

EFAA for SMEs welcomes the EC proposal Corporate Sustainability Reporting Directive (CSRD)

Representing the voice of SMPs in Europe, EFAA for SMEs has been leading the debate on NFR for SMEs culminating in our [responding](#) to the EC consultation and the accompanying [position statement](#) in June 2020. EFAA for SMEs welcomes the proposed CSRD as it closely aligns with our position. Going forward, EFAA, in concert with its member organizations and in its capacity as an active and longstanding member of EFRAG, will do all it can to help EFRAG develop sustainability reporting standards tailored to the needs and capacities of SMEs. And EFAA will help prepare Small- and Medium-sized Practices (SMPs) for the vital role of helping advise SME clients on sustainable practices and preparing their sustainability reports just like they do their financial reports.

Therefore, EFAA for SMEs congratulates the European Commission (EC) for proposing the [Corporate Sustainability Reporting Directive \(CSRD\)](#). As the [press release](#) and [Q&A](#) explain the proposal is part of a raft of measures [announced](#) to support the EU Green Deal and to steer finance towards more sustainable activities. The proposal demonstrates that the EU is wholly committed to achieving a sustainable economy and recognizes that sustainability reporting is instrumental to realizing this goal. And globally the CSRD places Europe at the forefront of the sustainability reporting agenda.

Furthermore, EFAA for SMEs recognizes that SMEs are increasingly facing requests for sustainability information – often from those that lend them money and large companies that buy their products and services – and anticipates that collecting and sharing sustainability information will become common business practice for companies irrespective of size. Accordingly, we welcome the proposal to develop separate, proportionate standards for SMEs. SMEs listed on regulated markets will be able to use these simpler standards to meet their legal reporting obligations, while non-listed SMEs could choose to use them on a **voluntary** basis. The CSRD promises that these standards will be carefully adapted to the capacity of SMEs, making it easier for SMEs to report information to their stakeholders. In so doing these standards can help SMEs play a full role in the transition to a sustainable economy.

In particular, we consider that:

- The CSRD will extend sustainability reporting requirements to all large and listed companies such that about 50.000 companies (compared to 11.000 today) will have to report on sustainability. In so doing it greatly elevates the importance and prevalence of non-financial reporting (NFR), sustainability reporting, affording it comparable status to financial reporting. In Europe we can now look forward to companies sharing relevant and reliable non-financial information. This information will drive sustainable decision-making and help ensure the EU meets its commitments to be [climate neutral](#) (net zero) and the [Sustainable Development Goals \(SDGs\)](#).
- The CSRD is also responsive to the needs and capacities of small- and medium-sized entities (SMEs) that are the mainstay of the EU economy and society. As the [Q&A](#) explains the proposal will **not** put any new reporting requirements on SMEs, except those SMEs with securities listed on regulated markets. In addition, to limit the burden on listed SMEs, they will be allowed to report according to standards that are simpler than the standards that will apply for large companies, these requirements will take effect three years later than large companies and listed micro-enterprises will be excluded from the requirement.
- The CSRD foresees the adoption of EU sustainability reporting standards to simplify the reporting process for companies that are currently under pressure to use different standards and frameworks. The European Financial Reporting Advisory Group (EFRAG), will be responsible for developing these draft standards that will duly be adopted by the Commission.

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EFAA for SMEs, the [European Federation of Accountants and Auditors for Small and Medium-sized enterprises](#), is the umbrella organisation for national accountants and auditors' organisations whose individual members provide professional services primarily to SMEs. EFAA for SMEs has 13 members throughout Europe representing over 350,000 accountants and auditors.

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