermore, ESG information is required on a global basis, as sustainability risks often arise outside the European Union, while the VS is likely to be applied primarily by European suppliers. For these reasons, sustainability platforms that provide industry-average data, as well as evaluate and rate supplier information worldwide, are commonly used. ESRS preparers themselves are part of supply chains where sustainability information is frequently expected to be accessible through dedicated sustainability platforms. Data requirements are therefore shaped not only by reporting requirements but also by market expectations, and a lack of data provision may result in exclusion from tender procedures. Depending on the circumstances, additional data requests may therefore be required. These include product-level information from suppliers—for example, to enhance the accuracy of Scope 3 emission calculations, enable emission reductions, or to fulfil sector-specific sustainability information requests. However, this is true for VS and ESRS preparers alike, as ESRS do not require product-level information either.

### **VS Intended users - Equity investors**

Equity investors emphasised that the sustainability information required primarily serves to fulfil their own reporting obligations. Alignment with their reporting requirements is therefore crucial, for example with the relevant SFDR Principal Adverse Impact (PAI) indicators. A harmonised reporting is essential for investors. Therefore, they advocate a wide acceptance of the VS, including acceptance by other important stakeholders such as data providers or rating agencies. At the same time harmonised reporting will contribute to comparability of data which is essential in their view.

Currently, the focus of equity investors is on undertakings with a number of employees between 250 and 1 000 and often (but not exclusively) on listed undertakings. This does not preclude interest in sustainability information from SMEs or others such as communities or on specific (securitised) assets.

## **VS Intended users – Banks (Loan providers)**

For banks, the key issue is to assess their credit risk for which they want to identify the material sustainability risks of their customers and whether these risks are being managed appropriately. Banks are currently reviewing the potential application of the VS as an input into their ESG risk credit assessment models / ESG scores. The willingness to incorporate VS data into internal models is likely to grow, as the use of VS information becomes more widespread. To assess and score ESG risks, banks require sustainability information from both the Basic and the Comprehensive Module.

A key concern of loan providers is the data quality. In some cases, it may be preferable to get qualitative information only instead of less reliable or low-quality quantified information. To that end they view information on data quality as crucial, for example whether reported data is based on estimates or actual measurements (e.g., for Scope 1, Scope 2, and Scope 3 emissions). For the individual assessment of specific engagements, banks will continue to need access to the VS sustainability reports on the level of the respective undertakings. For example, VS group-level sustainability reports would not be suitable for assessing the credit risk of an individual subsidiary taking out the loan. However, banks expect the necessary data to be available within the subsidiaries themselves, as they report this information to the parent company.

## **Sustainability service providers**

The VS covers most of the information the participating service providers need and it seems generally suitable for information needs of their customers (e.g., banks). Even though there are additional information needs – addressing the specifics of the different stakeholders – the application of the VS has increased notably in the past months.

## **Employee representatives**

According to the Omnibus Sustainability Package and the VS, employee representatives are not among the primary users of voluntarily prepared VS information which – in addition – will often not be published. However, social risk pertains to improving sustainability management, one of the purposes of the VS as defined by the European Commission and EFRAG. The employee representatives are concerned that (especially large) undertakings applying the VS might not appropriately report on social risks as, due to the lack of a DMA, undertakings are not focusing on the relevant, i.e., material, (social) risks.

## Appendix II - Specific feedback and examples of practical challenges on disclosures in the Basic Module

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### **B1 Basis for preparation**

- Users of VS information often need a breakdown of revenues by sector.
- Disclosure of geolocations when operating a large number of sites can become complex. For example, if an undertaking has numerous sites, it may be appropriate to limit disclosure (e.g., only highest-risk locations).
- NACE codes are not always appropriately structured for certain sectors; for example, Section A – Agriculture, Forestry and Fishing does not differentiate between organic and conventional production.

### **B2 Practices, policies and future initiatives for transitioning towards a more sustainable economy**

- Disclosures of practices, policies, and future initiatives without further context were considered to have limited informational value (overlap with all datapoints in the Basic and Comprehensive Module).
- Interest in information on the time horizons of practices, policies, future initiatives, and related targets (if any), as well as whether implementation of future initiatives has already begun or whether they represent mere statements of intent (overlap with Disclosure C2).

### **B3 Energy and greenhouse gas emissions**

- Information on Scope 1 and Scope 2 emissions often cannot be provided for every site (e.g., due to missing granularity of data outside the EU).
- The informational value of the GHG intensity metric, as defined in VS B3, is limited. Users often apply a denominator other than turnover.
- Product-level information on GHG emissions (Scope 1–3) is neither mandated under the ESRS nor the VS; however, it is worth noting that it is often needed by customers (overlap with Disclosure C3).

## **B4 Pollution of air, water and soil**

- No further remarks.

## **B5 Biodiversity**

- Disclosure on biodiversity in terms of location or site is only one aspect. For example, some users are also interested in the extent to which an undertaking's business model is affected by biodiversity loss and its reliance on natural capital (overlap with Disclosure C4).

## **B6 Water**

- This data often needs to be estimated, as undertakings (or parts of the undertakings) are not always able to provide the relevant data.
- Information need regarding how water consumption is managed, for example, amid dwindling water resources (overlap with Disclosure C4).

## **B7 Resource use, circular economy and waste management**

- Difficulties to identify if and how the principles of a circular economy are applicable. For example, some undertakings support the circular economy by providing products that allow its customers to make significant contributions in this area.

## **B8 Workforce – General characteristics**

- Employee turnover rate is seen as an indicator of the work environment. However, the indicator does not depict voluntary vs. forced termination.

## **B9 Workforce – Health and safety**

- For smaller undertakings with few employees the required rate disclosures are very volatile. An individual case can have a large impact on the metric making comparisons with other companies of similar size or in the same sector difficult. Industry averages are considered more informative than individual metrics.
- Example for further alignment as definitions in ESRS and VS diverge (ESRS refers to information for minimum three day absence).
- Possibly diverging definition of recordable work-related accidents in VS in

comparison to the employers' relevant insurance association (recordable work-related accidents vs. accidents accepted by the insurance association).

## **B10 Workforce – Remuneration, collective bargaining and training**

- Comparability and informational value are limited for disclosures on collective bargaining coverage for employees earning above collective agreements, on the unadjusted gender pay gap (e.g., a preference for an adjusted pay gap metric), and on the training hours metric, where feedback on informational value is mixed. Without contextual information on the type of training, a breakdown by gender provides only limited added value.
- A meaningful assessment of the overall pay distribution could be information on the highest and lowest salaries or remuneration.

## **B11 Convictions and fines for corruption and bribery**

- Fines and convictions vary by country. Their informational value and comparability are therefore questionable.
- Key information is missing, for example, on environmental law violations.

## Appendix III - Specific feedback and examples of practical challenges on disclosures in the Comprehensive Module

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### **C1 Strategy: Business Model and Sustainability – Related Initiatives**

- Disclosure was often perceived as necessary to provide context for information provided in B1. For example, to describe business activity and business sectors in greater detail compared to NACE code information only (overlap with Disclosure B1).

### **C2 Description of practices, policies and future initiatives for transitioning towards a more sustainable economy**

- See feedback on Disclosure B2.

### **C3 GHG reduction targets and climate transition, including paras 50-53 on Scope 3 emissions**

- Scope 3 GHG emissions: Data collection is not merely difficult but, in some cases, impossible. Where data are available their quality is questionable.
- Information on scope 3 emissions is crucial (including information on data collection to ensure data quality). For examples, EBA Guidelines refer to Scope 3 information. Currently, estimates or proxies from databases are applied.
- Product-level information on GHG emissions (Scope 1–3) is often sought after, however, it is neither mandated under ESRS nor the VS.
- ESRS preparers observe increasing expectation regarding transition plan information and granularity (i.e., site or product-level). This, in turn, may lead to further information requests directed at VS preparers.

### **C4 Climate risks**

- This disclosure is essential for assessing risks in the upstream supply chain.

- Explanation and disclosure of climate-related risks can touch upon sensitive information or business secrets.
- Interest in whether undertakings are insured against climate-related physical risks (fully, partly, not covered) and whether risks exist that are not managed by the undertaking. For example, understanding the extent to which an undertaking's business model is affected by biodiversity loss and its reliance on natural capital (overlap with Disclosure B5).
- Focus should be on material sites / assets only; importance of connection of B1/C4 for identification of material sites and geographical risks.
- Alignment between ESRS and VS is necessary, for example with regard to the "gross/net" concept. Unlike ESRS the VS currently explicitly refers to gross climate-related and gross transition risks.
- Disclosures on C4 are highly diverse, ranging from acknowledging unassessed risks that may require engagement with insurers to sharing lessons learned that led to a systematic sustainability risk management system.

## **C5 Additional (general) workforce characteristics**

- Information is evaluated in the context of sector comparison; therefore, information on sectors is necessary (e.g., information on sector proportions through revenue breakdown).

## **C6 Additional own workforce information - Human rights policies and processes**

- Relevance of this disclosure for undertakings operating solely in Germany/EU is questionable.

## **C7 Severe negative human rights incidents**

- The CSDDD includes disclosure requirements for impacts that are less severe than "severe", namely two categories: "severe adverse impacts" and "adverse impacts". The VS, however, does not include any disclosure requirements for "adverse impacts".
- Important information, for example, for certifications.

## **C8 Revenues from certain activities and exclusion from EU reference benchmarks**

- No further remarks.

## **C9 Gender diversity ratio in the governance body**

- Usefulness of gender diversity in the governance body questionable compared to more meaningful information on gender pay gap (B10) or the management-level gender ratio (C5).

## Endnotes

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- <sup>1</sup> See [Commission Recommendation \(EU\) 2025/1710](#), Appendix I and II. See [EFRAG's technical advice](#) for the VSME as delivered to the European Commission in December 2024.
- <sup>2</sup> See [Directive \(EU\) 2026/470](#) of 24 February 2026, Article 2 which amends Article 19a, para 1; Article 29a, para 1; Article 29ca of the Directive (EU) 2013/34 and Recital 22.
- <sup>3</sup> See VS, para 17, as reflected in Commission Recommendation (EU) 2025/1710, Appendix I.
- <sup>4</sup> See VS, para 1, as reflected in Commission Recommendation (EU) 2025/1710, Appendix I and Directive (EU) 2026/470, Recital 23.
- <sup>5</sup> See EU Website for the consultation, [have your say](#). The deadline will be 03 June 2026.



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