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EACB comments on the European Commission's consultation on its draft delegated regulation establishing Sustainability Reporting Standard for Voluntary Use (VS) by undertakings protected by the value chain cap

European Association of Co-operative Banks (EACB) welcomes the Sustainability Reporting Standard for Voluntary Use (VS) as a significant step toward a more proportionate ESG data framework for undertakings outside the mandatory CSRD scope, which will crucially help reduce fragmented information requests and standardise the sustainability dialogue between SMEs and the banking sector. To ensure its practical success and legal certainty, several targeted adjustments are essential. First, the operational application of the framework and the Value Chain Cap should be fully possible from the exact date of entry into force to prevent an unintended regulatory vacuum. Second, the extensive use of conditional disclosure categories should be replaced by clear, objective applicability thresholds to avoid interpretative challenges for smaller entities. Furthermore, to support banks' own regulatory obligations, the framework should encourage basic disclosures for entities near biodiversity-sensitive areas and facilitate decision-useful Scope 3 metrics. Third, the critical clarification that the Value Chain Cap applies exclusively within a CSRD context – and does not limit data requests for prudential, supervisory, or credit financing purposes – should be anchored directly within the enacting terms rather than the non-binding recitals.

General Observation

The EACB welcomes the Sustainability Reporting Standard for Voluntary Use (VS) as an important step towards a more proportionate and practicable framework for sustainability data. Compared to the Voluntary Sustainability Reporting Standard for SME(VSME) recommendation, the structure and the reduced complexity of the VS improve usability and legal clarity for undertakings applying the standard. From the perspective of legal certainty and practical implementation, it should also be ensured that the use of the VS, including the application of the Value Chain Cap, is possible as of the date of entry into force of this Regulation. Otherwise, undertakings and counterparties could face a period in which the framework formally applies, while important proportionality mechanisms such as the Value Chain Cap are not yet operationally available. From the perspective of financial institutions, the voluntary standard can contribute to improve the availability, consistency and comparability of ESG-related information for undertakings outside the scope of mandatory CSRD reporting. The framework may therefore help to reduce fragmented information requests and support a more standardised sustainability-related dialogue between undertakings and financial institutions.

With regard to proportionality, the threshold currently set at 10 employees appears low in light of the objectives of the standard. In practice, very few companies of this size are likely to engage in sustainability reporting, even on a voluntary basis, given their limited resources. Moreover, this threshold appears inconsistent when compared with other key reference points within the framework, notably the 1000-employee threshold used to limit value chain information requests. In this context, it might be necessary to consider an

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upward revision of the proportionality threshold which would better reflect the realities of the economic landscape and ensure a more appropriate alignment between the requirements of the standard and the capacities of the companies concerned.

Complexity of the datapoint structure

The structure of the datapoints is characterised by multiple layers of interpretation and classification. The coexistence of different datapoint categories, the use of qualifiers such as "if applicable", "necessary", "necessary if" and "voluntary", as well as the distinction between "shall" and "should" requirements within individual datapoints, significantly increases the complexity of the standard.

Such an approach makes the framework difficult to understand and apply, particularly for SMEs and mid-sized companies, which often lack dedicated resources and expertise in sustainability and non-financial reporting. The cumulative effect of these concepts creates an unnecessary compliance burden and increases the risk of inconsistent interpretation and implementation. In a voluntary framework, such a level of sophistication appears disproportionate and may hinder the adoption of the standard.

A simplification of the overall architecture, in particular through a reduction in the number of categories and a limitation of complex normative wording, would therefore be desirable.

Clarification of "necessary if applicable" needed

At the same time, some aspects of the revised framework may still benefit from additional clarification. In particular, the extensive use of conditional disclosure categories such as "necessary if applicable" may create interpretative challenges for undertakings, especially for smaller entities with limited sustainability reporting experience. In some cases, it may remain unclear under which circumstances a disclosure is considered applicable and which thresholds or criteria should be used by undertakings when making this assessment. The case of water consumption provides a clear illustration. The standard requires disclosure only where water consumption is considered "significant", without providing any clear definition of what constitutes "significant". Further clarification or practical guidance on the conditions for applicability would not increase the reporting burden but rather help ensure a consistent and transparent application of the framework and reduce the risk that relevant information is omitted based on diverging interpretations of "non applicability". This could improve consistency, comparability and legal certainty while maintaining the proportionality objective of the framework.

Data points covered by value chain cap

Furthermore, the new categorisation of datapoints ("necessary", "necessary if applicable", etc.) has reduced the number of datapoints previously assumed to be covered by the value chain cap (Basic and Comprehensive Module), as only the datapoints labelled as "necessary" for the respective company size (< or ≥ 10 employees) are now part of the cap. While the EACB recognises the proportional objective of the VS framework, Scope 3 emissions remain highly relevant for financial institutions, including in the context of their own sustainability reporting obligations under the CSRD/ESRS framework, financed emissions methodologies and climate-related disclosures and ESG reporting. As financed emissions typically represent a significant share of banks' climate-related impacts, a

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certain degree of consistency and comparability regarding material climate-related information, including relevant Scope 3 information, remains important. At the same time, the determination of Scope 3 emissions continues to involve practical challenges related to data availability, data quality and methodologies, particularly for smaller undertakings. Against this background, EACB would welcome further consideration of how the framework can facilitate the availability of decision-useful and proportionate Scope 3-related information, while preserving the overall proportionality, usability and practicability of the framework.

Biodiversity

The EACB also acknowledges the efforts to simplify biodiversity-related disclosures and reduce methodological complexity compared to earlier VSME drafts. At the same time, biodiversity and nature-related information is gaining increasing importance for financial institutions, including in light of ESG reporting requirements that apply to banks themselves.

While proportionality should remain a core principle of the framework, voluntary biodiversity-related reporting where such information is material could still provide important input for sustainability-related portfolio assessments and disclosures in a CSRD context. Against this background, it is regrettable that the revised framework substantially reduces the granularity of biodiversity-related datapoints. In particular, undertakings with sites or locations in or near biodiversity-sensitive areas could be encouraged to report relevant information on a voluntary basis (data point B5-33 - disclose the number and area (in hectares) of sites owned, leased, or managed in or near a biodiversity sensitive area). In addition, information relating to land use and land exploitation, previously required under datapoint B5 paragraph 35, enables the assessment of meaningful environmental impacts. Their removal may result in an incomplete understanding of environmental issues.

Scope of value chain cap

The EACB also welcomes the clarification that the value chain cap applies exclusively in the context of sustainability reporting obligations under the CSRD framework. The value chain cap should not apply to sustainability-related information requests under prudential, supervisory, risk management, or financing purposes. While the clarification regarding the scope of the value chain cap is appreciated, it is regrettable that this key guidance is included only in the recitals rather than being anchored in the enacting terms, where it would provide stronger legal certainty and send a clearer signal to all stakeholders.

It should also be acknowledged that the VS is intended as a proportionate transparency framework rather than a comprehensive prudential ESG risk management standard. Sustainability reporting and prudential risk management pursue different objectives and therefore require different levels of granularity, methodologies and forward-looking analyses.

Consequently, while the VS may serve as an important baseline for sustainability-related information, financial institutions may still require additional company-, sector- or asset-specific data to meet their own sustainability reporting requirements, supervisory

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expectations, portfolio steering, climate and nature-related assessments, or individual financing decisions.

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