



Sustainability Disclosure and Assurance in Europe: What it Means for SMPs

European Federation of Accountants and Auditors for SMEs

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This article examines the European data from the IFAC and AICPA & CIMA's benchmarking of global practice in sustainability disclosure¹ and assurance as published in the [State of Play series](#). Trends in sustainability reporting and assurance practices in Europe are identified, compared with global trends, and briefly discussed. While the findings help identify relevant trends and offer a solid qualitative foundation for studying sustainability practices in Europe, it is important to note that the sample analyzed, consisting of large, exchange-listed companies in 13 countries - 9 European Union (EU) Member States, Norway, Switzerland, Turkey and the UK., remains limited in terms of overall representativeness. Therefore, to draw more robust and generalizable conclusions, further investigation will be necessary as more data becomes available and the scope of responses expands, particularly in light of emerging regulatory and standardization changes. Trends in sustainability reporting and assurance practices in Europe are identified, compared with global trends, and briefly discussed. The article considers the outlook, including upcoming changes in regulation and standards. And finally, the article looks at what this all means for small- and medium-sized accountancy practices (SMPs): what role can they play in the sustainable transition of small- and medium-sized enterprises (SMEs).

Overview Europe Versus Global Averages

Table 1: Europe versus Global Averages (% of Companies)

All figures are % of companies ²	2019		2020		2021		2022	
ESG Reporting Companies	Europe	91	Europe	93	Europe	95	Europe	99
	Global	91	Global	92	Global	95	Global	98
Rate of ESG Assurance	Europe	54	Europe	62	Europe	68	Europe	75
	Global	51	Global	59	Global	64	Global	69
Assurance Provided by Audit Firms	Europe	69	Europe	72	Europe	75	Europe	82
	Global	63	Global	61	Global	57	Global	58

Source: Global data extracted and Europe data calculated from [State of Play series](#), IFAC

One can see from Table 1 that globally³ level nearly all companies reviewed report at least some ESG information. Furthermore, an increasing majority of companies obtained assurance on at least some of that ESG information. The four-year trend analysis indicates that while the frequency of reporting ESG information is relatively high, there continues to be a meaningful difference between reporting and assurance rates. While most assurance is being provided by audit firms, over time an increasing proportion of assurance is being provided by other assurance providers.

In Europe the reporting situation was broadly comparable to the global picture. Almost all companies reported at least some ESG information in 2022. However, in Europe a significantly greater proportion of companies, 75% versus 69% globally, obtained assurance on at least some of that ESG information. This is perhaps not surprising since the [Non-financial Reporting Directive \(NFRD\)](#), predecessor to the [Corporate Sustainability Reporting Directive \(CSRD\)](#), that took effect in 2014 included an option for Member States to require that the non-financial

¹ IFAC's report, and this article, use the terms ESG and sustainability interchangeably.

² To nearest whole percent.

³ 1,400 companies from 22 jurisdictions (G20, Spain, Singapore and Hong Kong, S.A.R.).



information be verified by an independent assurance services provider and some Member States made use of this option in their national law.

A key difference between Europe and the global picture is in relation to who provides the assurance on ESG information. In Europe the vast majority (82%) of assurance on ESG information is provided by audit firms: this proportion has been rising steadily over the period 2019-2022 from 69% in 2019 to 82% in 2022 and in 2022 is much higher than the global average of 58%.

One can only speculate on why audit firms are more dominant in Europe compared with elsewhere. One possible reason is that ESG reporting is more mature and broad-based, spanning all aspects of ESG, and as such only audit firms are equipped to provide high quality assurance. Furthermore, audit firms enjoy significant efficiencies and economies of scale in this regard since they already have considerable knowledge of the client gained through the audit work. Another possible reason is that in some non-European countries, such as the US, different approaches to regulation have enabled other assurance providers to gain a strong foothold in this area, especially GHG assurance.

European Country by Country Comparisons

As one can see from Table 2 there has been a steady rise in ESG reporting by companies across all European countries, both EU Member States and non-EU countries, from 91% in 2019 to 99% in 2022. Rates of reporting in Ireland, Romania and Turkey started with the lowest rates of reporting in 2019 but by 2022 had practically caught up with large EU Member States.



Key Findings: Europe vs Global



ESG Reporting

Almost all companies reported at least some ESG information in 2022, with Europe broadly comparable to the global picture.



ESG Assurance

In Europe, a significantly greater proportion of companies (75% vs 69% globally) obtained assurance on at least some ESG information.



Assurance Providers

In Europe, the vast majority (82%) of assurance on ESG information is provided by audit firms, much higher than the global average of 58%.



Trend

The proportion of assurance provided by audit firms in Europe has been rising steadily from 69% in 2019 to 82% in 2022.



In 2022 almost all companies publish sustainability reports, and this is before the Corporate Sustainability Reporting Directive (CSRD) starts phasing in mandatory reporting and assurance from 2025 (for financial periods ending in 2024) for large and listed EU companies.

The rate of ESG assurance across Europe has increased sharply from 54% in 2019 to 75% in 2022. In 2022 all companies in France, Italy and Spain had assurance over some of their ESG information. The rates of assurance in 2022 were much lower in Belgium (64%), Ireland (56%), Poland (42%), Romania (21%) and Turkey (61%) but the rate of assurance in these countries has grown sharply over the period 2019-2022. Romania started from a low of 6% and rose to 21%, a threefold increase.

The trend data also reveals that sustainability assurance is increasingly being provided by audit firms, often the same firm as their statutory auditor, rising from 69% in 2019 to 78% in 2022. In France, Italy and Norway audit firms dominated the market in 2022, performing all the assurance: Germany was not far behind on 96%. Ireland and the UK stand out as assurance markets in which firms other than audit firms provided a majority on the assurance with little sign of audit firms increasing their market share over the period 2019-2022. Sweden shows signs of audit firms losing some market share with audit firms providing 92% of assurance in 2022 compared with 100% in 2019. Over the four-year period audit firms have significantly increased their market share in Poland (from 43% to 70%), Romania (0% to 80%) and Switzerland (from 50% to 74%).

One can only speculate on why audit firms are more dominant in some European countries compared with others. One possible reason is differences in the level of maturity of the market and the strength of the accountancy profession in older EU Member States. Another possible reason is that in some non-EU countries, such as the UK and Switzerland, different approaches to regulation has enabled other assurance providers to gain a strong foothold in this area, especially GHG assurance.

Outlook

The advent of the [Corporate Sustainability Reporting Directive \(CSRD\)](#) means that sustainability reporting, and assurance of that reporting, by large and listed companies across the EU and in neighboring European countries looks set to become pervasive in the next 3-5 years. Hence, we can expect rates of reporting and assurance to continue to grow and to converge on 100%. As for whether audit firms, especially the larger ones, will continue to dominate the market for ESG assurance, that rather depends on whether EU Member States open the market to other independent assurance providers, an option allowed in the CSRD. Few countries appear to have chosen this option, allowing audit firms to tighten their grip on the assurance market.

Audit firms presently dominate the market for statutory audit. Their wide experience in assurance gives them a head start as ESG assurance widens in scope from narrow specialist assurance, such as for GHG emissions, to broad based assurance spanning all sustainability matters. The vast majority of sustainability assurance that is performed by audit firms is done in accordance with [International Standard on Assurance Engagements \(ISAE\) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information](#).

Moreover, in 2026 the European Commission plans to adopt a Delegated Act on sustainability assurance. It looks likely this will be based on the recently approved [International Standard on Sustainability Assurance \(ISSA\) 5000, General Requirements for Sustainability Assurance](#) (indeed, recently published CEAOB [Guidelines on Limited Assurance on Sustainability Reporting](#) conform closely to ISSA 5000). Audit firms are much more familiar with the financial statement equivalents, International Standards on Auditing (ISAs), of the ISSA 5000 than other independent assurance providers including SMPs that presently do not conduct audits.

The CSRD and the [European Sustainability Reporting Standards \(ESRS\)](#), that determine with a high degree of granularity the form and content of the sustainability reporting under CSRD, have significant ramifications for



sustainability reporting and assurance by SMEs. The reason is that of value chain reporting whereby companies that are required to report may need to include information in relation to entities in their value chain. This is described in ESRS as follows:

Value Chain

Reporting undertaking and value chain

“The information about the reporting undertaking provided in the sustainability statement shall be extended to include information on the material impacts, risks and opportunities connected with the undertaking through its direct and indirect business relationships in the upstream and/or downstream value chain (“value chain information”). In extending the information about the reporting undertaking, the undertaking shall include material impacts, risks and opportunities connected with its upstream and downstream value chain.”

Source: [ESRS 1 General Requirements](#)

The consequence of value chain reporting is that potentially hundreds of thousands of European non-listed SMEs, that are in the value chain of large or listed companies that are obligated to report under the CSRD, will increasingly be asked for information from those companies. In addition, finance providers, notably banks who provide the majority share of finance to SMEs, will increasingly demand similar information to fulfill their reporting obligations and manage sustainability-related risks. It is also worth highlighting the fact that the relationship between financial institutions and sustainability reporting has evolved significantly in the past decade. Financial institutions have come to realize the importance of integrating ESG criteria into their investing and lending decisions. For example, in 2015, while Governor of the Bank of England, Mark Carney pointed out that climate change was one of the main issues and challenges for financial institutions (Carney, 2015). Increasing concern about climate change and sustainability has prompted financial institutions to carefully consider ESG factors in the assessment of risks and opportunities.

The European Commission (EC) and EFRAG have recognized this and, to avoid SMEs having to respond to a multitude of ad hoc information requests in the form of questionnaires etc., have developed a sustainability reporting standard for voluntary use by non-listed SMEs ([ESRS VSME](#)). The standard, which is also expected to help drive improved sustainability performance as well as help attract customers and employees, was approved by the EFRAG Sustainability Reporting Board in November 2024 and [submitted to the European Commission](#) on 17 December 2024 ([educational videos](#) were released the next day). The ESRS VSME is expected to be published and endorsed, or recommended for use, by the EC in early 2025. It is likely many SMEs will choose to prepare sustainability reports based on the ESRS VSME and many SMEs will seek the assistance of their preferred advisors and accountants, often SMPs.

Eventually we may see assurance being provided on these sustainability reports prepared using the ESRS VSME. Large companies in the value chain or banks providing finance may ask for assurance either for the sake of reliability or else to meet the requirements of their sustainability reporting assurance provider. Indeed, there are already signs of this happening.

In sum, we can expect an exponential rise in the amount of sustainability reporting and assurance over the coming few years. Much of the additional assurance looks set to be done by audit firms, mainly large ones. In the next section we look at the prospects for SMPs.

Table 2: European Country by Country Averages (% of Companies)

All figures are % of Companies ¹	ESG Reporting Companies				Rate of ESG Assurance				Assurance Provided by Audit Firms			
	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022
Belgium	92	92	92	100	43	52	57	64	80	83	85	83
France	100	100	100	100	96	98	98	100	98	98	98	100
Germany	94	94	99	100	63	70	74	85	94	95	96	96
Italy	98	98	100	100	73	90	94	100	97	98	100	100
Ireland	68	72	76	100	18	28	42	56	33	20	33	35
Norway	100	100	100	100	40	64	72	72	90	94	84	100
Poland	96	100	100	96	29	29	28	42	43	43	43	70
Romania	64	76	88	96	6	11	18	21	0	50	75	80
Spain	96	98	98	100	85	86	94	100	93	93	98	85
Sweden	100	100	100	100	96	100	100	96	100	100	96	92
Switzerland	100	100	100	100	60	68	72	88	50	47	59	74
Turkey ¹	72	82	88	98	33	44	52	61	62	67	69	57
UK	99	98	99	100	55	68	82	84	53	42	36	42
Average Europe (n=13)	–	91	93	99	54	62	68	75	69	72	75	78
Average EU (n=9)	–	90	92	99	57	63	67	74	71	76	80	82

Source: Country data extracted from [State of Play series](#), IFAC

The Role of SMPs in Sustainable Transition of SMEs

In this section we consider the implications of the foregoing on SMPs. What role do they stand to play in the sustainable transition of SMEs – advising on sustainability, preparing sustainability reports and performing assurance on sustainability reporting?

An EFAA research paper, [The Role of Small- and Medium-sized Practices in the Sustainable Transition of Small- and Medium-sized Enterprises](#), that analyses the findings from a survey questionnaire of 37 SMP experts, provides some useful insights. The paper’s conclusions include:

- SMPs will play a key role in enabling the sustainable transition of SMEs through their provision of sustainability services.
- SMPs stand ready to fulfil this emerging role but will need significant reskilling to fulfil this role properly.
- SMPs are confident they can transfer the skills they have acquired through their education and training and experience.
- Until such time as they develop the skills necessary large accounting firms will mainly provide these sustainability services.
- SMPs will need to be made aware of, encouraged to adapt, and provide practical support to realize the opportunity to offer sustainability services.
- A key competency in the future will be the ability to anticipate trends and advise clients on the implications of those trends.
- Close client relationships mean SMPs are well-positioned to offer services tailored to meet needs of SMEs

The sustainability service that looks likely to offer the greatest opportunity is the preparation of sustainability reports using ESRS VSME by non-listed SMEs. It is likely many SMEs will look to SMPs, especially those that presently prepare their financial reports and taxation services. Table 3 sets out the steps SMPs need to take to prepare themselves to offer these new services. One might add that SMPs need to also ‘walk the talk’ or lead by example – that is, be sustainable themselves so that they learn from doing and can be authentic and persuasive when promoting sustainable services to SMEs.



The Role of SMPs in Sustainable Transition of SMEs

Key Role

SMPs will play a crucial role in enabling the sustainable transition of SMEs through their provision of sustainability services.

Reskilling Needed

SMPs need significant reskilling to properly fulfill their emerging role in sustainability services.

Transferable Skills

SMPs are confident they can transfer skills acquired through education, training, and experience to sustainability services.

Opportunity

Preparation of sustainability reports using ESRS VSME by non-listed SMEs offers the greatest opportunity for SMPs.



Table 3: Steps SMPs Can Take to Prepare

Nominate someone to lead

Discuss with clients

Determine what capabilities and expertise are needed

Build in-house or buy in capabilities and expertise

Leverage the benefits of sustainability service

Helping clients get started

Source: [Sustainability Reporting Assurance - How SMPs Can Build the Capacity to Support SMEs](#)

The involvement of an external professional accountant – who can boast that they use standards set in the public interest, including quality management, ethics, and independence - may eliminate the need for any specific and additional assurance on the information. The primary users of the information, specifically large companies in the value chain or banks providing finance, may be satisfied as to the reliability of the information where an accountant, with public recognition, has participated in its preparation. If something more is needed, short of assurance, then the SMP might offer an agreed upon procedures engagement using [ISRS 4400 \(Revised\), Agreed-Upon Procedures Engagements](#).

Concluding Remarks

Europe is about to witness the imminent and sudden transition from voluntary to mandatory requirements for reporting and assurance. In 2025 tens of thousands of large and listed companies will publish comprehensive sustainability reports that have been subject to limited assurance. And many thousands more of non-listed SMEs, outside the direct scope of the CSRD but in the value chain of those large and listed companies, will be expected to provide sustainability information. Professional accountants in general will play a key role in enabling high quality sustainability reporting and assurance. And SMPs, who are SMEs themselves albeit from the accountancy sector, will play a vital role in enabling high quality sustainability reporting by non-listed SMEs. Indeed, if we want SMPs to play a significant part in the sustainable transition we must give them the tools, the trust, and the public recognition to continue working with their SME clients as they have been doing so far. Finally, it is worth noting that global convergence in sustainability reporting and assurance is desirable it is highly complex and difficult to achieve. Nevertheless, we recommend adopting a pragmatic approach based on the interoperability of standards, promoting dialogue and cooperation between regulatory bodies, companies and governments, while recognising the vital role of profession must play in the development, adoption and implementation of the standards.

Resources for SMPs

CEAOB

[Guidelines on Limited Assurance on Sustainability Reporting](#), September 2024

European Commission

[Frequently Asked Questions on the Implementation of the EU Corporate Sustainability Reporting Rules](#), August 2024

EFAA for SMEs

[The Role of Small- and Medium-sized Practices in the Sustainable Transition of Small- and Medium-sized Enterprises](#), July 2023

[Statement on SMEs and Sustainability: Sustainability is Good for Small Business](#), (with ESG), November 2024

[Sustainability Reporting - How SMPs Can Build the Capacity to Support SMEs](#), EFAA for SMEs, September 2023 (to be updated early 2025)

[Sustainability Reporting Assurance - How SMPs Can Build the Capacity to Support SMEs](#), EFAA for SMEs, April 2023 (to be updated early 2025)

[Sustainability Recommended Reading](#)

EFRAG

[European Sustainability Reporting Standards \(ESRS\)](#) (sector agnostic Set I published in July 2023 and sector standards now under development)

[Voluntary Sustainability Reporting Standard for Unlisted SMEs](#) (ESRS VSME) (final standard to be published in early 2025)

[ESRS VSME educational videos](#), December 2024

GRI

[CSRD Essentials](#), May 2024

IFAC

[Small Business Sustainability Checklist](#), November 2023 (online version under development)

IAASB

[International Standard on Sustainability Assurance \(ISSA\) 5000, General Requirements for Sustainability Assurance](#), January 2025

IESBA

[The International Ethics Standards for Sustainability Assurance \(including International Independence Standards \(IESSA\)\)](#), January 2025