

## Call to Action: SMPs Supporting Creation of the Sustainable Economy

### Sustainable EU Economy

The [European Green Deal](#) is the EU's plan to rapidly transition the EU economy to a sustainable one. The aim is to turn climate and environmental challenges - climate change and environmental degradation pose an existential threat to Europe and the world - into opportunities and make the transition just and inclusive for all.

Sustainability is not just about the environment. The [UN Sustainable Development Goals \(SDGs\)](#), which the EU is committed to, defines sustainability as “a commitment to eradicate poverty and achieve a sustainable world by 2030 and beyond, with human well-being and a healthy planet at its core.”

Small- and medium-sized enterprises (SMEs) collectively account for a significant, if not majority, share of environmental and social impacts by private sector business. Consequently SMEs, and the small- and medium-sized accountancy practices (SMPs) that provide professional services to them, stand to play a vital role in making the EU economy sustainable.

This call to action sets out EFAA's views as to how SMPs, with support from their professional accountancy organizations (PAOs), can best contribute to and support the sustainability agenda. It also suggests how standard setters and regulators can facilitate and promote this role.

### Role of SMPs in Sustainability

SMPs can support the creation of a sustainable EU economy in the following ways:

1. *Advise on Sustainable Business Practices* – SMPs can encourage and advise their clients on how they can adopt sustainable business practices and improve their sustainability performance. This advice may include how to reduce carbon footprint and how to comply with health, safety, and environmental regulation. If they are to provide such advice to clients, then SMPs themselves need to ‘practice what they preach’ by adopting such practices themselves.
2. *Adopt Sustainable Business Practices* – SMPs themselves have a responsibility to change their way of working so that they become more sustainable. Hence, they need to embrace sustainable business practices. Such practices include reducing their carbon footprint and providing a safe and inclusive place to work. Digital technologies can help, for example, remote working can reduce carbon emissions.

3. *Prepare Sustainability Reports* – SMPs have traditionally prepared the financial information and reports, both for management and external reporting purposes, for clients that lack the in-house expertise or capacity to do so themselves. Going forward, SMPs can expect increasing numbers of clients to ask them to also prepare sustainability information and reports.
4. *Provide Assurance on Sustainability Information* – SMPs sometimes provide audit and other forms of assurance on financial information and reports of clients. Going forward, SMPs can expect an increasing number of clients to seek assurance on their sustainability information and reports.

### **Role of PAOs in Sustainability**

PAOs have a responsibility to lead, encourage and help SMPs realise their role in supporting the creation of a sustainable EU economy, as explained above. Professional accountants are the chief stewards of business information and, as such, have both an important responsibility and a transformative opportunity to engage in and lead on improving the quality of sustainability information. And, as the most trusted source of business advice, professional accountants, especially SMPs, have a crucial role advising SMEs on how to transition to a sustainable model.

### **Role of Regulators and Standard Setters**

Regulators and standard setters need to ensure that any regulation and standards relating to sustainability, ranging from those that determine business practice through to reporting and assurance, is proportionate and fair. SMEs and SMPs should not incur disproportionate cost in complying with regulation and standards and should not be placed at a competitive disadvantage as compared to their larger counterparts.

There will be exponential growth in the incidence and depth of sustainability reporting in the coming few years. Moreover, the EU will develop and issue sustainability reporting standards as the basis for this reporting. We welcome the development of separate, proportionate standards for SMEs which SMEs listed on regulated markets will be able to use in order to meet their legal reporting obligations, while non-listed SMEs could choose to use them on a voluntary basis. These SME standards can help SMEs play a full role in the transition to a sustainable economy.

**We recommend that these SME standards be carefully adapted to the capacity and needs of SMEs, making it easier for SMEs to report information to their stakeholders. We also support the robust participation of SMEs and SMPs in the development of these SME sustainability reporting standards.** We recommend that sustainability reports produced in accordance with these standards meet the needs of, and are recognized as sufficient by, those in the value chain of SMEs as well as those providing finance to SMEs. Indeed, it is important to prioritize the standards of SMEs, reduce administrative burdens, and establish mechanisms to encourage the preparation of these reports for SMEs with the advice of SMPs.

Similarly, assurance on sustainability information is expected to increase exponentially in the coming years. Presently, International Standard on Assurance Engagements (ISAE) 3000 Revised, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* is available. **We recommend that any new or revised standards on assurance should be tailored to the need and capacities of SMEs and SMPs.** A simpler standard for assurance on sustainability reports published by SMEs may be necessary. We also recommend that suitably qualified SMPs be allowed to conduct assurance on sustainability information.

Brussels, 19 July 2021

Transparency Register Identification Number: 002077217226-17

EFAA, 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 has 13 members throughout Europe representing over 350,000 accountants and auditors.