



Business for
Biodiversity
Ireland

THE JOURNEY TO NATURE POSITIVE

Goal A3: Step 1

Know your Obligations

Small to Medium Enterprises

(SMEs)

Goal A3.1_Nature Disclosures: Know your Obligations_ V1.0

March 2024

DO SMES NEED TO REPORT?

MAYBE?

Listed SMEs (<250 people)

SMEs that are listed on the stock exchange will be required to report under CSRD by 2027, for the 2026 financial year.

Non-listed SMEs are not required to report.

What is the different between a listed SME and a non-listed SME?

Small and medium enterprises (SME) represent 99% of all businesses in the EU. In Ireland, the majority of SMEs are micro-enterprises. A report from [1] Statista stated that in 2023, there were approximately 309,000 SMEs operating in Ireland. The majority of SMEs in Ireland are not listed.

A [2] listed SME is one that is listed on public markets. Being listed can make it easier for SMEs to raise capital on public markets. Benefits of being listed include access to a diversity of investors, a reduction in dependence on bank funding, easier access to additional equity capital and debt finance, and a higher public profile, and brand recognition. Along with the benefits, there are also challenges for SMEs becoming listed on public markets, in particular the increased compliance requirements, such as CSRD. However, to help such enterprises with reporting, EFRAG have released the first draft of simplified standards for listed SME (LSME) and also for non-listed SME (VSME) who can report on a voluntary basis.

[1] Statista: Number of SMEs in Ireland in 2023 (<https://www.statista.com/statistics/879089/number-of-smes-in-ireland/#:~:text=In%202023%2C%20there%20were%20approximately,and%203%2C843%20medium%2D-sized%20businesses.>)

[2] Details from EU Commission website on SME listing on public markets (https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/financial-markets/securities-markets/sme-listing-public-markets_en)

REPORTING DIRECTIVES FOR LISTED SMES

Corporate Sustainability Reporting Directive, 2023 (CSRD)

The Corporate Sustainability Reporting Directive is the new EU regulation for sustainability reporting that came into force in January 2023. It replaced the NFRD.

Companies that were previous subject to NFRD reporting are required to report under CSRD in 2025, for the financial year 2024.

Company categories (undertakings) for reporting under CSRD as defined by the European Commission are set out in the table linked below.

[CSRD Criteria Table](#)



CSRD Modifications

Under CSRD, companies will have to report according to the European Sustainability Reporting Standards (ESRS) or other aligned standards (see *BFBI Roadmap Step A3.2 Standardising Reports*).

There have been some modifications to reporting obligations in the published draft ESRS to take account of the difficulties and complexity of gathering sustainability information, in particular for listed SMEs. Below are some of the modifications to the previous draft ESRS as outlined by the EU Commission.

Phase-in provisions

This mainly applies to companies with <750 employees (in addition to those provisions already in the previous version of the draft ESRS). The new phase-in provisions will allow certain companies to postpone reporting for 1 or 2 years, depending on the topic. Consideration was given to:

- **Reporting costs:** They are relatively higher for smaller companies
- **Experience:** Many of these companies were not previously subject to sustainability requirements
- **Time:** It allows time for smaller companies to prepare for delivering on their sustainability reporting obligations
- **Complexity:** This takes account of what the EU Commission consider to be challenging issues for companies to report on, which include climate change (ESRS E1), biodiversity (ESRS E4) and certain social issues (ESRS S1).



Materiality

For those that fall under the scope of CSRD, all standards and disclosure requirements within each standard will be subject to a materiality assessment (with the exception of ESRS 2 'General Disclosures' [1]).

If, following a materiality assessment, a company considers a standard topic is not material, it does not have to report on it. However, a detailed explanation of a company's conclusion of materiality assessments will need to be explained in detail if a topic is not considered material.

The modifications to the ESRS are to enable certain businesses to deliver on their sustainability reporting obligations by providing some flexibility for companies to get started.

[1] Cross-cutting standard ESRS 2 ('General Disclosures') requires essential information to be disclosed irrespective of which sustainability is being considered.





CSRD and Biodiversity

The European Sustainability Reporting Standards (ESRS) have been developed to help structure reporting under the CSRD. One of the environmental topical standards, E4 is specifically addressing reporting on biodiversity and ecosystems.

Businesses will only have to report against ESRS E4 if biodiversity is considered a material topic after a materiality assessment has been completed.

Reporting against E4 will not be required in year 1.

Currently, there are ten disclosure requirements on biodiversity detailed in ESRS E4:

1. Transition plan in line with the targets of no net loss by 2030, net gain from 2030 and full recovery by 2050
2. Policies implemented to manage biodiversity and ecosystems
3. Measurable targets for biodiversity and ecosystems
4. Biodiversity and ecosystems action plans
5. Pressure metrics
6. Impact metrics
7. Response metrics
8. Biodiversity-friendly consumption and production metrics (optional)
9. Biodiversity offsets (optional)
10. Potential financial effects from biodiversity-related impacts, risks and opportunities





CSRD - Useful Links

Questions and Answers on CSRD

EU Commission 21-04-2021

Questions & Answers on sustainability reporting.

EU Commission 31st July 2023

CSRD

EU 2022/2464

Accounting Directive 2013/34/EU

includes criteria for company categories

Delegated Directive (EU 2023/2775)

Amending Accounting Directive, adjusting size criteria



NON-LISTED SMES

Non-listed SMEs are not legally required to report under CSRD but you're not off the hook!

DID YOU KNOW?



Corporates and large organisations will have to report on the impacts and dependencies on nature that occur within their value chain. That's you!

Non-listed SMEs make up 98% of the Irish economy and are responsible for approximately 60 - 70% of environmental degradation. Imagine the positive collective impact that the SME community could have...

Voluntary Reporting



THE NEXT STEPS...

Standardised Reports for SMEs

The next step on this journey is to understand what reporting standard is expected of your business. Click on the link below to learn more about the European Sustainability Reporting Standards (ESRS) and other standards that can be applied if you are reporting voluntarily.

Report Standards



Assessment Frameworks for SMEs

How do you get started on assessing your impacts and dependencies on nature? BFBI has set out some recommendations tailored for you.

Assessment Frameworks

