

# Think Small First

*Enabling effective climate action by  
Small and Medium-sized Businesses*



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# Forewords



Steve Hare, CEO, Sage

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As nations gather together in Glasgow, COP26 president Alok Sharma has warned that the world is “running out of time” to tackle climate change, and that “everyone needs to step up and show ambition.” He has reminded us of the huge task facing us if we are to halve emissions by 2030.

To me this means one thing. In addition to governments and big business stepping up by setting our own Net Zero targets, we are absolutely going to need the agility, determination and innovation of small and medium sized businesses.

Like society at large, SMBs want our recovery from the global pandemic to be a sustainable one. Nine out of ten expect to need to take action to help countries meet their Net Zero targets.

But many face significant barriers and as a result are excluded from the Race to Net Zero – lack of time, significant costs, overly complex reporting, guidance and uncertainty about quantifying emissions being the main ones.

That is why Sage, at this pivotal moment, has come together with ACCA, ICC and key stakeholders to put forward SMB-friendly recommendations. We believe we can play our part in knocking down those barriers. If we ‘Think Small First’ we can unlock the power of SMBs and help drive forward the Race to Net Zero.



Helen Brand, Chief Executive , ACCA

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This report is timely, published in the first week of COP26 where ambitious climate targets are being discussed and hopefully agreed.

Capital markets are now paying more attention to the climate risk of large companies. But to be inclusive and achieve the targets, what about the smaller players, who are vital parts of local and global economies?

That's why our focus for this report is on the SMB community and how we can help them drive forward climate action. This is not just the premise of big business or corporates, as we all have a part to play.

We need to 'think small first' as unlike bigger businesses, SMBs often don't have the internal resource to do this work. They may not have a head of sustainability, or a risk manager. Many rely on the professional accountant as their trusted advisor to help them navigate a way ahead. But what's clear from the findings in this report is that SMBs want to do more. SMBs need help to get onto the path to Net Zero. And working across sectors and across the whole interconnected value chain we can do just that.

We're delighted to team up with Sage and ICC to champion the role of SMBs in climate action, while also offering clear recommendations for policy makers and big business to help them achieve what's needed.

Yes, there are obstacles and challenges ahead for SMBs, but by collaborating and finding solutions together we can make that pathway to Net Zero for SMBs more straightforward and clearer.



Maria Fernanda Garza Merodio, First Vice Chair, International Chamber of Commerce; Chief Executive Officer, Orestia

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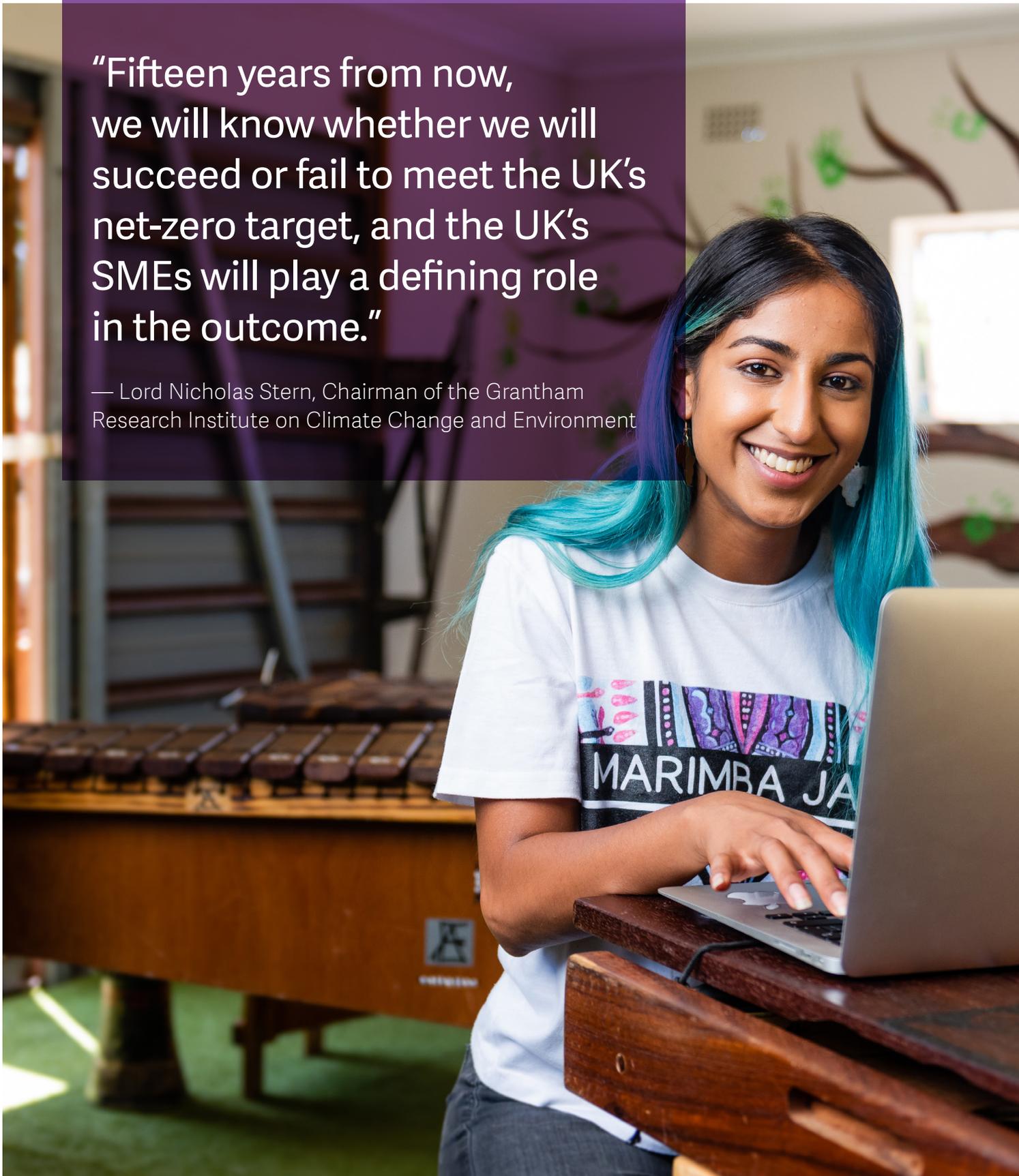
At the International Chamber of Commerce, we pride ourselves on bringing the voices of small business leaders to intergovernmental fora. However, in the climate space, where forward-looking sustainability experts and calls for raising ambition thrive, there is often little room for tangible discussion about how small businesses can practically contribute to our shared goals. In the absence of the SMB voice, a false narrative that local business leaders are not ambitious enough in their actions to combat the existential threat of climate change can take hold.

As the Chief Executive Officer of a medium-sized enterprise in Mexico, I have seen firsthand the tradeoffs that small businesses need to make every day to remain competitive. Lack of resources – be they technical or financial – pose a real threat to mixing purpose and profit. However, with governments and large businesses increasingly exploring measures to reduce their emissions footprints both within their borders and throughout their supply chains, there is a risk that the small businesses that do not have the foresight or capital to make the upfront investment in business decisions aimed at reducing their contributions to climate change will be shut out of the global trading system.

There is a balance to be achieved here to be sure, but an enabling regulatory environment coupled with access to financial incentives and free or low-cost tools can have a transformational impact on SME's ability to act. In this context, I am proud to be working with ACCA and Sage to shine a spotlight on this issue at COP26 and to chart a path for businesses and governments to contribute to its solution in the years to come.

“Fifteen years from now,  
we will know whether we will  
succeed or fail to meet the UK’s  
net-zero target, and the UK’s  
SMEs will play a defining role  
in the outcome.”

— Lord Nicholas Stern, Chairman of the Grantham  
Research Institute on Climate Change and Environment



# Introduction

Ahead of COP26, we have seen government activity to reduce climate emissions accelerate at pace. With global temperatures rising beyond the targets set in the Paris Agreement, the pressure to deliver has never been greater.

**In the UK, the government has announced plans to set the world's most ambitious national climate change target in law, aiming to reduce emissions by 78% by 2030.**

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The European Commission is moving to make corporate sustainability reporting standards mandatory across the EU. In the US, Treasury Secretary Janet Yellen has signalled the US Treasury will work with the G20 Sustainable Finance Working Group to develop sustainability reporting standards.

While it's not news that business has a critical role to play in helping economies reach their Net Zero targets, until recently the focus has largely been on large corporates. Like governments, many large businesses have set their climate targets. More than half of the largest companies in the FTSE 100 have committed to reach Net Zero by 2050.

While these are welcome developments, it is important not to overlook the small and medium-sized businesses (SMBs) that make up over 90% of businesses in most OECD countries and are estimated to employ two billion people worldwide<sup>1</sup>. In the EU alone, there are more than 23 million smaller businesses, providing around three-quarters of all jobs. It is unsurprising then, that, collectively,

SMBs also have a significant environmental impact and represent a large proportion of the supply chain footprint of larger companies. To drive change, we will need collective action to help them become more sustainable.

The good news is that SMBs are overwhelmingly keen to take action - four in five are starting to make climate-conscious decisions - while a similar number globally report that their environmental impact is important to their customers. In the UK SMBs are cognizant that they will need to play their part. 90% expect to make changes to contribute to UK Net Zero targets, 38% think they will be significant. While smaller businesses are responsible for nearly 50% of all GHG emissions from UK businesses, just 3% of SMBs have measured their carbon footprint in the past five years. The will is there, but we need to find a way to shift the dial.

But the path is not straightforward. Sage research reveals 90 percent of SMBs feel they face barriers to taking climate action. They also tend to have

less capital and fewer resources, which makes it harder for them to act. Big corporations not only have a moral duty and responsibility to help small businesses, but it also makes business sense. By helping them get ahead, we can keep small business owners resilient against incoming climate regulation, while also reducing the carbon footprint in our own supply chains.

In recent years, policymakers and large companies have responded to the urgency of understanding and reducing CO2 emissions, along with broader climate risks, opportunities and a growing volume of ESG data. However, so far, the implications for small and medium-sized businesses have largely been limited to a profusion of data requests pushed to them as suppliers to large corporates, rather than a collaborative engagement.

Policy mandates demanding companies disclose emissions have previously focused on larger corporations – but the roadmap for regulation in this area is trending to cover smaller organisations.

As monitoring and disclosure of Scope 3 emissions, driven by investor and regulatory demands, becomes more widespread, more and more companies are asking their suppliers to be ready to report their own emissions, but they are frequently unprepared and do not have the necessary knowledge, tools or resources.

We believe it is in everyone's interest to facilitate effective reporting on climate and other sustainability-related data by SMBs. As this data is increasingly tied to financial activity and the main reporting frameworks are following financial reporting principles, the accountancy profession is in prime position to make a difference here, to galvanise and support the SMB community in its journey. We have therefore undertaken research and convened experts, industry bodies and SMBs to understand what is needed to deliver useful data and, equally importantly, to maximise the potential of the SMB sector to make a positive impact.

As a result we are calling on policy-makers, environmental disclosure bodies, accounting standards setters and large corporates to take on this mission, bearing four principles in mind:

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**1. Standardise.** Large companies should work together within sectors and industries to ensure SMBs are being asked for information on a standardised basis. Government clearly has a role underpinning this consistency, including coordinating the time when this information should be delivered.

**2. Simplify.** Much of the guidance for climate and ESG disclosure is designed for large companies. Government and standard setters should develop simpler guidance, while large companies trying to gather data, such as their Scope 3 emissions, should commit to sending SMBs questionnaires no longer than two pages and to work together on simplifying and aligning the process by asking the same questions and keeping it to the most material issues.

**3. Automate.** Governments and businesses need to support the development of automated tools to make information gathering and reporting as straightforward as possible. Large companies can develop the technology and offer training in those tools to SMBs where appropriate. Governments should create an enabling policy framework and invest in digital infrastructure so that SMBs can innovate and share data effectively.

**4. Enable.** Government policy and action by large corporates must recognise the challenges for SMBs and enable them to overcome these. Investing in supply chain emissions reduction should be an ESG priority for companies, while government needs to provide an enabling policy framework by thinking small first when drafting climate policy, providing the right incentives that are accessible and actionable for SMBs.

Our specific recommendations to Standardise, Simplify, Automate and Enable SMB climate disclosures are:

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**For policy makers:**

- Adopt the principle of Think Small First for any climate policy, to create an environment where SMBs have good support to understand, measure, disclose and reduce their carbon emissions.
- Make guidance proportional, practical and achievable for SMBs
- Adopt and endorse one internationally consistent reporting standard and framework that works for SMBs.

**For large companies:**

- Work with the SMBs in your supply chain to make the task of measuring and disclosing GHG emissions as straightforward as possible. This means focusing on the most material issues rather than asking suppliers to delve into their own supply chains.
- Consider working with peers across your sector to align the timing of environmental reporting and to make data requests consistent.
- Provide training and support for your supply chain, including leveraging your buying power where possible.

Beyond these recommendations, we commit to galvanizing climate action across our own supply chains and markets; and to continuing to advocate among policy-makers while convening other key stakeholders to continue the dialogue and stand up as a voice for SMBs.

<sup>1</sup> <https://smeclimatehub.org/about-us/>



# I. SMBs:

## *The situation today*

**“Advocacy is still more important than we think.  
We need to explain why this matters so much.”**

— Justine Greening, Purpose Coalition

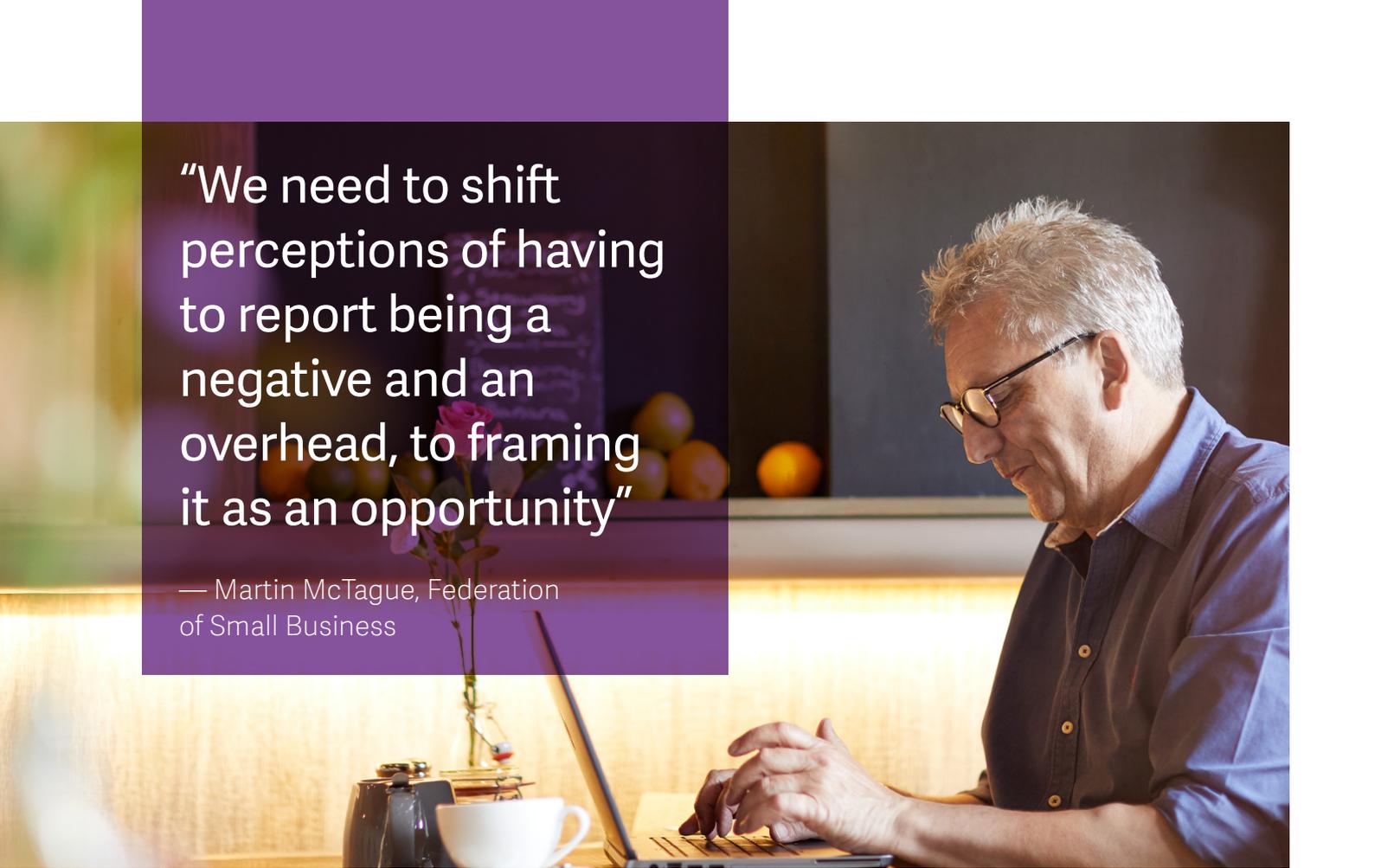
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Although SMBs may not yet have been included in climate regulation, they have the potential to offer a great deal, both in data that can drive change and in directly addressing the climate crisis. For example, in Finland, SMBs represent more than 70% of clean tech enterprises, while in the UK that number rises to 90%.

For those SMBs not directly involved in green industries, however, getting onto the path to Net Zero is challenging. Just one in ten UK SMBs measures their GHG emissions annually or more regularly, according to a poll conducted by O2 and the British Chambers of Commerce earlier this year, with cost and lack of expertise being cited as the main barriers.

These are substantial obstacles, but there are also strong motivations for taking the plunge and starting to measure, report and reduce GHGs and engage in broader integrated, connected corporate reporting.

Smaller companies are more likely to be very close to their customers, and environmental impact is becoming increasingly important as a reputational issue. As expectations grow, better sustainability performance can differentiate a business from its competitors. And there is a further, often overlooked opportunity: the power of SMBs as trusted voices within their local communities means that they are a vital ally in advocating for climate action.



“We need to shift perceptions of having to report being a negative and an overhead, to framing it as an opportunity”

— Martin McTague, Federation of Small Business

Because carbon emissions are set to come under greater regulatory pressure, starting to measure them now is a powerful form of risk management. By understanding its emission footprint, a business will identify and better understand its exposure to climate change risks and how they can be mitigated. In particular, carbon pricing is likely to become a reality for all, so failing to reduce emissions now will result in increased costs of operations and reduced profit.

At its heart, sustainability is about long-term efficiency. Increasing organisational awareness of the linkage between consumption, spend and associated carbon emissions can help identify opportunities for improvements and lead to operational cost savings. In short, it makes for a more efficient business.

This might mean something as simple as ensuring all lighting uses the most efficient bulbs available, or as significant as installing rooftop solar panels and heat exchange pumps in place of gas boilers.

With low levels of expertise on the very concept of Net Zero, SMBs will need guidance and support in understanding their position and potential actions. This is an area where government and large companies could play a role, offering guidance and training.

The upfront cost of taking climate action, whether that be measuring and reporting emissions or changing to renewable energy sources, is a major barrier for SMBs that could potentially be mitigated by larger companies keen to reduce emissions in their supply chain.

In particular, post-pandemic, many SMBs are struggling to access the finance they need. There are significant opportunities, therefore, for government, large companies and the finance sector to use their respective power and influence to incentivise the change needed:

- Governments should develop policy and subsidy mechanisms that are directly relevant to, and easily accessible by, smaller businesses for the adoption of cleaner, more efficient operations.
- Large companies can leverage their cost of capital in support of their supply chains, through buying clubs, or clear incentives such as larger contracts for lower emitting suppliers
- Banks should follow the leaders in their sector by pro-actively offering dedicated advice to SMBs and linking better financial terms with investment in business activities that reduce emissions or support a circular economy.

# II. How bigger companies can help, and why they should

**“By helping their suppliers reach net zero, big companies are addressing their scope 3 emissions .”**

— Neil Ross Russell, Net Zero Now

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Regulators globally have started to incorporate climate reporting alongside or even as part of financial reporting for larger companies, particularly public companies listed on stock exchanges where organisations like the UK’s Financial Conduct Authority have direct influence. However, they are increasingly also targeting private companies, for example via requirements for banks and asset managers. The direction of travel is clear.

Typically, these large companies are required to report their direct emissions (Scope 1) and indirect emissions such as those from electricity generation (Scope 2). But for most companies, these are dwarfed by Scope 3 emissions, generated in the supply chain or by customers’ use of a company’s products. Because Scope 3 emissions are difficult to calculate and not directly under the control of the company, regulation and practice have been slow to focus on them. This is changing and will mean large companies will need to depend on their suppliers, often SMBs, measuring and reporting their emissions.

The rapid growth in large companies making Net Zero commitments will drive increasing engagement with the supply chain to understand their Scope 3 emissions. If these companies are serious about reaching Net Zero, there is a strong motivation to require supply chain businesses to start measuring, disclosing and reducing their own emissions.

The challenge is that, as a recent survey by BT and Small Business Britain found, more than three quarters (77%) of small businesses don’t know how to measure carbon emissions, with 73% of small

firms keen for more training and education to understand what changes they could make to their business.

The typical first step by corporates has been to send suppliers detailed questionnaires about their carbon emissions and other data that corporates want to aggregate, but this has a number of drawbacks. For example, questionnaires on non-business-critical issues are likely to be a low priority for SMBs lacking customer relations departments or large facilities management teams.

Even the look and time requirements of the questionnaire can be off-putting. The Federation of Small Businesses argues that a questionnaire that cannot be filled out in less than seven minutes is likely to be ignored.

If the sustainability departments of large companies want useful responses from SMBs, they need to ensure they are not passing on the cost of regulation to their suppliers, who may not have the resource to address this. Rather than demanding large amounts of data, use the 80:20 principle - focus wherever possible on the smaller sub-set of information that will provide the greatest value. For example, when calculating Scope 3 emissions at the corporate level: a supplier’s Scope 1 and 2 emissions will often represent most of its footprint and is more straightforward for them to provide, being based on energy and fuel consumption. In most cases, getting accurate Scope 1 and 2 data from all suppliers is likely to be more useful than poor - or missing - Scope 1, 2 and 3 data.

“Because we tend to get our parts from smaller suppliers we absolutely need them to come along with us to make an impact, we cannot simply make it a requirement that they fill out lengthy information requests, we have to help them.”

— Sue Allen, Willerby Homes

“For SMBs, you really have to focus on what’s most important for your business, your industry”

— Caroline Bridges, Value Reporting Foundation

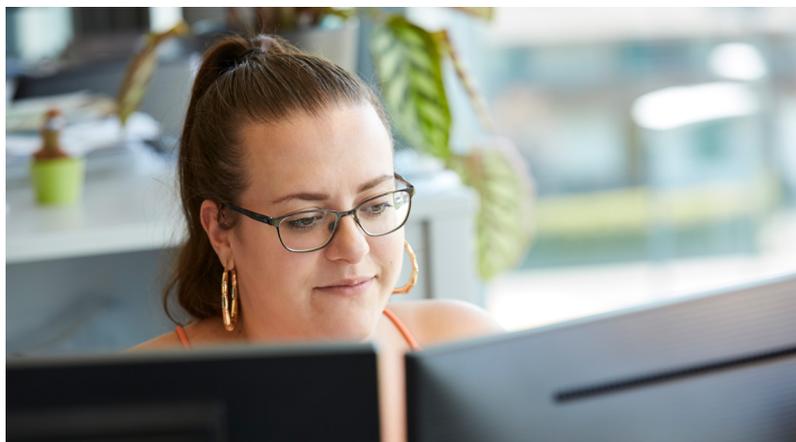
### **Making it simple:**

WWF’s Emission Possible guide

WWF has undertaken analysis of the reporting landscape and how it can be made simpler, both for large companies to ask for data and for SMBs to respond. Its Emission Possible programme has created assets for all stakeholders that forms a toolkit of resources to enable meaningful climate action.

For example, reflecting the fact that emission reporting can be confusing and time-consuming, WWF created their Beginners’ Guide to Emission Reporting to help companies understand what to do, streamline the process and empower them to take action.

They have also created a single page example questionnaire that can be used for companies to gather data from suppliers in a consistent way.



Taking the time to engage with suppliers, to understand what support they might need to manage the administrative burden of sustainability reporting, providing training on how they can both improve the efficiency of their business and make data more accessible, would improve the quality of responses.

A potentially effective approach could be to identify an appropriate online tool for carbon accounting and cover the costs of subscription for suppliers. This would have twin benefits: not only making it easier for suppliers to provide information but also delivering that data in a consistent format for use at the corporate level.

Where suppliers need to make investments to improve their environmental performance, large companies have tools at their disposal to help them. This can include: the development of training courses; offering enhanced financing terms by working with banks to pass on their cost of capital; putting in place renewable energy tariffs and offtake agreements that suppliers can access; or establishing buyer's clubs to aggregate demand for efficient equipment.

## **Providing access to training and resources for SMBs**

Sage has launched a [Sustainability Hub](#) to provide owners of small businesses with expertise and actionable advice on how to reduce the carbon impact of their operations.

ACCA's [Rethinking Sustainable Business Hub](#) keeps SBMs informed, providing education support for when resources are tight and is continually updated to ensure companies are supported with practical insights, tools, learning and connections to help all companies meet the challenges.

The [ICC Chambers Climate Coalition](#) is an international network of chambers sharing best practices, policies and processes to mobilize local business leaders in support of bold action to tackle climate change.

BT plc has invested in the development of educational materials for SMBs, teaming up with partners including Google, LinkedIn and Small Business Britain to deliver online learning for what it calls the Skills for Tomorrow. [This platform](#) now provides over 180 free courses and resources, including support for SMBs to understand how they can measure and manage their climate and wider environmental impact.

This type of approach – of carrot, rather than stick – is likely to enable larger companies to get further along the road, more quickly, towards measuring and thereafter reducing their own impact.

In addition, larger companies should work with their peers to standardise their carbon reporting demands. A sector standard would make the process more straightforward for SMBs, and by simplifying the demand, make it easier for third parties to develop platforms and tools to support integrated reporting, creating a positive cycle of standardised data requests and the commercial innovation to support its delivery.

# III. Accountants - *trusted professionals, providing automated tools*

“There’s a critical need for leaders, whether in governments, the private or public sectors, to grasp the scale of this challenge and to respond to it. The accountancy profession has a critical role to play in this, both to lead long-term value creation in sustainable economies, and to champion responsible practices for the public good.”

— Helen Brand OBE, Chief Executive of ACCA

As service providers to both small and large companies, accountants and accountancy trade bodies have a huge role to play in facilitating carbon accounting and climate action.

Accountants capture and analyse a wide range of financial and non-financial data for organisations. While not all accountants have expertise in understanding how to measure carbon emissions, the task of hunting down data and organising it in ways that allow meaningful interpretation is core to both financial and carbon reporting. The attention to detail, communication skills, analysis and ethical mindsets of professional accountants are skills that will be key to achieving net zero.

For most SMBs, their accountant is a trusted adviser, who can help them navigate a complex landscape, while bringing order to records of

transactions and processes they may not be able to manage themselves. In addition, they will support the integration of business strategy and targets on sustainability into business plans. Those that have inhouse accountants will rely on them to provide the directors with an intelligent picture of the business within the wider sustainability agenda, as well as underwriting its integrity and efficiency.

As regulated providers, accountants can help build trust and ensure integrity of reporting, which is important both internally and externally. Since a key reason for being an environmentally concerned business is to improve motivation and retention of employees, it is important for them to be able to trust their employer is living the principles it nominally espouses. Externally, customers are increasingly demanding higher standards of environmental stewardship from companies.

## “All of the data is available somewhere, it’s just a question of finding it”

— Neil Ross Russell, Net Zero Now

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Accountancy software platforms are well positioned to work with carbon accounting experts. In many cases, the data needed for carbon accounting is held somewhere in financial data (since carbon emissions are largely based on consumption). This means a collaboration between conventional accounting and carbon accounting could avoid significant amounts of duplication in inputting and collating data.

Alongside this, automation has a major role to play. For SMBs, tools to draw down data for Scope 1 and 2 emissions reporting should be relatively straightforward, as the core data they need includes: Scope 1 - gas (kWh), company cars (distance/fuel), refrigerants (litres); and Scope 2 - Electricity (kWh). The increasingly sophisticated reporting software for this can be linked to or integrated within financial accounting tools.



“Customers increasingly expect social value to be delivered by smaller companies”

— Donna Stimson, Councillor and Cabinet Member for Climate Change and Sustainability, Windsor and Maidenhead

# IV. Setting the rules - *the role of government*

Government and policymakers at all levels must ensure the path to carbon accounting is smooth for SMBs, rather than doing so without taking account of the particular challenges for this important section of the economy.

**Think Small First** is a principle for all climate legislation aimed at the private sector. Next year's European Union directive on sustainability reporting next year will include a simplified reporting standard for SMBs.

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As an example of how much traditional reporting guidance can be trimmed for the use of SMBs, look to the UK. Here, the official guidance for carbon reporting runs to 66 pages. WWF, which recognises the need to facilitate the private sector in transitioning to a low-carbon economy, has helpfully reduced this to a much more readable 13 pages. The longer version may include everything a large company might need, but SMBs are likely to look at such a document and file it in the "too difficult" folder.

In the US, it also appears SMBs have slipped through the net when government is thinking of climate change. President Biden's Build Back Better plan is explicitly intended to support the transition to a low-carbon economy, but the \$30bn Small Business Opportunity Fund fails to integrate support for climate action.

A key principle of the European Union, subsidiarity, should also come into play when thinking of how to facilitate climate action by SMBs. That means all decisions and implementation should be taken at the most local level possible.

For small businesses, local government may be an appropriate level to support them in improving their environmental impact. As well as providing waste management and recycling facilities, local government can work closely with local SMBs and community groups to work out the best and most practical ways to take climate action.

National governments need to create an enabling policy framework and invest in digital infrastructure so that SMBs can innovate and share data more effectively. There is an opportunity for national governments to facilitate automation by pushing for open data and standardised APIs. This would enable SMBs to capture the data they need, for example from energy suppliers.

Another practical step would be to make investment incentives accessible and create a single point of contact for green grants and signposting on eligibility for reliefs such as the business rates allowance and capital allowances, to help SMBs navigate and maximise opportunities for government support.



## Examples of good practice from the UK

In the Royal Borough of Windsor and Maidenhead, the council is creating a Climate Partnership bringing together private and public sector organisations, as well as community groups, to oversee the delivery of its Environment and Climate Strategy.

Other local authorities are operating grant schemes to help SMBs save on energy and promote growth and innovation using low-carbon methods. For example, Shropshire Council's Low Carbon Opportunities Program offers grants of up to 40% of costs of eligible capital or revenue projects for SMBs in the low-carbon emissions sector.

At a regional level, LoCASE (Low Carbon across the South East) offers grants, training workshops and other events to regional businesses offering low carbon solutions.

# V. Align and simplify

## *reporting into a single framework*

**“We need to coalesce around a common framework on climate. It’s taking too long, so we should recognise that nothing is perfect and get on with the 80% we agree on.”**

— Justine Greening, Purpose Coalition

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The idea that companies should have a framework available to them for reporting the information required by regulators, investors or other stakeholders is not new. However, until recently, the focus was almost entirely on financial reporting.

In recent years, as environmental, social and governance issues have risen up the agenda, with climate change in particular forcing acceptance that GHG emissions are likely to be financially material, the private sector has come to recognise the need to develop a new framework for reporting.

Last year, the [World Economic Forum](#) released a set of universal ESG metrics based on work with four big audit firms. The WEF are also participating in the International Financial Reporting Standards (IFSB) ambition to prepare the ground for the future International Sustainability Standards Board (ISSB).

The establishment of the ISSB will prompt the consolidation of the disclosure of financially material sustainability information by corporates and financial institutions within a globally accepted framework. The ISSB will sit alongside

the International Accounting Standards Board (IASB) to ensure interconnectedness between accounting and sustainability-related requirements. The sustainability standards will aim to capture financially material information about companies’ sustainability-related risks and opportunities, and their impact on enterprise value, with an initial focus on climate-related risks.

Recognising the growing importance for one framework, 57 organizations in an open letter to the European Commission, the European Parliament and the Council of the European Union, encouraged them to be a key force behind the alignment on a global baseline set of ESG disclosure standards.

We welcome the direction, clarity and certainty that this alignment could bring for large corporates, but there’s still a way to go before this is accessible for SMBs.



## Tailoring reporting frameworks to empower SMBs

CDP, formerly known as the Carbon Disclosure Project, has developed a well-recognised platform and framework for large companies to report their GHG emissions, and has recently been working to adapt that framework for SMBs.

Its ambition is to improve SME reporting capability by providing a simple, modular and easy to understand open framework and scoping out recommendations for future SME reporting.

Ultimately, their goal is that SMEs would be empowered to report progress against their commitments and provided with a clear way to demonstrate their climate leadership.

## Integrated reporting 'lite'

The Value Reporting Foundation was created earlier this year by the merger of the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB) in the belief that simplifying the standards-development landscape was in everyone's interest.

The VRF brings together the Integrated Reporting Framework, connecting thinking and reporting across financial, manufactured, human, social, intellectual and natural capital, and the SASB Standards, which make sustainability data comparable between companies in the same industry.

Already it is working on a stripped-down version of its Integrated Reporting, "IR Lite", suitable for SMBs, to enable smaller businesses to access the advantages of considering their businesses in a holistic perspective without the need for the resources and investment that might be needed by the full Integrated Reporting Framework.



“It’s such a big blue ocean of opportunity, but people fear it’s a small red ocean full of sharks”

— Donna Stimson, Councillor and Cabinet Member for Climate Change and Sustainability, Windsor and Maidenhead

## The bigger picture

Reaching Net Zero is necessary but not sufficient to ensure we continue to inhabit a planet that can sustain our civilisation. Human activity is putting all of nature under pressure, even though more than half of the world’s economic output (US\$44 trillion of economic value generation) is moderately or highly dependent on nature, according to the Taskforce on Nature-related Financial Disclosure.

This pressure is leading to a collapse in biodiversity, a measure of the number of species existing in an ecosystem (the interdependent web of species that depend on each other for survival). As biodiversity shrinks, these ecosystems become more fragile, more liable to collapse.

For businesses to address these risks, they need to understand the risks and their own contribution to them. In the decades to come, as we come to recognise how dangerous the impact of humanity is to the habitat we depend on, it is likely that all businesses will take it as a matter of course that their business strategy includes an environmental impact assessment and statement of ethical purpose.

## How can SMBs be proactive?

It's important that policymakers and large corporates enable, rather than stifle, action from SMBs. However, the evidence shows that many SMBs worldwide want to be proactive. There are some simple steps that they can take to start taking actions that will help their business meet their large clients' needs on reporting AND thrive. These include:

### 1. Start measuring your carbon footprint

Don't be overwhelmed – begin where the data is easiest to gather, for example, the carbon emissions of your own business operations – electricity, gas and fuel from your vehicles. Once you understand this, you can move on to indirect emissions from goods that you purchase. There are free tools available for business, such as the [Carbon Trust's SME Carbon Footprint Calculator](#)

### 2. Set targets

The [SME Climate Hub](#) is a global initiative designed to provide guidance on how small businesses can set net zero targets, measure their emissions and develop climate strategies. It also contains advice about reducing emissions across your business activities

### 3. Understand your energy consumption

Energy and capital savings can often be found in simple solutions, once you know where to look. For example, LED light upgrades or solar panels.

### 4. Engage your people

A recent poll by ACCA Global of its members found that more than 80% of respondents said it was important or very important for their organisation to operate in an environmentally friendly and sustainable way. Building net zero and other such targets into your business plan and clearly communicating this to your employees will engage and motivate them to consider impactful actions you could take.

While SMBs may not yet have the resources needed to make that move, it is in everyone's interest to facilitate the culture shift that will be needed. Carbon accounting and wider integrated reporting is a vital first step on the long road to a sustainable global economy.

# Conclusion

Businesses of all sizes, policymakers and regulators understand and agree that the global economy needs to reach Net Zero by 2050.

To reach this goal, the small and medium-sized businesses that are the backbone of our economy must be supported on their own Net Zero journeys.

We call on governments and the large companies that rely on SMBs in their supply chain to **STANDARDISE, SIMPLIFY, AUTOMATE and ENABLE** integrated reporting on climate and other sustainability matters for these companies, to leverage the SMB sector's considerable potential, for the benefit of everyone's future.



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- Stephen Phipson, CEO, MakeUK
- Anna Stanley, Lead Value Chain Pathfinder, World Business Council for Sustainable Development (WBCSD)
- Charlotte Thomasen, Associate Director, SMEs, Confederation of British Industry (CBI)

## Standard Setters

- Farheen Altaf, Technical Officer, SME Net Zero Campaign, CDP
- Dr Caroline Bridges, Technical Project Manager, Value Reporting Foundation

## Government

- Catherine Westoby, Senior Policy Advisor, Net Zero Public Engagement, Department for Business, Energy and Industrial Strategy (BEIS)
- Sam Lux, Policy Advisor, Net Zero Public Engagement, BEIS

## Global companies

- Neil Harris, Sustainability Strategy and Innovation Lead, Amazon

## SMBs

- Ben Knight, Head of Sustainability, GoCardless
- Martin Peters, Financial Director, Miralis
- George Sandilands, CEO, Spherics
- Neil Ross Russell, Managing Director, Net Zero Now

## Accountants

- Sue Allen, Group Finance Director, Willerby Group
- Yogesh Patel, Founder, Tellic Public Practice
- Mel Profitt, CFO, Farncombe Estate

## Coalitions supporting businesses

- Justine Greening, Founder, Purpose Coalition
- Sean Mallon, Climate Specialist for WWF's Climate Business Network, World Wildlife Fund (WWF)

## Sustainability & ESG Advisor

- Adrian Rimmer, Partner, Finsbury Glover Hering

## About Sage

Sage is the global market leader for technology that provides small and medium businesses with the visibility, flexibility and efficiency to manage finances, operations and people. With our partners, Sage is trusted by millions of customers worldwide to deliver the best cloud technology and support. Our years of experience mean that our colleagues and partners understand how to serve our customers and communities through the good, and more challenging times. We are here to help, with practical advice, solutions, expertise and insight.

Through our sustainability and society strategy, [Knocking Down Barriers](#), Sage's goal is to tackle

societal and economic inequality as well as support a new generation of diverse and sustainable businesses. Sage has set an ambitious science based target to get to Net Zero by 2040 across scope 1, 2 and 3 emissions by reducing the impact of its business operations, cutting emissions by 50% by 2030, and by effectively managing its supply chain impact. In addition we are taking steps to guide small businesses to address their own impact. We have also launched the [Sage Sustainability Hub](#) to offer practical guidance and inspiration for SMBs on their sustainability journey.

Find out more at [sage.com](https://www.sage.com)

## About ACCA - (the Association of Chartered Certified Accountants)

is the global professional body for professional accountants.

We're a thriving global community of **233,000 members and 536,000 future members based in 178 countries** and regions, who work across a wide range of sectors and industries. We uphold the highest professional and ethical values.

We offer everyone everywhere the opportunity to experience a rewarding career in accountancy, finance and management. Our qualifications and learning opportunities develop strategic business leaders, forward-thinking professionals with the financial, business and digital expertise essential for the creation of sustainable organisations and flourishing societies.

Since 1904, being a force for public good has been embedded in our purpose. In December 2020,

we made commitments to [the UN Sustainable Development Goals](#) which we are measuring and will report on in our annual integrated report.

We believe that accountancy is a cornerstone profession of society and is vital helping economies, organisations and individuals to grow and prosper. It does this by creating robust trusted financial and business management, combating corruption, ensuring organisations are managed ethically, driving sustainability, and providing rewarding career opportunities.

And through our cutting-edge research, we lead the profession by answering today's questions and preparing for the future. We're a not-for-profit organisation. Find out more at [accaglobal.com](https://www.accaglobal.com)

## About ICC - (International Chamber of Commerce)

ICC is the world business organization, enabling business to secure peace, prosperity and opportunity for all.

We are the institutional representative of more than 45 million companies in over 100 countries with a mission to make business work for everyone, every day, everywhere.

Through a unique mix of advocacy, solutions and standard setting, we promote international

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Find out more at [iccwbo.org](https://www.iccwbo.org)



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