Climate neutrality by 2050 is one of the key objectives of the Green Deal for Europe, and to achieve it, the entire European economy must work conjointly. That's why, in December 2022, the European Commission published the **CSRD (Corporate Sustainability Reporting Directive)**. This important directive will support companies in collecting data on their sustainability performance and implement action plans and trajectories to embark on a social and environmental transition that is more necessary than ever. In this way, the CSRD is making large and medium-sized companies more accountable, with a new reporting framework that is both demanding and essential.

At the same time, and in addition to the CSRD, investors are already being encouraged to better finance the transition of our economy thanks to the **SFDR (Sustainable Finance Disclosure Regulation)** and the **Taxonomy**, two regulations already in force. Similarly, companies will soon be encouraged to make positive changes to their activities and value chains under the **CSDDD (Corporate Sustainability Due Diligence Directive)**. As a result, large companies and investors will be subject to more stringent regulatory obligations as they work together towards sustainability.

**European SMEs and start-ups** may not fall directly within the scope of the above regulations, but they too are affected, directly or indirectly, by the reinforcement of sustainability regulations. Representing 99% of European businesses, they must transform their model if they are to participate in tomorrow’s economy.

In this context, and in response to the draft delegated act published by the Commission on 9 June, defining the European Sustainability Reporting Standards (ESRS) provided for by the CSRD, we call on the European Commission to:

1. **Better take into account European SMEs and start-ups** when the regulatory framework is drawn up and rolled out: extra-financial reporting already concerns European start-ups and SMEs. The deployment of reporting and the associated sustainability plans must be made accessible to all stakeholders - and in particular to European SMEs and start-ups.

2. **A more robust and harmonised final reporting framework**: we regret the loosening of reporting conditions, and in particular the prevalence of voluntary reporting on key transition topics, proposed to companies subject to the law⁴, and we call for consistency to be maintained between the various texts (CSRD, SFDR for instance) to simplify and support the commitment of SMEs and startups to sustainability.

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¹ Compared to the first set of [ESRS from EFRAG](https://esrs.efrag.org/).
1. **Non-financial reporting: a relevant new tool for European start-ups and SMEs, but difficult to access**

While the CSRD will only apply to a proportion of start-ups that exceed the thresholds of the European definition of SMEs, the preparations and decision-making involved in extra-financial reporting will have an impact on all European start-ups and SMEs, whatever their size.

For example, start-ups that are not subject to the CSRD must still process to provide information on their sustainability risks and performance:

- Investors need to collect data around environmental and social criteria, in order to integrate them into their own SFDR reporting obligations, which require them to favour companies that can prove their positive impact. A start-up can be excluded from investment portfolios if it fails to collect extra-financial data, or even to commit to a sustainability trajectory.

- Furthermore, with the CSRD and the future CSDDD, the companies subject to them will also have to scrutinise their value chain and will be increasingly demanding in their calls for tender. While the key to a company's development is growing revenues, particularly through contracts with large companies, start-ups could be excluded from business partnerships if they fail to provide the information expected by their customers.

*Start-ups must therefore commit to extra-financial reporting, and must not be ignored in this unique regulatory context.* They need support to fully grasp the new concepts (value chain, dual materiality, financial materiality and impact materiality) introduced by the CSRD.

In this respect, the phasing-in provisions for companies below certain thresholds are a (useful) source of flexibility, but this transitional period can only be put to real use if concrete support and practical tools to facilitate the integration of ESG factors by the smallest and medium-sized companies and start-ups are put in place (see below).

2. **A harmonised and robust framework, with the necessary support for SMEs and start-ups**

*In this context, accepting an excessive simplification of reporting would be a missed opportunity for our sustainable transition.* We regret the removal of the Climate and Biodiversity standards and the choice of a preliminary materiality analysis, which reduces the scope of the responsibility incumbent on companies subject to the CSRD, while imposing on them additional materiality analyses for which they will have neither the resources nor the necessary expertise.

*These reporting conditions and the removal of the obligation for indicators that are relevant to other regulations, such as SFDR, will also complicate the task for investors,* who will lose in clarity and comparability between different companies, which will also be a source of complexity for their own reporting.
Finally, there is a risk that start-ups and SMEs will lack visibility over the requirements of their main customers - large companies - in terms of their pre-contractualisation extra-financial information requirements and their expectations in relation to their most material issues.

The greening of our economy depends on start-ups and SMEs being able to participate in this transformation towards greater sustainability, even if they are not yet subject to regulations. Access to finance, access to private procurement, access to public procurement: these resources are already difficult to reach for these companies, which are part of the value chains observed by the CSRD, and not being able to construct an exhaustive report or having difficulties in providing robust extra-financial data risks complicating their access to capital or turnover even further.

For these reasons, we call on the Commission to adopt a more robust and harmonised final reporting framework: the exhaustiveness and harmonisation of extra-financial reporting and the quality of the data published are essential if we are to direct funding towards more virtuous activities and thus properly activate the transition of our economy.

With this in mind, the rapid implementation of ESAP (European Single Access Point) as a centralised CSRD & SFDR reporting platform is expected to offer a common reporting language: both by establishing common and detailed definitions of the terms used in extra-financial reporting, but also by establishing data standards that are interoperable with third-party APIs. The emergence of non-financial reporting tools must be supported and simplified: each company, each investor, must have the freedom to use the most appropriate solutions to meet its needs.

More broadly, we call on the European Commission to provide support for European SMEs and start-ups so that they can develop their skills. Today, only 4% of French start-ups have a CSR manager on staff\(^2\). This figure is alarming, given the scale of the task: European SMEs and start-ups will all have to be able to assess their social and environmental impacts, risks and opportunities, and take full part in the sustainable transition behind players who are already subject to regulations.

> *To calculate an alignment with the taxonomy and correctly define the scope of aligned activities, it is necessary to engage in a dialogue with the various teams: product or operations to validate the technical contribution criteria, finance and/or management control for the amounts of turnover, Capex and Opex of aligned or non-aligned activities*.  
Comment of an investment fund consulted in June 2023

For France Digitale, this support must be threefold:
- The European Commission must ensure that start-ups and SMEs on the continent have access to a point of contact at national level, which can help these companies identify their most material challenges and make the best choice for their development thanks to dedicated expertise.

\(^2\) *Etude emploi 2023 - France Digitale*
- The European Union and its Member States must ensure that resources are made available to support all companies affected by CSRD, particularly start-ups and SMEs, in setting up their own extra-financial reporting and sustainability strategy. For example, a materiality analysis requires considerable financial and human resources, not to mention the future cost of insurance that will become necessary with CSRD. This support could take the form of easier access to tax credits at national level on the key subjects of the Green Deal, as well as steering tools to activate their transformation. **Public authorities must equip these companies with expertise and resources tailored to their sustainability challenges, taking into account their level of maturity.**

- **Particular attention needs to be paid to training**, to offset the looming shortage of talent (carbon and biodiversity accountants, CSR managers, analysts, etc.).

"Non-financial reporting faces the same challenges as financial reporting: exhaustiveness and harmonisation to provide investors with reliable information on the financial products in which they invest (...) Exhaustiveness is achieved by talking to your portfolio, especially when the companies are early stage. Our very good relations with our entrepreneurs enabled us to explain to them what was at stake for us in this reporting and how much we needed them to respond. This has enabled us to obtain a response from all our participants to the data collection we have carried out."

Return of an investment fund consulted in June 2023