

EFAA for SMEs contribution to the Consultation Document Proposal for an Initiative on Sustainable Corporate Governance

EFAA for SMEs welcomes the Commission's consultation on a [Proposal for an Initiative on Sustainable Corporate Governance](#). This initiative supports the EU Green Deal and the Commission's COVID-19 Recovery Plan. EFAA for SMEs supports the objective of further embedding sustainability into SMEs' objectives and management and believes in encouraging businesses to take into account the environmental impact (including on the climate and on biodiversity) of their business decisions as well as social, human, and economic factors.

EFAA for SMEs also agrees that good corporate governance is vital for businesses, as it protects both the future of businesses and the interests of their owners and investors. Good governance is equally relevant and important for organizations of all sizes, irrespective of their legal structure or size. Indeed, some of the most significant gains from good corporate governance are to be had by small- and medium-sized entities (SMEs).

However, it is to be noted that currently existing corporate governance frameworks and guidelines have been developed only for large, listed companies. They are thus not designed to meet the needs and capabilities of SMEs. This must be avoided with sustainable corporate governance. An EU framework for sustainable corporate governance cannot consider only the needs and capabilities of larger corporations as its requirements, if applicable to the supply chain without any adaptation, will also directly impact SMEs and potentially create significant problems, insofar as they would impose a disproportionate administrative burden. Furthermore, SMEs are constantly evolving and heterogeneous businesses, so any corporate governance framework has to be designed so as to remain adaptable and flexible.

Therefore, EFAA for SMEs underlines the necessity to make sure that any new EU legal framework which is developed for businesses be adapted to the specificities of SMEs. The use of the "think-small first" principle and smart regulation should guide the European Commission in every assessment in this respect.

Member States should also actively engage in strengthening education and training with respect to sustainability and should entrust Professional Accountancy Organisations with achieving these objectives. Access to high-quality and trusted professional advisors should also be ensured.

EFAA for SMEs highlights the key advisory role that small- and medium-sized accountancy practices (SMPs) play in guiding and serving their SME clients. This role covers not only traditional accountancy and tax matters but extends to the entire range of their SME clients' activities and business life, including corporate governance, and thus contributes to the development and realisation of a long-term vision. SMPs are the main advisors of SMEs and their advice is trusted and respected. Therefore, the important role the accountancy profession in general, and SMPs in particular, can play in advocating the importance and use of sustainable governance can only be emphasized. EFAA for SMEs invites the European Commission to recognise key role the accountancy profession plays in business and society through the professional services it delivers to SMEs. This role, and the quality of these services, are the result of regulated, high-quality, and continuous professional education and training together with adherence to high ethical standards.

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