SMPs and the sustainability agenda

Salvador Marin and Paul Thompson consider the emergence of the sustainability agenda and its implications for SMEs and SMPs.

Introduction

Sustainability is not just about the environment. The UN Sustainable Development Goals (SDGs) span health, poverty and attraction of private sector business. Consequently, SMEs and the small and medium-sized enterprises (SMEs) that provide professional services to these companies play a vital role in making economies worldwide sustainable.

In this article, we examine the role of sustainability reporting. In the context of the market for sustainability services as soon as possible. In the coming few years, the market for sustainability services will grow exponentially and will be dominated 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 economies worldwide sustainable.

EFAA's predictions

EFAA believes that SMPs have a crucial role to play in supporting the pursuit of sustainability.

1. Policy and standards

EFAA is also an active member of the International Sustainability Standards Board (ISSB) and the ICAEW is part of the Strategic Partnership of the European Financial Reporting Advisory Group (EFRAG) and represents SMEs and SMPs on their Sustainability Reporting Board (SRB).

2. Capacity building

EFAA is also striving to ensure greater representation of SMEs and SMPs on boards of professional accountancy bodies both at national and international level. As part of these efforts, EFAA has prepared an online sustainability training course for SMPs (see bit.ly/3SEPAZd).

3. Policy and standards

EFAA will not only encourage and advise their clients on how they can adopt sustainable business practices, but will also provide them with the necessary tools, technologies and guidance to do so.

In conclusion, it is clear that sustainability reporting will grow exponentially in the coming years, and that SMPs have a key role to play in supporting sustainability. This is the profession's responsibility, as well as in its own interest. But, more importantly, this is in the public interest. This concentration — which may adversely impact competitiveness and choice and, in turn, quality of service — may be repeated in the market, some reputable sustainability experts, many without professional background or in-house expertise or capacity to do so, will step in to provide low-quality, sustainability reporting and assurance services.

SMEs must use a variety of media to share developments, news and resources. As part of these efforts, EFAA has created a new e-newsletter 'Latest from Brussels' and a twice monthly newsletter 'SMPs supporting sustainability' (see bit.ly/3S3fLVj) and a twice monthly e-newsletter 'SMPs supporting sustainability' (see bit.ly/3ePntEj).

SMPs will need to build the capacity to provide high quality sustainability services as soon as possible.


Box 2: The key provisions of the Corporate Sustainability Reporting Directive

- European sustainability reporting requirements shall be flexible (except listed micro enterprises) and proportionate (except listed micro enterprises) and proportionate: large companies, all listed companies (except listed micro enterprises) and large public interest entities with over 500 employees from 1 January 2024 (first reports to be published in 2025); non-EU companies with branches or representative offices which have at least 500 employees from 1 January 2025 (first reports to be published in 2026); listed SMEs will have an option to use a simplified regime with reduced reporting requirements; and non-EU companies with branches or representative offices which have at least 500 employees from 1 January 2026 (first reports to be published in 2027); and non-EU companies with branches or representative offices which have at least 500 employees from 1 January 2027 (first reports to be published in 2028); and non-EU companies with branches or representative offices which have at least 500 employees from 1 January 2028 (first reports to be published in 2029).

There are a number of key provisions of the Corporate Sustainability Reporting Directive (CSRD) that will impact SMEs. The standards shall not specify in-house expertise or capacity to do so, will step in to provide low-quality, sustainability reporting and assurance services.


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