

New European Sustainability Reporting Requirements

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**CLOSE TO 1 MILLION
PROFESSIONALS**



**26 EU
MEMBER STATES**



50 INSTITUTES



35 COUNTRIES



What's on the mind of EU policymakers?

“ *Becoming the world's first **climate-neutral** continent ... by 2050* ”



EU Green Deal

Key figures

The first climate-neutral continent by 2050

At least **55% less** net greenhouse gas emissions by 2030, compared to 1990 levels

3 billion additional trees to be planted in the EU by 2030

Source: European Commission

CSRD

...fundamental for the EU Green Deal's objectives

- *Main aim: transformation of business models*
- *Via European Sustainability Reporting Standards: **measure and report***
- *Sustainability assurance*

Why is sustainability critical for SMEs?



- 5 key sustainability challenges/expectations for SMEs:
 - Importance of immediate (climate) action
 - Expectations from consumers, employees, new generations
 - Legislation
 - **Access to finance**
 - **Value chain requirements**

Our work to support SMEs and SMPs



HIGHLIGHTS

As the [backbone](#) of the European economy, SMEs are increasingly in the centre of the focus on sustainable transition.¹

This is because the relationship between SMEs and sustainability is increasingly interdependent, and it is no longer possible to ignore the impact of sustainability discussions on SMEs' business and markets. The sustainable transition needs the involvement of SMEs, while long-term resilient SME success cannot be achieved without the integration of sustainability considerations into their business strategies.

Thinking about sustainability can feel overwhelming for many small businesses that deal with everyday challenges and business survival, especially given the current unprecedented COVID-19 crisis (see our publication [COVID 19: 5 key steps for accountants to guide SMEs through the crisis](#)). Yet, the pandemic has demonstrated the urgent need for more resilient and sustainable business



WHAT IS THE 3-STEP SUSTAINABILITY ASSESSMENT?

Many small and medium-sized enterprises (SMEs) are busy with the day-to-day business. It can be daunting for them to prioritise their business' sustainable transition. This sustainability assessment checklist helps SME accountants and advisors encourage clients to build their sustainability profile. It can be the first step to enable a SME to develop sustainable business models and translate these challenges into new opportunities.

This checklist follows-up on our publication [SME risk management: sustainability](#) and encourages users to adjust it according to evolving sustainability related developments, partners' and authorities' expectations, and different SMEs' needs¹.



HIGHLIGHTS

The sustainable transition is a collective effort and a matter for society as a whole. SMEs, as the backbone of Europe's economy, also have a key role to play. The transition poses challenges, but also offers opportunities. However, it can feel daunting to get started and to imagine how the sustainable transition affects the business, even before being fully informed.

This paper presents 5 first steps an SME can take to begin their sustainable journey. It is vital to initiate the process, even with small steps, and gradually start preparing the business for what lies ahead.

INTRODUCTION

Small and medium-sized enterprises (SMEs) are facing growing pressures and expectations to make their businesses more sustainable¹, and start reporting on their sustainability performance. Simultaneously, they are presented with new prospects, such as green finance and meeting consumer demands, which can bring about favourable business opportunities.

Some SMEs are already proactively taking steps to adapt their businesses. However, at the same time, many SMEs and their advisors are unsure about the expectations to meet and what standards or criteria to follow. Moreover, some sustainability matters may be more relevant for certain SMEs than others.

This paper suggests to SMEs and their advisors 5 initial steps any SME can take to begin their sustainability journey. It also describes general stages of the sustainable transition journey to enable SME owners to assess where they currently stand regarding sustainability.

The paper has been prepared in collaboration with [Accountancy Europe](#), [Ecopreneur.eu](#) – the European Sustainable Business Federation, and supported by the [European Association of Co-operative Banks \(EACB\)](#). It has also been informed by interviews with small and medium-sized accountancy practitioners (SMPs) from around Europe, offering sustainability services for SME clients.

SMES' SUSTAINABLE TRANSITION STAGES

Some SMEs are already more sustainable than large companies operating across the globe. Yet their full participation in the collective sustainable transition effort is pivotal.

Preparing for a sustainable transition can be a demanding task for many SMEs. Even businesses aware of the need to transition and plan to act early on can wonder where to begin. Sustainability needs to become central to how an SME thinks about every aspect of the business (often referred to as "integrated thinking"). That is why this section outlines 5 general stages of sustainable transition. This should enable businesses to assess where they stand and where they should start.

¹Sustainability means meeting the needs of the present without compromising the ability of future generations to meet theirs. It is often broken down into three

INSIGHTS FROM SME ACCOUNTANTS: PRACTITIONERS HELP SMES GO GREEN BY JESPER ESMAN ANDERSEN, ROESGAARD

Category
tag



Jesper Andersen is an accountant in a medium-sized accounting firm in Horsens, central Denmark. For over 40 years, the practice has been supporting its diverse SME client base– ranging from 1-employee businesses to EUR 250 million turnover medium-sized companies. Last year, it opened a new service line: sustainability.

Accountancy Europe Sustainability Education Hub

Accountancy Europe webpage to showcase members' initiatives on sustainability education

LAST UPDATED: MARCH 2022
SCOTLAND – ICAS




LAST UPDATED: FEBRUARY 2022
SPAIN – ICFE




LAST UPDATED: MARCH 2022
SWEDEN – FAR



LAST UPDATED: MARCH 2022
UK – AICPA & CIMA



LAST UPDATED: DECEMBER 2022
UK – ICAEW



11 September 2022
SUSTAINABILITY EDUCATION MEMBERS' INITIATIVES

Category: [Good Governance & Sustainable Society](#)

Reporting & Transparency

Has: [Education / Certification](#) [Future Work / Research](#) [Company and Investor](#) [Accounting / Finance](#)

Future Consideration: [Non-financial Reporting](#) [Non-financial Reporting](#)

Sustainability: [To Share the Story](#)

On 11 June 2022, ICAEW and CIMA signed an agreement on the UK's first Sustainability Reporting Directive (SRD). The new law will require listed companies to disclose their ESG performance to investors and other stakeholders, which is a sustainability education initiative.

The UK's first Sustainability Reporting Directive will require listed companies to disclose their ESG performance to investors and other stakeholders. They will have to provide the necessary financial and practical knowledge on the subject. The report will include the following information: the company's ESG performance, the company's ESG strategy, the company's ESG risks, and the company's ESG opportunities. The report will also include the company's ESG performance compared to its peers and the industry. The report will be published on the company's website and made available to investors and other stakeholders. The report will be published in English and will be available in other languages. The report will be published in a format that is easy to read and understand. The report will be published in a format that is easy to read and understand.

LAST UPDATED: MARCH 2022
FINLAND – ST-AKATEMIA



LAST UPDATED: DECEMBER 2022
GERMANY – IDW



LAST UPDATED: JUNE 2022
IRELAND – CHARTERED ACCOUNTANTS IRELAND (CAI)



LAST UPDATED: JUNE 2022
NORWAY – SEVISOR FOREBINDER



Corporate Sustainability Due Diligence Directive

- Published in the EU Official Journal in July 2024
- For large EU companies & non-EU companies active in the EU
- **Take measures (ACTION) to prevent, identify & mitigate any adverse impact on human rights or the environment** in the “chain of activities”
- Sanctions: monetary penalties & civil liability
- 3rd party verification: optional for compliance in supply chain

➔ Reporting obligations under CSRD

- Climate transition plan & report under CSRD



ESG governance for transition

- Societal & Regulatory push for Sustainability - a strategic imperative
 - How can Boards approach sustainability?
 - From duty to report to duty to act/transition
- Format: questions Boards should consider:
 - Themselves
 - Ask others in company functions
- 3 key areas:
 - Business model transformation
 - Aligning governance with sustainability
 - Sustainability information, disclosure & assurance



**ESG GOVERNANCE: QUESTIONS
BOARDS SHOULD ASK TO LEAD THE
SUSTAINABILITY TRANSITION**

CORPORATE GOVERNANCE
NOVEMBER 2023

ESG governance - good practices

- Practical, peer-to-peer, actionable advice to support board members
- Based on input from board members and sustainability experts
- Focus on - HOW to embed sustainability
- Six tips:
 1. Assert your leadership on sustainability
 2. Break down silos
 3. Leverage the executive and senior management team
 4. Consider stakeholders as strategic partners
 5. Use materiality assessment as a strategic tool
 6. Prepare for challenges, trade-offs, and difficult discussions




ESG GOVERNANCE: SIX WAYS FOR BOARDS TO LEAD THE SUSTAINABILITY TRANSITION

Practical insights from experts

Corporate Sustainability Reporting Directive

- 1. SCOPE: listed & large entities** in the management report, **SMEs** via value chain, from 12k to 43k companies
- 2. REPORTING** in accordance with mandatory **European Sustainability reporting standards (ESRS)**
- 3. Digital tagging** of ESRS in accordance with taxonomy
- 4. ASSURANCE => Limited assurance** required, move to **reasonable assurance** later
- 5. EDUCATION => Professional education** and CPD to be adapted to acquire knowledge in sustainability reporting and assurance
- 6. Law transposition in EU Member States to be done by 6 July 2024**

Accountancy Europe's 12 ESRS educational materials



16 February 2024

Dear Members,

Accountancy Europe has responded to your request for support with the education on the 12 European Sustainability Reporting Standards (ESRS). As a reminder, Member Bodies (MBs) discussed during our December 2023 Members' Assembly that Accountancy Europe should prepare materials on this topic in return of a symbolic fee.

We have started working to accommodate this request. You'll find below details on our deliverables and pricing proposals.

ACCOUNTANCY EUROPE'S ESRS EDUCATIONAL MATERIAL

We provide the following materials for each of the 12 standards, which will become available gradually between now and the next 3 months:

1. 1 video recording introduction (total duration of the 12 videos: +/- 3 h)
2. supporting slides that summarise each standard
3. a workbook to help navigate and learn each standard, with tips, notes and questions
4. the separate standards for easy reading

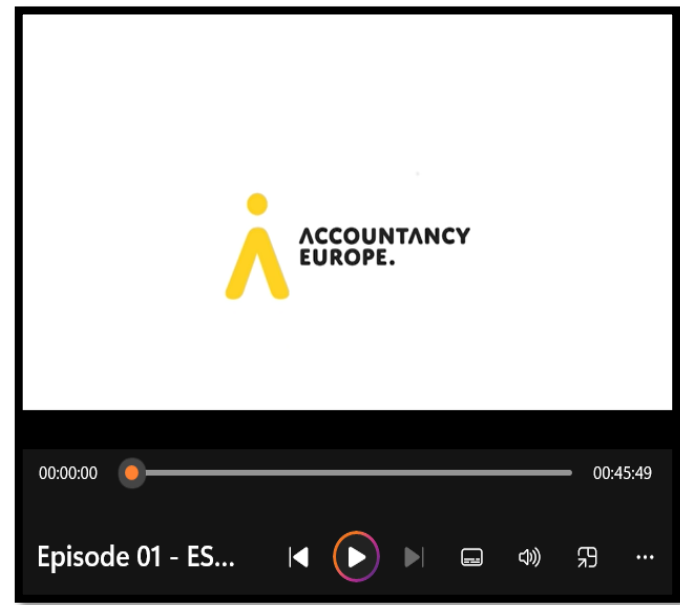
Note: all material is available in English. MBs may translate the video under certain conditions.

Considering MBs' various needs, we offer 2 options:

1. webinars
2. delivery of all the learning materials

1

Video



2

Workbook

3

Separate standard

STRATEGY


E1 - 1
Transition plan for climate action

IF NO TRANSITION PLANS IN PLACE, STATE WHETHER AND WHEN ENTITY WILL ADOPT ONE

UNDERSTAND PAST, CURRENT AND FUTURE MITIGATION EFFORTS THAT ENSURE THE SBM IS "SUSTAINABILITY PROOF"

Disclose:

- how the transition plan is embedded with the overall strategy and financial planning
- if the transition plan is approved by the AMS
- progress in implementing the transition plan
- investments and funding supporting the implementation of the transition plan
- the decarbonisation levers identified, key actions planned, changes to products and service portfolio, adoption of new technologies
- how the targets are compatible with limiting global warming to 1.5°C (Paris Agreement)
- the potential locked-in GHG emissions from key assets and products
- (if applicable) any objective or plans to align economic activities with the Taxonomy criteria
- (if applicable) significant CapEx amounts invested in the reporting period related to coal, oil and gas
- if the entity is excluded from the EU Paris-aligned Benchmarks



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IMPACT, RISKS AND OPPORTUNITY MANAGEMENT


DR related to ESRS 2 IRO-1
Description of the promises to identify and assess related climate-related impacts, risks and opportunities.

E1 - 2
Policies related to climate change mitigation and adaptation.

E1 - 3
Actions and resources in relation to climate change policies.

Minimum disclosure requirements for policies & actions

- MDR-P**
Policies adopted to manage material sustainability matters
- MDR-A**
Actions and resources in relation to material sustainability matters



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Slides

ESRS in practice



EARLY ADOPTERS' CSRD REPORTING

Inspiring reporting practice from reporting year 2023

PwC's Global CSRD Survey 2024

The promise and reality of CSRD reporting



CSRD: assurance requirement

- **Limited assurance requirement**, ultimate goal is **reasonable assurance** (= audit)
- Statutory auditor's opinion on sustainability reporting
 - EU Member States can permit **another auditor** or **independent assurance service provider (IASP)**
- Selection of assurance service provider?:
- Need level playing field:
 - Similar qualification (knowledge + experience)
 - Use same sustainability assurance standard (ISSA 5000?)
 - Same ethical, independence & internal quality management requirements
 - Under same independent public oversight

Carbon Border Adjustment Mechanism (CBAM)



CARBON BORDER ADJUSTMENT MECHANISM (CBAM)

Combatting carbon leakage in the EU

Factsheet

FACTS.

TAX
JANUARY 2024

WHAT IS CBAM?

Duty levied on imported goods



ON WHICH GOODS?



iron, steel, aluminium, fertilisers, cement, hydrogen, electricity, etc.

FROM WHICH COUNTRIES?

Non-EU countries (not currently linked to the EU ETS)



FROM WHAT VALUE?



Consignments whose value are above 150 euros

WHEN & WHAT TO DO?

Now until 31/12/25:
Submit emissions data

From 01/01/2026:
Pay import tax via CBAM certificates



- To create level playing field for non-EU businesses for EU Emissions Trading System (ETS) for GHG emissions
- To avoid EU businesses relocating production / obtaining imports from non-EU countries with lower standards
- To encourage non-EU countries to green their industrial processes / energy generation