

CLIMATE ACTION SMP ROUNDTABLE

A roundtable discussion on the role of small and medium-sized accounting practices (SMPs) in implementing and reporting on sustainability in small and medium-sized Irish businesses.



Audrey Hennessey, chair,
ACCA Ireland Practice Panel

On 19 January 2022, I was delighted to chair a roundtable discussion on the role of small and medium-sized accounting practices (SMPs) in implementing sustainable processes and reporting on sustainability for their clients: Ireland's small and medium-sized businesses. The roundtable looked at the challenges posed for SMEs in their transition to a more sustainable business model, and the difficulties they will encounter on reporting to stakeholders on how well they are achieving that transition. We also looked at the available resources and the supporting role that ACCA can have in the process.

Where small companies are asked for sustainability information, we need to make sure that:

- it is appropriate for the size of the business
- one standard set of data is asked for and not different data from each customer
- the right data is being supplied.

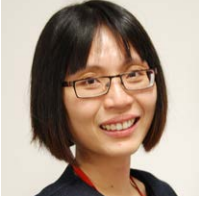
The implementation of the Corporate Sustainability Reporting Directive (CSRD), and the work of the International Sustainability Standards Board (ISSB) and the European Financial Reporting Advisory Group (EFRAG), are critical in achieving this objective.

When SMPs are asked to assist their SME clients with their sustainability transition, they need to have the skills to assist and lead on these projects. Air-source heat pumps, PV panels and energy-efficient machinery all need to be costed, selected, planned and financed. There are grants to apply for, government supports to avail of and accelerated capital allowances to claim. The roundtable looked at some of the tools and resources available to assist a business to cut their carbon and become more sustainable.

I was delighted to see a common position developed by the delegates on what was needed to move forward. The assistance needed centred around education and up-skilling, and I was pleased to see that resources are already available to meet that need.



Aleksandra Zaronina-Kirillova, ACCA head of SME professional insights, spoke about some of the resources ACCA has put in place to support SME sustainability. This included an introduction to the ACCA resource to help SMPs assisting their clients to become sustainable.



Yen-Pei Chen, ACCA senior subject manager, corporate reporting and tax, spoke about the developments in sustainability reporting, including the Corporate Sustainability Reporting Directive **CSRD**, the **European Sustainability Reporting Standards (ESRS)** and the establishment of the **International Sustainability Standards Board (ISSB)**.



Noel Regan, principal officer, climate planning and sectoral policy, Department of the Environment, Climate and Communications, gave a demonstration of the climate action toolkit. He noted that there are a lot of state supports for the transition to sustainability and this tool brings all those services into one hub. The tool also provides businesses with a baseline emissions figure.

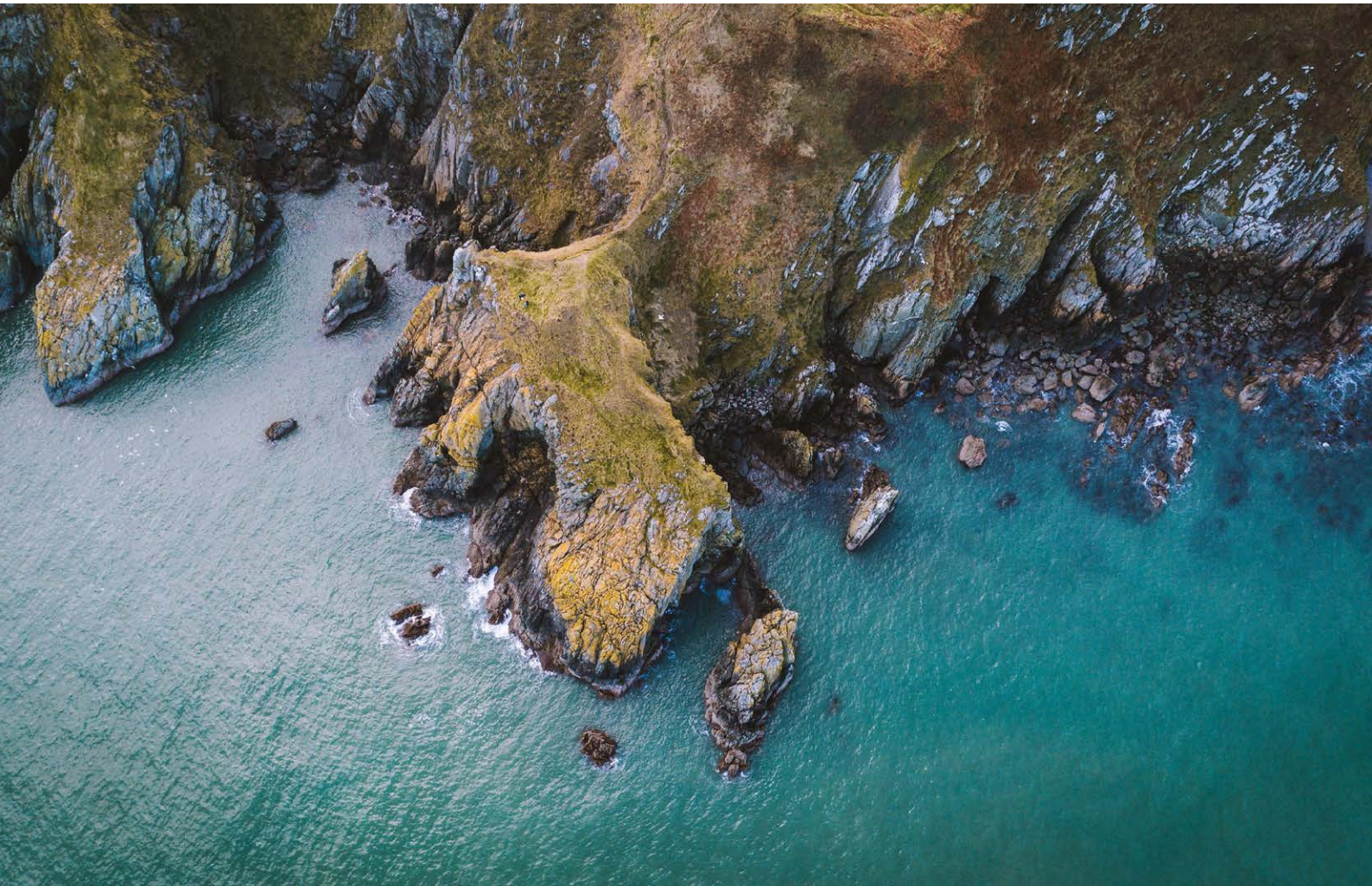


Robert Troy, Minister of State with responsibility for Trade Promotion, Digital and Company Regulation, and who is overseeing Ireland's engagement on the Corporate Sustainability Reporting Directive, commended ACCA for the initiative to

equip its SMP members through its *Sustainability Playbook*, as well as highlighting advances such as the work done through the proposal for the CSRD. The minister took delegates through the challenges of climate change and the **Government Climate Action Plan**. He also discussed a new government-sponsored tool, the **Climate Toolkit 4 Business**, designed to assist micro-companies. Funding available to businesses was also identified, with the minister referring to the **Climate Enterprise Action fund** and the Carbon Reduction Fund.

SMPs are, he said, trusted advisers for SMEs and best placed to help their clients to build their businesses' resilience, innovation and productivity, and to add value for their customers and communities by taking action on their environmental impact.

Identifying sustainability reporting as an area where he had a personal interest, Minister Troy noted that such reporting would allow investors, consumers, policymakers and other stakeholders to make choices based on the performance of companies on environmental and social matters. He said that he will be working closely with the European Commission on the progress of legislation in this area, noting the importance of working closely with EU Commission and other Member States on new rules for sustainability reporting given the scale of the climate challenge and the global nature of enterprise.





Roundtable discussion

The delegates noted that practising accountants are uniquely placed as the trusted advisers to SMEs, but they felt that they were not as up to speed on sustainability as they needed to be. SMPs have been at surge capacity since March 2020, assisting clients with Covid-related issues; delegates had not had time to address sustainability in the past two years as they and their clients were concentrating on surviving the pandemic.

How to enable SMEs to make CSRD-type disclosures as they become required by their customers

It was noted that, in some industries, customers were asking their clients to provide sustainability information. This was most notable in the areas of primary producers and processors, and for consumer food products. The delegates noted a reluctance among SMEs in reporting more information due to the significant associated costs. They had not seen many of their SME clients voluntarily producing sustainability reports for this reason.

Delegates noted that customer-led reporting requirements were leading to different formats for each report, and a standard format would reduce costs.

The chairperson addressed the issue of including sustainability information within the audited accounts, and whether auditors are happy to audit these disclosures. A disclosure within scope of the audit report needs to be audited. A sustainability disclosure within the director report or in an appendix to the financial statements needs the auditor to opine on whether the information is consistent with their understanding. The difference in terms of the level of assurance, and the cost of providing that assurance, will depend on where the sustainability information is disclosed.

Some delegates expressed concern at their ability to opine on some of the metrics. However, most of the matters to be reported on are formulaic in nature, such as taking a starting and finishing electricity meter reading and using a multiplication formula to convert to CO₂ emissions. Other information is based on social matters such as diversity and equality, which are core auditor assurance competencies.

The need to have a positive bottom line was noted a number of times by the delegates. The overall cost of reducing carbon and reporting on that reduction has to be financially beneficial. To reduce costs, a standardised report and measurement system is required, and sustainability auditing standards need to be cost-effective to implement in an SME environment.

The delegates noted that sustainability should not be looked at through a financial lens only. However, it was suggested that a frequent side-effect of implementing sustainability is that cost reductions can also be achieved.

1. SMPs' role in preparing the plans, projections and management of SME sustainability, including the use of the Climate Toolkit 4 Business

Prior to the roundtable, the delegates were not aware of the government's Climate Toolkit 4 Business but some were aware of the ACCA toolkit for sustainability. Delegates expressed an eagerness to engage with the toolkits, and there was a general enthusiasm to use the toolkits as a value-added service.

Some observed that the area of sustainability was so broad that it was hard to know where to start. The toolkits were considered a valuable planning tool that simplified the process and gave a starting point. The Climate Toolkit 4 Business was identified as highlighting where cost savings could be achieved, and this would encourage delegates to engage with their client about the resource.

2. The role of SMPs in supporting SME business as they become more sustainable

SMPs are coming out of one of their busiest periods ever, where clients' increased need for assistance was mismatched with staff shortages due to Covid-19. In this context, the SMPs did not feel that they had the resources to fully support clients through their move to sustainability. They felt that clients should be expected to do some of this work themselves.

The view was expressed that, for a practice to take on this work, it would need a fully trained and qualified sustainability champion, similar to an audit or tax partner position.

One delegate noted that some primary producers are already required to be sustainable to enable continued market access to dairy and other food processors. They noted that the sustainability standards in dairy, in particular, are being cascaded down from the processors and retailers to the primary producers. A warning was sounded that SMEs could lose customers and access to markets if they failed to have the right sustainable expertise in practice.

3. Identification of the additional supports and resources SMPs may need in the transition, including the Expert Group on Future Skills Needs report, Skills for Zero Carbon

Most of the delegates were aware of the ACCA Certificate in Sustainability for Finance (CertSF) but there was a consensus that accountants and businesses need to make people aware of the sustainability toolkits that are available.

One delegate compared sustainability in SMPs to the journey towards digitisation. Digitisation of SMPs was resisted by some but is now ubiquitous, and SMPs cannot function without the use of digital tools. This was compared to the expected parallels with sustainability where, very shortly, every SMP will need to be expert in supporting SME clients in sustainability implementation. The *Skills for Zero Carbon* report was referenced, and it was noted that, in order to meet Ireland's future sustainability needs, around 30% more newly qualified accountants will be required annually.

4. The role of SMPs in communicating the government climate action message, including the supports available as part of the Climate Action Plan or the 'just transition' measures

The delegates noted that their SME clients depend on SMPs to keep them informed about government supports. It was noted that it would simply be unacceptable for an SMP to not be aware of sustainable supports, including direct and indirect supports, and tax incentives, and it was agreed that SMPs could not afford to be 'surprised by a client', by not knowing about support that the client had heard about. However, it was noted that there was an abundance of schemes and incentives being offered by different government agencies.

In conclusion, one delegate noted that there was a need for balancing action and reporting and proportionality. They noted that SMEs are not in scope of the CSRD but they have to address this in the real world. They concluded that one of the key issues was a need for better communication.



Next steps

During the roundtable, we identified a number of ways in which ACCA could help support this important topic:

- Continue to reinforce the importance of sustainability for businesses both small and large.
- Encourage more uptake of formal and informal sustainability training and development courses.
- Continue to communicate with members about the resources available to support the transition to sustainability, including both ACCA toolkits and resources and government supports.
- Amplify the message on SME sustainability from government detailed in the Climate Action Plan using our SMP membership network.
- Encourage sustainability action first, and reporting on sustainability as a later objective.
- Work at EU level on ensuring that the CSRD is proportional and appropriate for SMEs.
- Work with the Irish government to balance action and reporting and proportionality.

Resources identified during the roundtable

- [Climate Toolkit 4 Business](#)
- [ACCA Sustainability resource](#)
- [Think Small First: Enabling effective climate action by Small and Medium-sized Businesses](#)
- [Skills for zero carbon](#)
- [Details of the CSRD proposals](#)
- [First batch of EFRAG's working papers relating to European Sustainability Reporting Standards \(ESRS\)](#)
- [The Practice Room sessions](#)
- [Growing sustainably section of the Practice connect hub](#)
- [ACCA Principles for Connected Corporate Reporting](#)

Delegate list

Caitriona Allis, ACCA
Enda Callanan, Keogh Accountancy Group, Galway
Louise Cawley, Leonard and Company, Dublin
Yen-Pei Chen, ACCA
Aidan Clifford, ACCA
Cathal Cusack, Cusack and Co, Dublin
David Gough, Bowden Walsh, Drogheda
Ryan Hartigan, Moore, Limerick
Audrey Hennessy, Ardagh Horan, Dublin
Maurice Lenihan, Moore, Limerick
Kieran Lynch, Frank Lynch and Company, Dundalk
Anton Martin, O'Connor Martin, Dundalk
Noel McCarthy, Noel McCarthy & Co, Cork
Orla O'Brien, Department of Enterprise, Trade and Employment
Eilis Quinlan, Quinlan and Co, Naas
Noel Regan, Department of the Environment, Climate and Communications
Paul Russell, Ardagh Consultants, Drogheda
Robert Troy TD, Minister for Trade Promotion, Digital and Company Regulation, Department of Enterprise, Trade and Employment
Aleksandra Zaronina-Kirillova, ACCA

