

ESBA

Policy Briefing

Sustainability Reporting for SMEs



KEY LEGISLATIVE INITIATIVES

Corporate Sustainability Reporting Directive (CSRD):

- Adoption:** Entered into force on 5th January 2023.
- Purpose:** Strengthens rules on reporting social and environmental information, promoting transparency and accountability.
- Coverage:** Applies to large and listed companies, excluding micro-enterprises.
- Compliance Timeline:** Reporting standards will be implemented between 2024 and 2028, varying by company profile. SMEs have the option to comply until 2028.

European Sustainability Reporting Standards (ESRS):

- Framework:** Mandatory under the CSRD, includes two cross-cutting standards and ten topical standards covering environmental, social, and governance aspects.

USEFUL RESOURCES

[What the EU is doing and why](#)

[How ESG reporting can create business value](#)

[Harnessing the power of SMEs](#)

INTRODUCTION

The landscape of sustainability reporting is evolving, with new regulations and standards emerging. The Corporate Sustainability Reporting Directive (CSRD) and European Sustainability Reporting Standards (ESRS) are at the forefront of this change, significantly impacting how companies, including SMEs, approach sustainability reporting.

RELEVANCE TO SMES

Indirect Impact: Even if direct compliance isn't required, SMEs are increasingly expected to align with sustainability practices, especially when part of supply chains of larger companies or seeking financing from banks.

Opportunities and Risks: Embracing sustainability can open new business opportunities and mitigate risks associated with environmental and social factors.

ADVICE FOR SMES

Conduct a Comprehensive Review: Assess the sustainability aspects of your business operations, including supply chain, business model, and operations.

Develop a Sustainability Strategy: Create a clear vision and strategy for sustainability, integrating it into business processes and collaborating with supply chain partners.

Set and Monitor KPIs: Define your own sustainability Key Performance Indicators (KPIs) and regularly monitor progress.

Communicate Progress: Report on sustainability policies, progress, and metrics in your business communications.

Sustainability reporting is increasingly integral to business success and reputation. While direct compliance with the CSRD may not currently apply to all SMEs, regulatory spillover necessitate a proactive approach to sustainability.

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