



## Why is sustainability relevant for your practice?

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Sustainability may not seem immediately relevant for your practice, but rather to address a moral appeal. Its [classic definition](#) namely refers to “meeting the needs of the present, without compromising the ability of future generations to meet their own needs”. However, sustainability has become more and more part of everyday business because of regulatory and market demands. This Info Pack will demonstrate how you can support your SME clients by advising them on sustainability.

The EU aims for SMEs to be able to transform environmental challenges into economic opportunities while acting sustainably (Small Business Act 2008). See the EU survey results on *SMEs, Resource Efficiency and Green Markets* in the textbox below.

### [Flash Eurobarometer December 2013](#)

- Almost all EU SMEs (92%) comply with environmental legislation – with 19% going further than required and 22% contemplating doing so.
- Most SMEs try to become more resource efficient to reduce costs (63%), while 28% indicate that the environment is one of their top priorities and 23% are driven because of consumer or provider demand.
- Eight out of ten SMEs are planning additional resource efficiency actions in the next two years.
- 55% of SMEs encounter difficulties when trying to set up resource efficiency actions, particularly complex legal or administrative procedures.

The majority of the 21 million EU SMEs thus need help in becoming more sustainable. This paves the way for you to provide an extra value to your SME clients.

### SMEs and sustainability

Let's take a closer look at the regulatory and market demands which make sustainability matter for SMEs:

#### 1 Increased regulation

Currently, only large companies have to disclose how they impact their wider environment (see boxed text below). However, these requirements are starting to spill over to SMEs which need to anticipate upcoming regulation.

Larger organisations can also be required to verify the environmental credentials of their suppliers. SMEs may thus need to address their own sustainability issues in order to do business with larger companies and participate in a [sustainable supply chain](#).

#### 2 Changing customer demands

Customers increasingly ask for more sustainably produced goods and services. Their motives can range from preferring (energy) efficient alternatives to a growing social conscience. Furthermore, there is a growing circle of people asking for information on how a company operates. Companies thus need to be more transparent towards (potential) customers, NGOs, investors, governments, employees, and other stakeholders.

### Sustainability requirements for larger entities

**National law** – e.g., listing requirements

**EU law** – The EU Accounting Directive [will require](#) public-interest entities with over 500 employees to annually disclose non-financial information (environmental, social, human rights etc). See the [FEE factsheet](#)

**IFRS** – Some International Financial Reporting Standards (IFRS) specifically refer to environmental matters, such as IAS 37, Provisions and Contingent Liabilities and IAS 16, Property, Plant and Equipment.

**Integrated Reporting** – This market-driven development aims for companies to integrate their financial and non-financial information to communicate how the organisation creates value over time.

### What is the business case for sustainable SMEs?

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- **Expand** | SMEs can expand their range of clients and services when complying with sustainability regimes. For example by securing contracts with larger companies or winning public procurement tenders

- **Reduce costs** | SMEs can reduce their business costs by introducing a more sustainable way of working.
- **Manage risks** | A focus on sustainability may identify risks to the SME's current operations and help them avoid future liabilities.
- **Plan for succession** | Sustainability concerns may open the door for SME owners to consider the sensitive subject of their succession.
- **Brand** | Attracting attention to its sustainability efforts can improve the public image of a company. Not only to attract customers, but also to retain the loyalty of employees.
- **Attract capital** | Sustainability planning produces with a strong management structure, accounting system and internal controls to prevent financial harm. Reporting on sustainability also enhances the entity's corporate responsibility "brand" which may make it more attractive to lenders.
- **Long-term strategy** | By its very nature, considering sustainability moves a business towards longer term strategic planning, instead of focussing on short term results.

### Why are you best placed to advise SMEs on sustainability?

- Your ongoing professional relationship which is built on trust and integrity
- Detailed knowledge of your client's business
- Your experience with advising similar SMEs in an impartial, understandable and cost-effective manner

### Sustainability advice – first steps

The Association of Chartered Certified Accountants (ACCA) already identified the following four steps that SMPs could take in providing sustainability advice ([Environmental Aspects of Sustainability: SMEs and the Role of the Accountant](#), ACCA, 2012):

- 1 **Partnership** | You can learn about sustainability by cooperating with local environmental sustainability experts.

- 2 **Gain experience** | What better way to start than to review the sustainability of your own practice? This will make you and your colleagues aware of the matters which your clients may experience.
- 3 **Seek information** | Once you get to know the relevant information sources you can recommend these to your clients.
- 4 **Formalise commitment** | Spread the word about your sustainability services via your website and other external communications.

### Further resources:

International Federation of Accountants (IFAC):

- [The Role of SMPs in Greening Small Business](#)
- [Sustainability: Challenges and Opportunities for SMPs and SMEs](#)

Global Reporting Initiative

- [Ready to Report? Introducing Sustainability Reporting For SMEs](#)

### How you can help SMEs

- Identify the main areas of opportunity and risk and quantify these
- Help SMEs design a long-term strategy. Continue to assess the results by identifying appropriate KPIs

#### In practice

- Create an [Environmental Management System](#) (EMS) – a framework which helps a company achieve its environmental goals through consistent control of its operations. This can be based on [ISO 14001](#)
- Provide assurance on an EMS that is already in place, which can be done by preparing the [EnviroReady Report](#),
- Obtain a form of accreditation, such as
  - [EU Eco-management and audit scheme \(EMAS\)](#)
  - [Global Reporting Initiative's Level C](#)
- Provide the often required annual assessment of the accreditation

FEE (the Federation of European Accountants) represents 800,000 European professional accountants, the vast majority of whom are in small and medium-size practices (SMPs) and provide their services mainly to small and medium sized entities (SMEs).

The FEE SMP Forum initiated this series of Info Packs to help accountants to best support their SME clients. The FEE SMP Forum brings together SMPs from across Europe. They provide input from daily practice to connect national SMP issues to the EU level and integrate the SMP perspective into FEE's other strategic priorities.



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