

ESBG's position paper on the potential inclusion of SMEs in the Taxonomy.

Executive summary

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In November 2023, ESBG published a position paper on the potential inclusion of SMEs in the Taxonomy framework. Given saving banks' unique role vis-à-vis SMEs (ESBG members provide 313 billion euros in loans to SMEs), ESBG believes it is important that they can benefit and contribute to the transition. Nonetheless, the current reporting framework must be simplified should they be included. Moreover, this inclusion should be the opportunity for a more global review of some shortcomings, notably regarding some indicators (DNSH, GAR).

ESBG'S POSITION

First of all, ESBG wishes to stress that SMEs are, of enormous importance in the business ecosystem, and it is essential that they adhere to the transition, given their impact on the various sectors and the entire value chain. Given existing EU legislations requirements (CSRD, CSDDD), SMEs will have to report on their activities in any event. According to ESBG members, SMEs are contributing (or planning at least) to the sustainable agenda, even though the situation varies between member states. For instance, 93% of SMEs that are customers of Groupe BPCE have taken preventive action against the risks associated with global warming, natural disasters, or other climatic events, based on a result from a survey conducted in June 2023.

Therefore, **ESBG believes it will make sense to include SMEs in the Taxonomy**, notably after meeting with them. However, **one must avoid creating disadvantages for SMEs and the credit institutions financing them. Bearing that in mind, ESBG recommendations follow the "three I":**

- *Implement some proportionality and flexibility regarding the scope.*
- *Indicators must be reviewed and simplified (some of them at least).*
- *Incite support for SMEs wishing to transition through various actors and tools.*

Indeed, flexibility will be required vis-à-vis SMEs should they be included in the EU Taxonomy. A solution could be the adoption of a **phase-in approach for SMEs**. For instance, there could be an alignment between the Taxonomy reporting requirements and the CSRD ones for consistency purposes, notably by allowing voluntary taxonomy reporting for SMEs - in the short term at least.

On top of that, ESBG believes that **including SMEs in the Taxonomy could be the opportunity to rethink some key performance indicators, not only for SMEs but also for all the companies** falling within the scope of the Taxonomy. This is notably the case of the GAR and of the DNSH.

Finally, **SMEs will need both the regulatory advice and financial tools to adapt properly to the Taxonomy requirements**. ESBG wishes to highlight that **financial institutions cannot bear the entirety of this burden alone**. Incentives and public support from other actors are needed.