Statement by the Chair of the Platform on Sustainable Finance: Facilitating Access to Sustainable Finance for SMEs

SMEs play a vital role in Europe's sustainability transition, contributing collectively to more than 50% of the EU's GDP and, 63.3% of all CO2 and greenhouse gas emissions by enterprises. To achieve net-zero goals, SMEs must focus on "greening" their operations and fostering innovation.

The challenges faced by SMEs in financing their sustainability transition have been recognised by the Platform on Sustainable Finance and the Commission. The Commission in its SME Relief Package, presented on 12 September 2023, outlines a series of actions to provide relief and strengthen the competitiveness and resilience of SMEs.

Much effort has been dedicated to gaining a comprehensive understanding of SME financing under the EU sustainable finance framework. This includes the Platform's work on a Compendium of market practices and two Commission studies exploring the costs and benefits of Taxonomy reporting for SMEs and mechanisms for SMEs to demonstrate Taxonomy alignment, thereby enabling access to sustainable finance.

Following the assessment and findings of these works, the Platform is now considering best ways to develop a simplified approach that would facilitate SME’s access to sustainable finance, taking into account the principle of proportionality and the distinction between listed and unlisted SMEs.

Central to this work is the creation of simple, practical, and easy-to-use tools that build on the work of EFRAG. The aim is to support better data flow to entities with reporting responsibilities, as well as give opportunity to unlisted SMEs to use voluntary tools to engage in sustainability efforts without increasing complexity or administrative burdens.

Two distinct approaches are to be considered, one mainly for listed SMEs, the other for unlisted ones, i.e., the vast majority of SMEs:

- **Simplified Approach**: to explore ways to simplify demonstration of compliance with the Taxonomy criteria. This would address usability issues to facilitate Taxonomy take-up and reporting for SMEs subject to mandatory disclosures under the Article 8 Disclosures Delegated Act.

- **Streamlined Approach**: to recognise SMEs' environmental performance outside the Taxonomy framework. Tailored for unlisted SMEs, it would enable substantial environmental improvements by highlighting key environmental impacts relevant to their main activities. This approach would enable substantial environmental improvements by highlighting key environmental impacts relevant to their main activities. This approach would also support the majority of unlisted SMEs in financing individual measures, as well as those who may struggle with demonstrating Taxonomy compliance or perform activities not (yet) covered by the Taxonomy. It would build on key metrics aligned with substantial contribution criteria (where relevant) and the voluntary reporting standards for unlisted SMEs developed by EFRAG. This approach could be then further integrated into a future transition loan definition/standard for SMEs.

The Platform's work on exploring these options is supported by the Commission. This way, SMEs should be empowered to focus on innovation, transitioning to greener operations, and play a significant role in achieving Europe’s environmental objectives, while ensuring such initiatives do not pose an additional administrative burden on the operators.

27 May 2024