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About this report.

Building on collective progress towards making sustainability data work for small and medium-sized enterprises (SMEs), this report focuses on the solutions – providing actionable recommendations to policymakers and regulators.

The primary audience for this report comprises those involved in developing and implementing sustainability disclosure and assurance standards, including policymakers, regulators, standard setters and other relevant bodies. This group is referred to as 'policymakers and regulators' throughout the report.

This report discusses how SMEs are responding to increasing sustainability data requirements, highlighting the reactive nature of SME engagement, the diversity of SME size, structure and activities, and the challenges posed by fragmented requests and lack of standardisation.

The analysis draws on insights gathered during an ACCA and UK Finance roundtable held in June 2026, which brought together participants from across the UK during London Climate Action Week (LCAW).

For ACCA, participation in LCAW is highly relevant because the accounting profession sits at the heart of credible climate action. For UK Finance, LCAW is equally significant given the central role of the financial services sector in financing the transition to net zero.

Contents.

'There are businesses in the SME market that already have a sustainability purpose and really want to make a difference, and to go on that journey – but they need that certainty and clarity as to what's required of them.'
Roundtable participant

Executive summary.

More than 60,000 ACCA members work in SMEs globally, and the finance profession is at the heart of credible climate action[1].

During LCAW, ACCA and UK Finance hosted a roundtable to discuss solutions to the practical challenges SMEs face in collecting and reporting on sustainability and climate metrics. Acknowledging that expectations for transparency and disclosure are continuing to rise, driven by supply-chain demand, and that SMEs often lack the resources and tools to comply effectively, it explored how investors and institutions are using this data and integrating it into their decision-making. We considered what 'good' looks like for SME sustainability reporting.

While this report does highlight some of the key challenges that SMEs face in sustainability data collection and reporting, ACCA's research centres on solutions and policy recommendations to resolve these challenges. SMEs are pivotal in the transition to a low-carbon economy, and our work concentrates on how SMEs can be supported to ensure a successful transition to a more sustainable future.

1 Practical toolkits for SMEs and SMPs | ACCA Global found that 60,000 of ACCA members globally work in SMEs. An SME is a business that falls below a specific limit for staff numbers, yearly income, or total assets

A summary of key recommendations.

The table below sets out key recommendations for policymakers and regulators. These recommendations were developed in line with the solutions proposed by roundtable participants. These recommendations offer a unique opportunity for the UK to lead on tackling global challenges.

1. STANDARDISATION AND CONSISTENCY IN SUSTAINABILITY REPORTING	Frameworks and collection methods need to be standardised across SMEs. Simplicity, certainty and stability are crucial in effective application of regulation and standards.
2. SECTOR AND SIZE CONSIDERATIONS	Data collection should account for differences in business size, structure and activities – not just sector.
3. INCENTIVES AND STANDARDISATION	The consolidation of positive initiatives and subsidies for SMEs with guidance and clarification for SMEs.
4. THE ADOPTION OF CARBON INTENSITY METRICS AND OPEN STANDARDS	The introduction of carbon intensity metrics and growth considerations would avoid penalising growing businesses and provide a more accurate reflection of sustainability performance.
5. DISSEMINATION OF TOOLS TO TRUSTED ADVISERS	Ensure that tools and initiatives for collecting SME sustainability data are communicated to trusted advisers such as accountants and membership organisations for wider signposting to SMEs.
6. SUPPORT INITIATIVES TO CREATE EFFECTIVE FEEDBACK LOOPS	Ensure that SMEs are provided with actionable insights for the data that they provide.
7. GUIDANCE AND CLARIFICATION	Bottom-up development of open-source standards for sustainability reporting – with contributions from technology providers and endorsement from trusted organisations.

Introduction.

Sustainability reporting is no longer just for large organisations: it is becoming an expectation for organisations of all sizes.

Most SMEs, especially those below regulatory thresholds, respond reactively to sustainability data requests. These trickle down the supply chain as they arise from regulation designed for large organisations and financial services.

In recent years, data demands have also increased as financial institutions and large corporates look to establish more sustainable and resilient supply chains (ACCA 2023). Nonetheless, when SMEs are not actively engaged in policy, regulation and implementation phases, the consequences can be adverse and far reaching. This is often because of the resource constraints that many SMEs face and the volume and diversity of SME businesses.

How SMEs respond to growing sustainability data demands.

For most SMEs, sustainability data requests are often triggered by procurement demands rather than proactive compliance or internal strategy.

Large customers increasingly demand sustainability data from suppliers and in some cases a business’ ability to demonstrate performance against sustainability-related metrics may become a consideration in accessing finance. ACCA’s *Sustainability reporting – SME guide* (ACCA 2024) highlights that reporting is becoming a competitive requirement rather than a voluntary exercise. Yet many SMEs lack understanding of key concepts such as Scope 1, 2, and 3 emissions,[2] and often do not have structured measurement or transition plans in place.[3] The Federation of Small Businesses fund report that 74% of SMEs did not understand the term Scope 1, 2 and 3 emissions, including 34% of those who had measured their carbon footprint.

Roundtable participants described the commercial pressures SMEs face, such as being required to provide both extensive and multiple forms of data to win contracts, often before securing business, and the lack of clear value proposition or return on investment for the effort involved. The *Digital Pathways Playbook* (ACCA n.d.) highlights that sustainability reporting relies on many of the same capabilities as financial reporting, including consistent data collection, system integration, and governance – yet these skills are often not found in house.

The challenges posed by fragmented data requests

Multiple roundtable and survey participants highlighted the fragmentation of data requests – with SMEs often being asked for different information by various large organisations, leading to confusion and inefficiencies. The difference in styles and formats and lack of standardised approach exacerbates the burden on SMEs and complicates their ability to respond effectively.

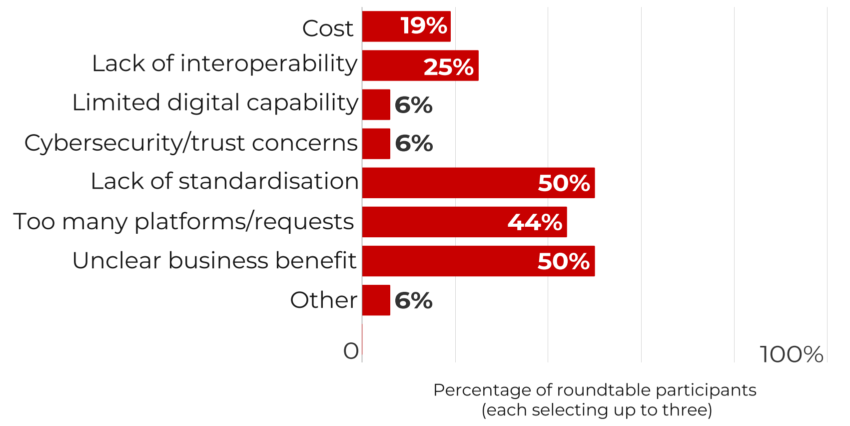
Digital literacy

Automated data collection and digital platforms can enable efficiencies, such as reduced duplication, improved accuracy, and automated data entry. Yet ACCA’s roundtable discussion found that one of the biggest obstacles to data collection by SMEs was an unclear business benefit. Costs are easier to quantify than benefits and lack of standardisation and fragmented requests increase the inefficiencies, compete with core business activities, and increase the administrative burden.

2 The GHG Protocol Corporate Standard divides greenhouse gas emissions into Scope 1, Scope 2, and Scope 3 emissions to help companies measure and manage their carbon footprint (Greenhouse Gas Protocol n.d.).

3 Under IFRS S2, a climate-related transition plan is an aspect of a company’s overall strategy, which outlines its targets, actions and resources for moving towards a lower-carbon and climate-resilient economy.

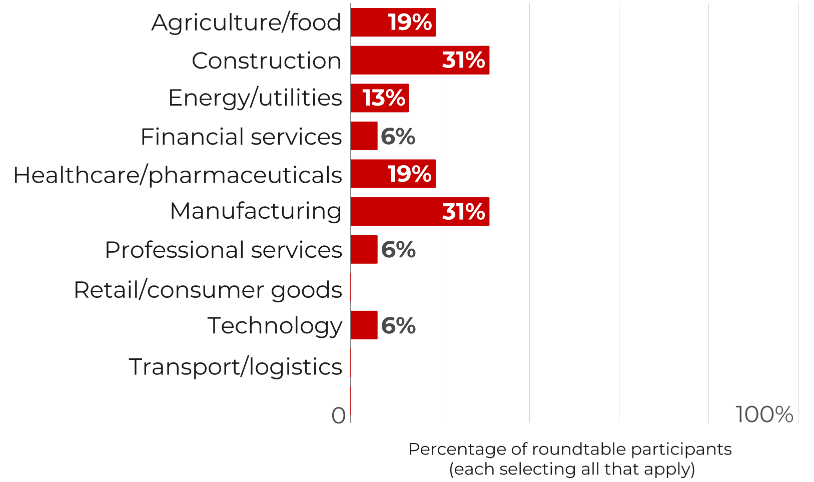
Figure 1: Roundtable participants were asked about what, in their opinion, were the biggest obstacles to digital supply chain data collection by SMEs.



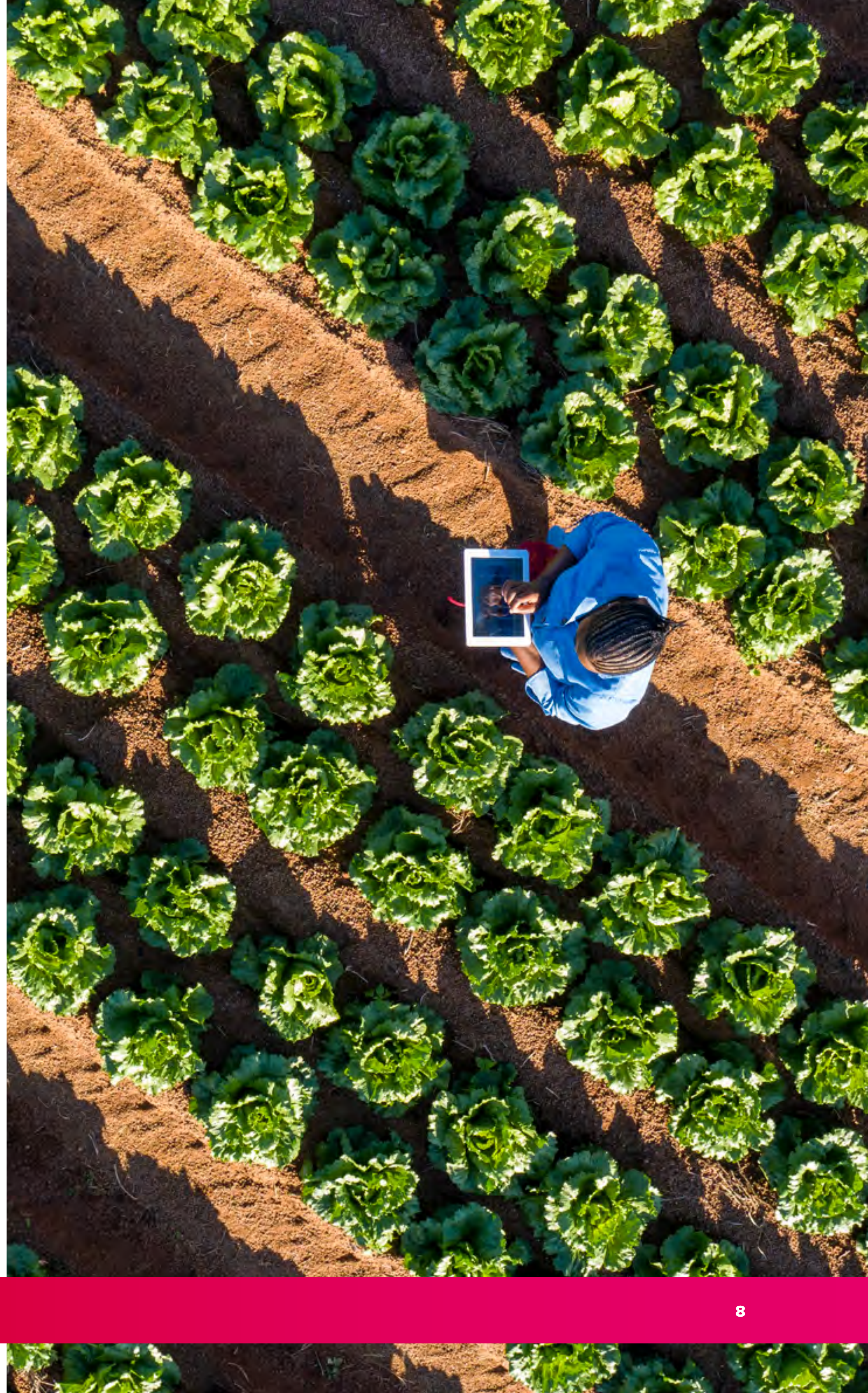
As shown in Figure 1, obstacles include the lack of standardisation, which is compounded by the administrative burden and the need for greater tech literacy among SME suppliers. This is further evidenced in ACCA's *Digital Pathways Playbook* (ACCA n.d.), which highlights that many of the challenges SMEs face in sustainability reporting are rooted in wider issues of digital maturity – rather than sustainability itself. Improving digital literacy, increasing adoption of integrated business systems, and equipping finance professionals to lead digital transformation can significantly reduce the administrative burden of collecting, managing and reporting sustainability data.

SMEs that are most advanced in data collection are found within sectors that have increased regulatory burdens, more direct environmental impacts, and stronger supply-chain requirements, which have driven more mature measurement practices (Figure 2). For example, many agricultural SMEs already have systems for collecting environmental data because market access depends on it. The supermarket consumer increasingly wants to make more sustainable choices. In Europe, surveys have indicated that 80% of consumers are willing to pay more for sustainably sourced products (PwC 2024).

Figure 2: This outlines which sectors ACCA roundtable participants thought were most advanced in supply-chain data collection, with Construction and Manufacturing being clear leaders.



For the most advanced sectors, such as Construction and Manufacturing, data collection can build on established operational systems. This is a theme across the advanced sectors, where measurable operational data increases the capability to report on sustainability data effectively.



How is sustainability data used in practice?

Understanding how sustainability data is used is critical: use cases can cover risk management, supply-chain incentives, regulatory compliance, and the development of tools to support both SMEs and larger organisations. Systems that do not consider the role of SMEs create unnecessary inefficiencies and unfairness.

Risk management

Financial institutions increasingly incorporate sustainability data into their risk registers and supply-chain forecasting, often conducting their own analysis to assess supply chain risks before investing or providing finance. This approach helps to identify discrepancies between actual and forecasted data – informing investment decisions. Nonetheless, there are often difficulties obtaining asset-specific data from clients rather than relying on broad estimates (UNEP 2026). This can unintentionally adversely affect SMEs seeking investment.

Feedback loops and data value

Sustainability data is used both for reporting purposes and for making decisions covering investment risk, credit risk, pricing, and opportunities for investment and other areas. This is why sustainability data is becoming critical for access to finance, as the incorporation of sustainability indicators into assessments of SMEs can cover such matters as carbon emissions, exposure to risks, and supply chain dependencies. The Prudential Regulation Authority's supervisory statement SS5/25 – Enhancing banks' and insurers' approaches to managing climate-related financial risks (PRA 2025) established updated expectations that banks identify, measure, manage, and monitor climate-related financial risks across their lending and investment activities.

These risks include both physical risks (eg flooding, extreme weather) and transition risks (eg decarbonisation policies, changing customer demand) (BoE 2019). These can then feed into whether an SME qualifies for green loans, sustainability-linked lending, transition finance or preferential financial terms (OECD 2023). In the 2023 OECD report on *Financing SMEs for Sustainability*, one of the key underlying messages is that sustainability data should become part of a two-way digital dialogue between financial institutions and SMEs (OECD 2023).

> **'Collection of SME data [in the same way as that of larger enterprises] is not comparing like for like.'**
>
> Roundtable participant

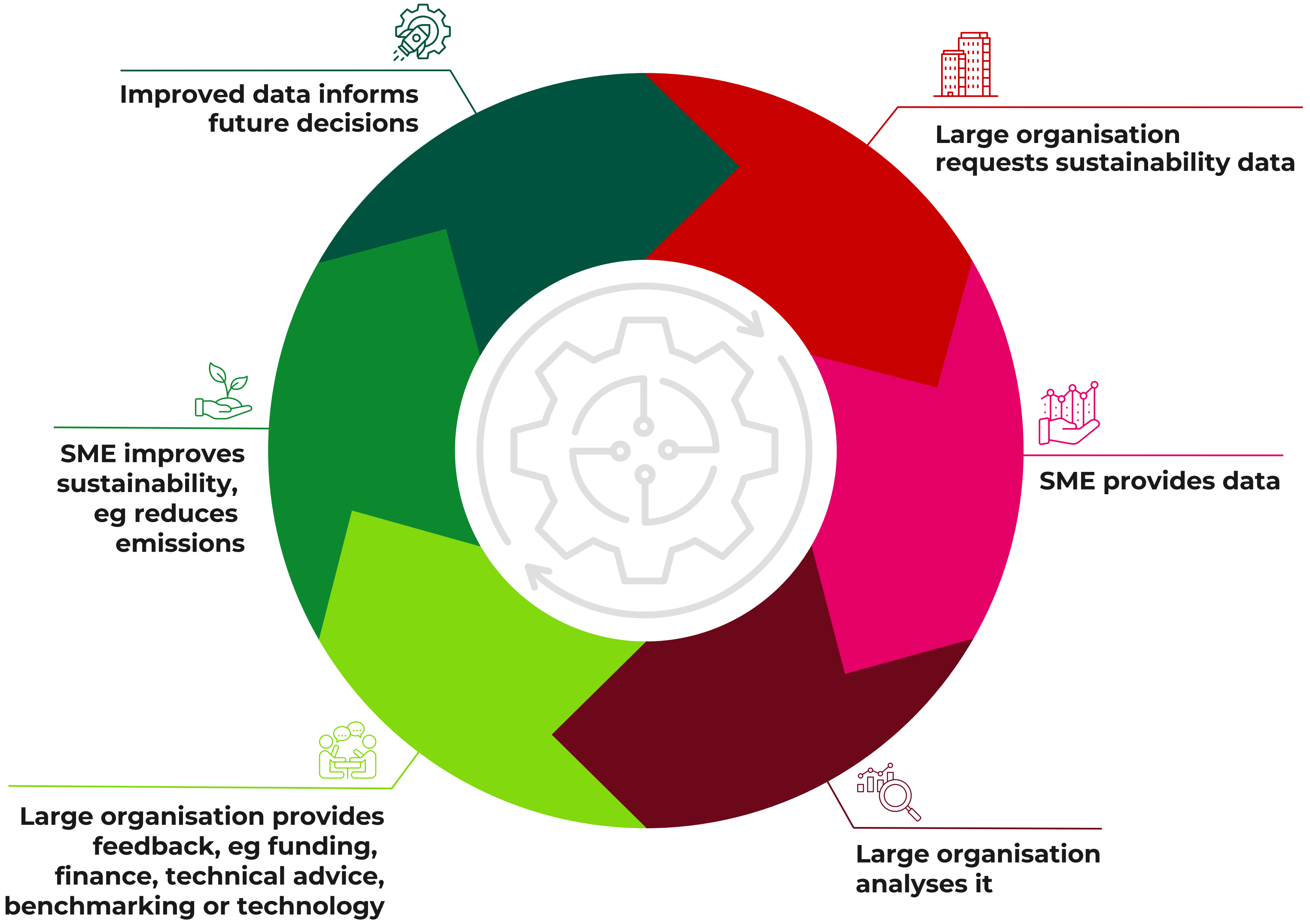
While data collection is vital for financial institutions, our research found that feedback loops are essential for mutual benefit and supply-chain management. Feedback loops occur when the data collected is not only used by corporates and financial institutions but also shared with SMEs to provide insights and support decarbonisation strategies.

Banks such as HSBC (n.d.) and Paragon (2025) link sustainability reporting and decarbonisation plans to financial incentives, preferential funding, and access to renewable energy solutions, while corporates such as Walmart (HSBC 2023), Schneider Electric (2026), Iberdrola (2026) and EDF (2026) provide suppliers with emissions measurement tools, training, technical support and tailored decarbonisation recommendations. Rather than simply collecting sustainability data, these models use the information SMEs provide to unlock practical support, finance and targeted actions that help businesses reduce emissions and improve performance.

These examples suggest a shift from a traditional compliance model, where the larger organisation asks for sustainability data, to a partnership model. As demonstrated in Figure 3.

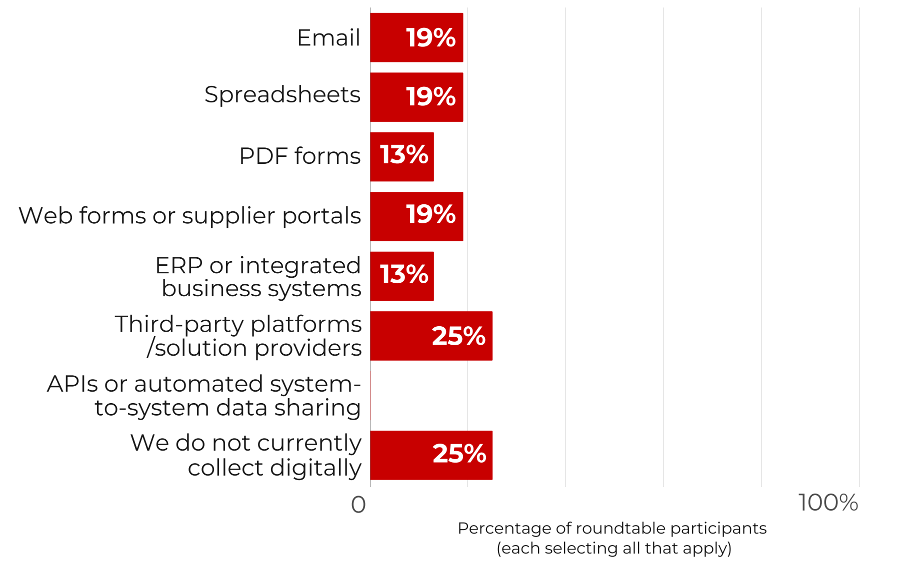
Benchmarking, personalised dashboards, automated recommendations, investment roadmaps, or digital alerts are examples of features that would strengthen incentives of SMEs to not only collect data but collect it through digital means. This creates a genuine feedback loop, where the SME receives tangible value in exchange for the effort of collecting and sharing data. Often these insights are disseminated by sector: many SMEs would benefit from insights that are location or size-based, as they may be facing similar issues and can share best practices and actionable advice. This needs to be considered in a way that generates value rather than an additional administrative burden.

Figure 3: The Sustainability Information Cycle – from data collection to insight, action and continuous improvement.



In Figure 4, we can see that the most common answer among SME participants in our roundtables was that they do not currently collect data digitally, 25% of roundtable participants selected this as an option. Other selected options evidence this, covering equally email and spreadsheets, eg Excel files and pdf forms. However, the data shows a split with the other most common answer being third party platforms/solutions providers – which aligns with the sections of supplier portals and integrated business systems. This could suggest that there is a divide based on the level of advancement in the sectors in which SMEs operate.

Figure 4: Outline of how supply chain data is collected from SMEs in the roundtable participants' organisations.



Banking tools and regulatory compliance

Banks and financial institutions can help SMEs, as they have the resources and capabilities to provide support and share knowledge. Many financial institutions have established tools to help SMEs measure and report sustainability data, supporting both customer growth and internal regulatory compliance. The data collected feeds into climate decisioning frameworks and helps relationship managers have more informed conversations with clients.[4]

Incentives and data sharing barriers

Supply chain incentives exist within the food/agricultural sector. These have arisen owing to issues with standardisation and the risk of penalising rather than supporting suppliers. Past failures have led to reluctance among SMEs to share data – prompting initiatives such as the data transparency partnership of the Department for Environment, Food and Rural Affairs (DEFRA) to improve end-to-end data flows and permissions.

Access and communication for non-borrowing SMEs

One persistent challenge is the task of reaching SMEs that do not have close banking relationships. These could be addressed through:

- the use of digital channels
- upskilling telephony teams
- and leveraging trusted advisers, such as accountants and membership organisations, to disseminate tools and information.

4 Example provided by roundtable respondent

How to help SMEs' transition to net zero.

SMEs need to be engaged with the benefits of providing sustainability data and the incentives and solutions that are available. This will enable them to understand their carbon footprint and respond flexibly to varying data requests.

Our research has found that incentives, both financial and non-financial, are key motivators for SMEs to engage in sustainability reporting and decarbonisation – with financial institutions offering support such as funding for solar installations or renewable energy technologies (HSBC n.d.).

Recommendations.

1. Standardisation and consistency in sustainability reporting

To reduce the onerous and fragmented data collection burden, frameworks and collection methods should be standardised across SMEs and be sectoral, location and size-based. Simplicity, certainty and stability are crucial in effective application of regulation and standards. Standardised frameworks for SME data collection ensure fair comparisons and avoid discouraging thorough reporting. SMEs are discouraged by the risks of penalisation, eg where an SME that undertakes comprehensive reporting reports on a complete carbon footprint but is then compared with competitors with less comprehensive reporting, who may appear to have lower emissions. Harmonising the requests made to SMEs and the data SMEs provide is essential to ensure that all participants in the data collection and reporting process are measured by the same standards and frameworks – reducing confusion and administrative burden.

2. Sector and size considerations

Each national government, local government, and wider public sector organisation such as the NHS, is driving procurement in a siloed way and while there are sectoral differences, there are commonalities in what is asked of SMEs. This is often the same beyond government, across large corporates and financial institutions. Data collection requirements should account for differences in business size and structure, not just sector, as SMEs may have more in common with those of similar size in other sectors than with larger businesses in their own supply chain.

3. Incentives and standardisation

There are many positive initiatives supporting SMEs, but this fragmented landscape can be confusing and time-consuming – being difficult to navigate for organisations with limited resources. We recommend the consolidation of initiatives and subsidies with guidance and clarification for SMEs.

4. The adoption of carbon intensity metrics and open standards to facilitate fair and effective sustainability reporting

The introduction of carbon intensity metrics and growth considerations would avoid penalising growing businesses and provide a more accurate reflection of sustainability performance. This could be in the form of a carbon footprint per employee or per unit of revenue, to enable start-ups and smaller businesses to grow and access finance.

5. Dissemination of tools to trusted advisers

Ensure that tools and initiatives for SME sustainability data are communicated to trusted advisers, such as accountants, other finance professionals and membership organisations, for wider signposting to SMEs. Many SMEs do not have close banking relationships and often rely on these advisers.

6. Support initiatives to create effective feedback loops

Value lies in closing the feedback loop of SME data rather than sending data only in one direction. SMEs need to be supported to submit and collect data digitally and financial institutions need to be enabled to analyse data digitally and shared benchmarking, financing opportunities, efficiency recommendations and support. Effective use of data will inform better decision-making. SMEs need actionable insights for the data that they provide.

7. Guidance and clarification

Open-source standards for sustainability reporting are needed. These should take a 'bottom-up' approach, using information from technology providers and endorsement from trusted organisations. Such an approach could accelerate adoption of the standards and ensure flexibility. Data must be consistently measured across sectors and business sizes. Where regulation lacks clarity, organisations begin adding their own interpretations and end up requesting unnecessary data. Guidance and its communication must be improved and developed to support SMEs of differing sizes and sectors by supplying tangible examples and use cases.

The recommendations listed above offer a unique opportunity for the UK to lead on this area, which is vital for international trade, investment and access to finance. The roundtable participants and organisers will continue to develop and support initiatives and are available to engage further with policymakers and regulators.

Useful resources.

ACCA roundtable whitepaper *Accelerating jurisdictional implementation of sustainability disclosure and assurance standards | ACCA Global*, May 2026.

ACCA GECs UK SMEs Q1, April 2026.

ACCA consultation response to the Department of Business and Trade (DBT) on *UK Sustainability Reporting Standards (UK SRS) S1 and S2*, September 2025.

ACCA consultation response to the DBT on *Developing an oversight regime for assurance of sustainability-related financial disclosures*, September 2025.

Sustainability Reporting: SME Guide, May 2024.

ACCA response: *Consultation: Voluntary ESRS for non-listed Small And Medium Sized Enterprises | ACCA Global*, May 2024.

UK Finance: Unlocking the SME Net Zero Transition, May 2024.

The SMP opportunity to help SMEs overcome their sustainability reporting challenges, 2025.

Acknowledgements.

UK Finance

We would like to acknowledge UK Finance for its role in co-developing the roundtable that was foundational to this research.

We acknowledge and thank all the roundtable participants and supporters of this work.

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