

EFRAG launches public consultation on draft sustainability reporting standards for small and medium enterprises 3/8/24



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In January 2024 the European Financial Reporting Advisory Group (EFRAG) launched its public consultation on two exposure drafts for sustainability reporting standards for small and medium enterprises (SMEs). One standard is for listed SMEs and the other, a voluntary reporting standard, is for other unlisted SMEs.

Sustainability reporting standards

The Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS) determine sustainability reporting practices, i.e. which companies are liable to report and what the reporting procedure will be.

The ESRS have so far laid down precise disclosure requirements for large businesses but originally there were also plans to develop separate industry-specific standards, standards for SMEs and standards for non-EU businesses.

The CSRD requirements will apply to listed SMEs from 1 January 2026, creating a need for reporting standards. EFRAG has developed and launched its public consultation on draft standards that will lay down sustainability reporting requirements for SMEs.

The new standards are expected to make it easier to obtain sustainability information for large businesses because SMEs are typically part of the value chain of large businesses.

The standard for listed SMEs

The new standard for listed SMEs will come into force on 1 January 2026 and there are plans to approve it as a delegated regulation.

The standard aims to lay down uniform reporting requirements for listed SMEs that are proportionate and adequate for the scale and complexity of a company's operations. The new standard is expected to help listed SMEs gain a better access to financing and make them more attractive in the eyes of financial market participants because standardised information will be provided on their performance in sustainability areas.

The new standard will have six sections: three general sections (General Requirements; General Disclosures; Policies, Actions and Targets) and three sections dedicated to metrics (Environment; Social; Business Conduct). The draft standard for listed SMEs is available [here](#).

The standard for unlisted SMEs

To provide support and opportunities to access sustainability financing, EFRAG has drafted a voluntary reporting standard for unlisted SMEs. While there are no plans to approve this standard as a delegated regulation, SMEs will be urged to use it because it can help them prepare information requested by large businesses. This draft standard covers the same sustainability matters that are covered by the ESRS for large businesses. In drafting the voluntary reporting standard, EFRAG carefully considered its consistency with the ESRS, while at the same time laying down proportionate reporting requirements.

The voluntary reporting standard aims to support microbusinesses and SMEs in:

- Building a more sustainable and inclusive economy
- Improving the handling of environmental and social sustainability matters facing companies, such as pollution, climate change, workforce health and safety
- Providing information that will help companies grant data requests made by their business partners, such as lenders, investors and customers
- Offering help in aggregating information to grant data requests made by large businesses seeking sustainability information from their supply chain members

The voluntary reporting standard consists of a Basic module and two optional modules: Policies, Actions and Targets; Business Partners.

The draft standard for unlisted SMEs is available [here](#).

While the sustainability reporting requirements under the CSRD and the ESRS are complex they open up a wide range of opportunities. Companies will be able to communicate with their stakeholders openly and reliably, broaden their market opportunities and make sustainability a competitive advantage.

Our team of sustainability experts are happy to help companies deal with sustainability reporting matters. We suggest you reach out to us and book a consultation.