



European Federation of Auditors and Accountants for SMEs **22 October, 2021**

Achieving Sustainability How Can SME-Sized Accountancy Practices (SMPs) Contribute?

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Seconded to the European Investment Fund

Strengthening Sustainable Finance & Investment Beyond 2020

Content

1. *About the European Investment Fund*

1. An EU PPP Promoting SME access to Risk Capital Via Intermediaries
2. Transitioning from a Volume- to an Impact Driven Investor

2. *Rationale for (Reinforced) Action on Sustainability?*

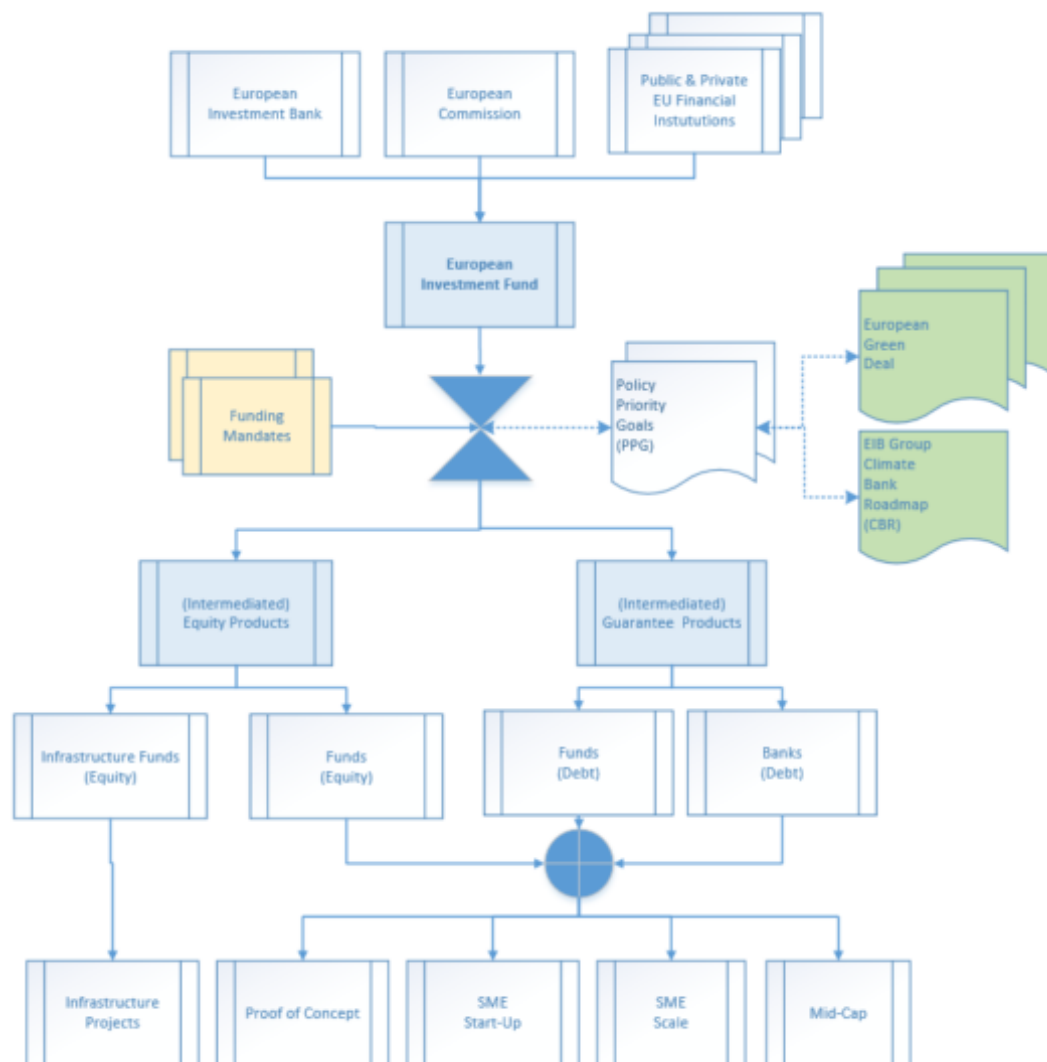
1. Rapidly Rising Natural Capital Risks Jeopardize Economies and Societies
2. Interlinked risks require total (environmental) impact management
3. The green finance & investment reality v rhetoric
4. Distance to target and transition goals reveals the challenge (& pressure)
5. The European Green Deal drives action in much needed holistic framework

3. *Moving from Challenges to Opportunities*

1. The EGD-related forward-oriented climate and environment management framework
2. The Emerging Sustainability Reporting and Disclosure Framework
3. The 2021 sustainable finance strategy update
4. The Growing Attention to Natural Capital Management Accounting & Monetization

The European Investment Fund

An EU policy-oriented PPP promoting SME Access to Risk Capital via Funds and Banks



EIF Key Facts & Figures

EIB Group Public-Private Partnership

EIB-EC-Other Financial Institutions

Mandate-driven Asset Manager

EIB, EC, Regional, Private Sector

Promoting SME Access to Risk Capital

Equity, Guarantees, Securitization,...

Start-Up, Scale-up, Growth

Venture Capital, Private Equity

Via Intermediaries

Transitioning from Volume to Impact Focus

1.Competitiveness & growth

2.Innovation

3.Social Impact, skills and human capital

4.Sustainability & Green Transformation

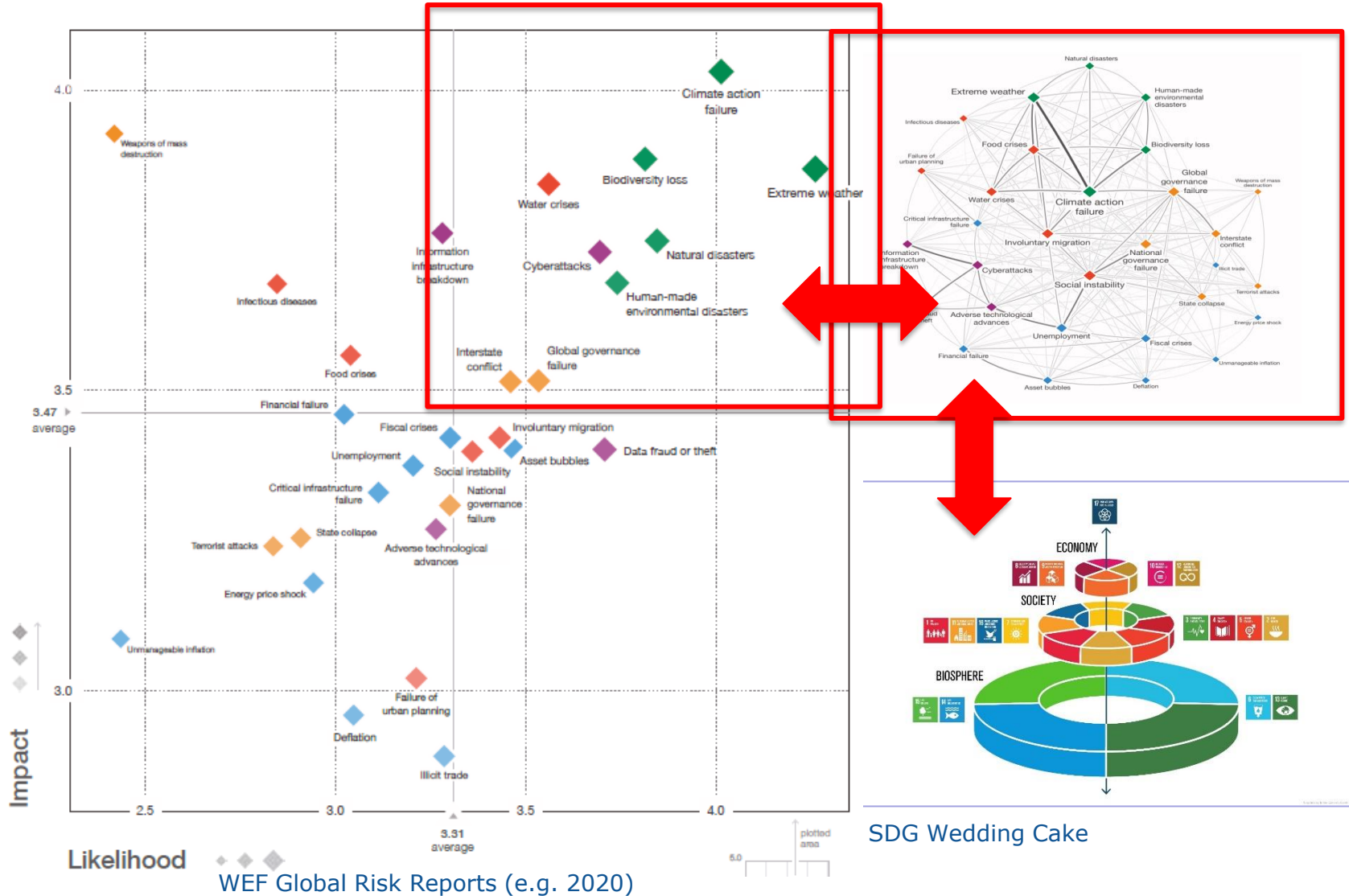
5.Climate Action & Environmental Sustainability

6.Economic and Social Cohesion

Ca 160 mandates mounting to €90 bn (6/21)

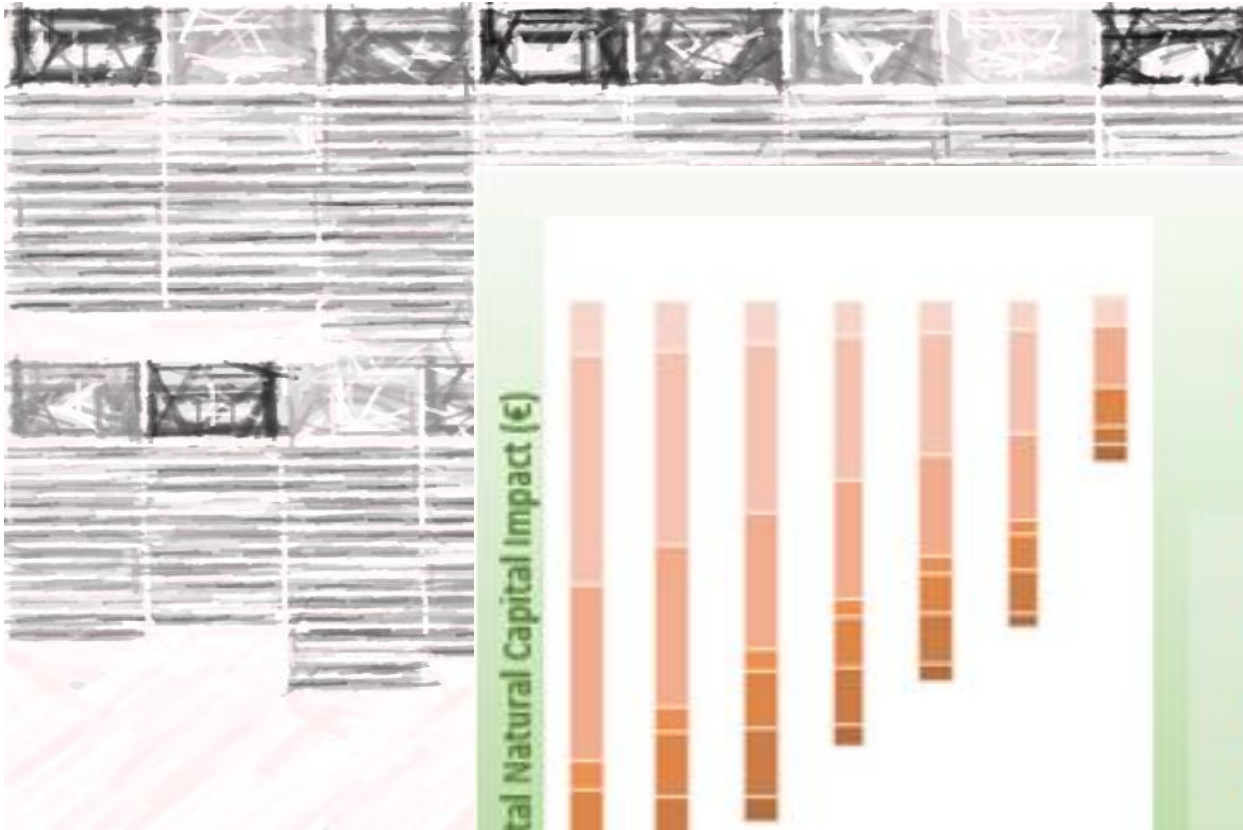
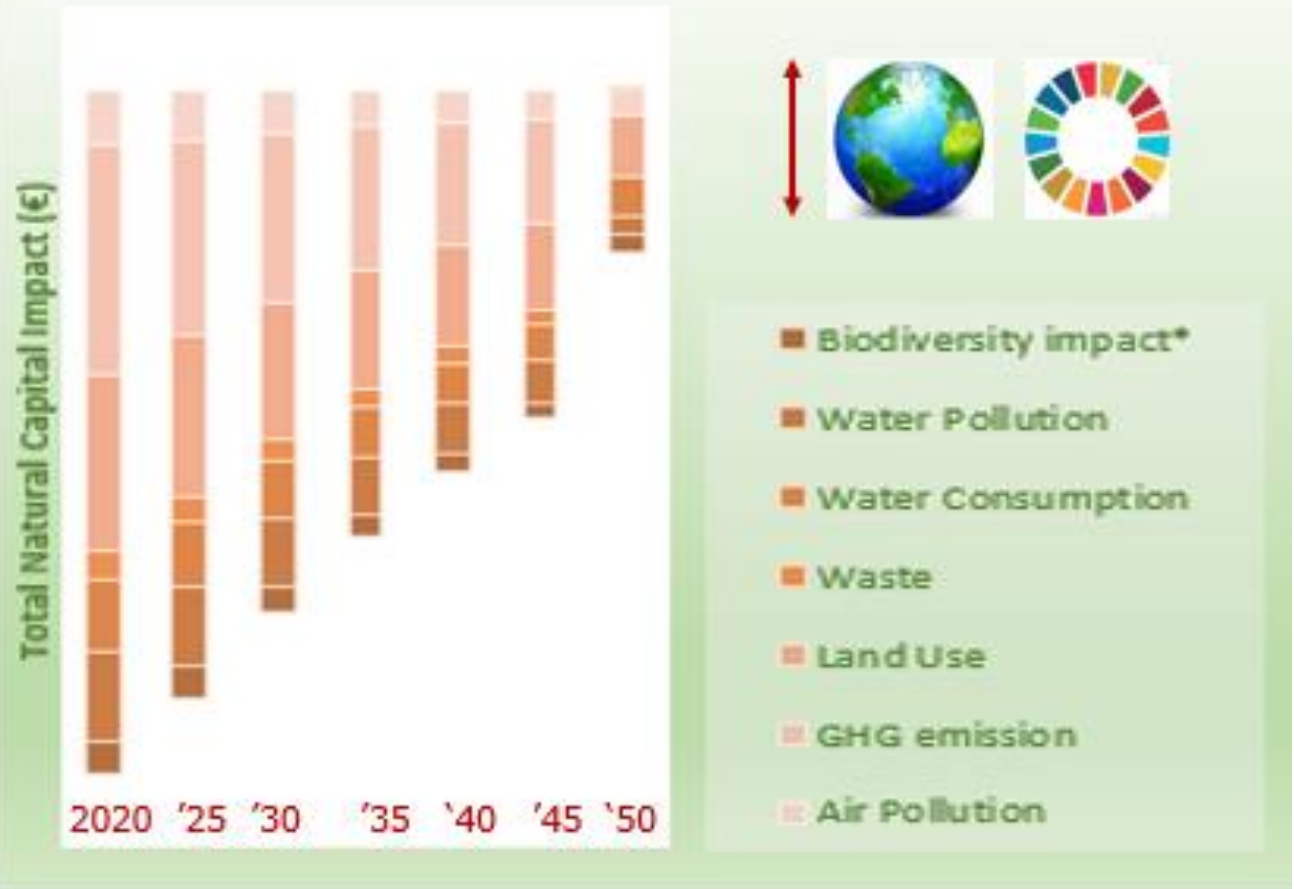
All Natural Capital Degrading Rapidly

Jeopardizing Economic and Social Sustainability (EU, global)



Inter-linked Risks Requires Total (ENV) Impact Management

For Efficient Forward Mitigation Management of Impacts & Dependencies Towards already Agreed Targets (Net Zero, SDGs, ...)



Moving Towards a Forward Oriented NC/CE Management Logic

Enabling integrated environmental management called for by the EGD

Reducing the
Total Natural Capital
Footprint (Impact and Dependency)

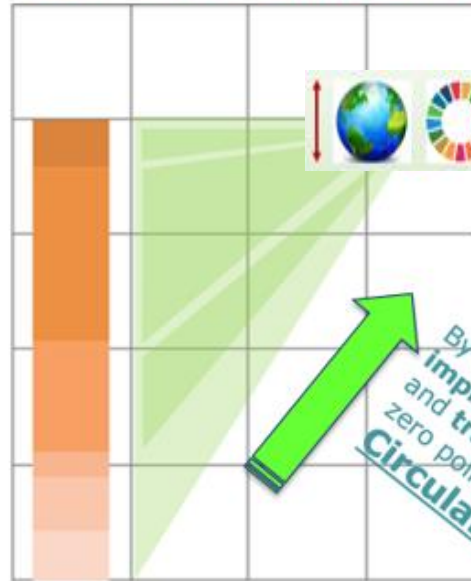
Climate & Air
Global Warming
Air Pollution, Ozone, ...

Water
Pollution, Use,
Droughts, Floods, ...

Land**
Degradation,
Fragmentation, ...

Biodiversity
Loss of habitats & species, ...

2020 2030 2040 2050



Towards "**break-even**" levels for
health, ecosystems, ...
compatible with **One Planet**
objectives (Paris, SDGs, EU
Environmental Action Plans,...

By greening the economy through (better)
implementing agreed environmental policies,
and transitioning towards a resource efficient,
zero pollution, carbon neutral, and ultimately
Circular Economy.

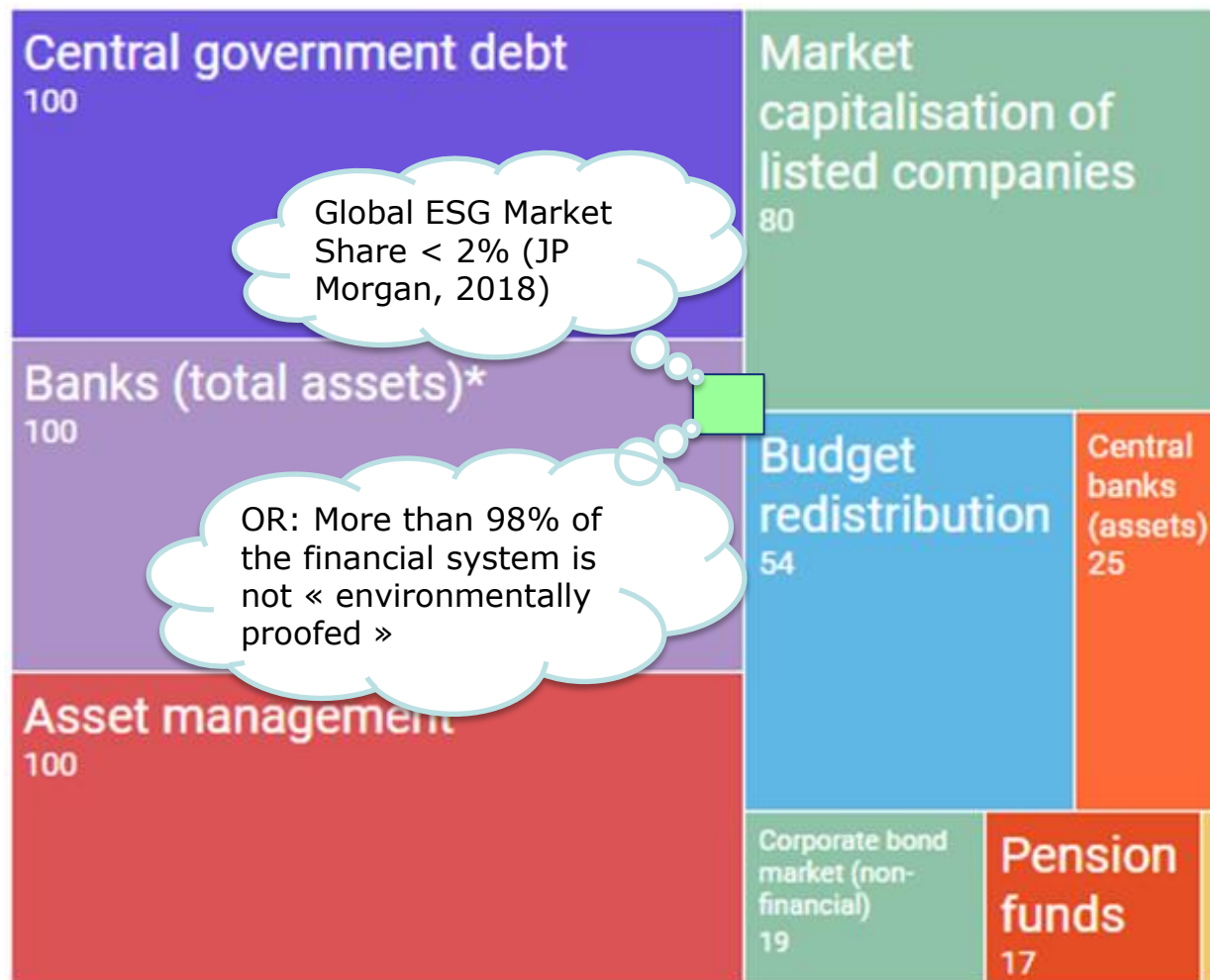
* Applicable universally at international, national, regional, sectoral, corporate and project level

** Also covering the (solid) waste, raw material and energy sources agenda

DNSH

Green Finance Reality Far From Policy Rethoric and Goals

Overcoming Obstacles Essential for Delivering the EU and Global Green Agenda

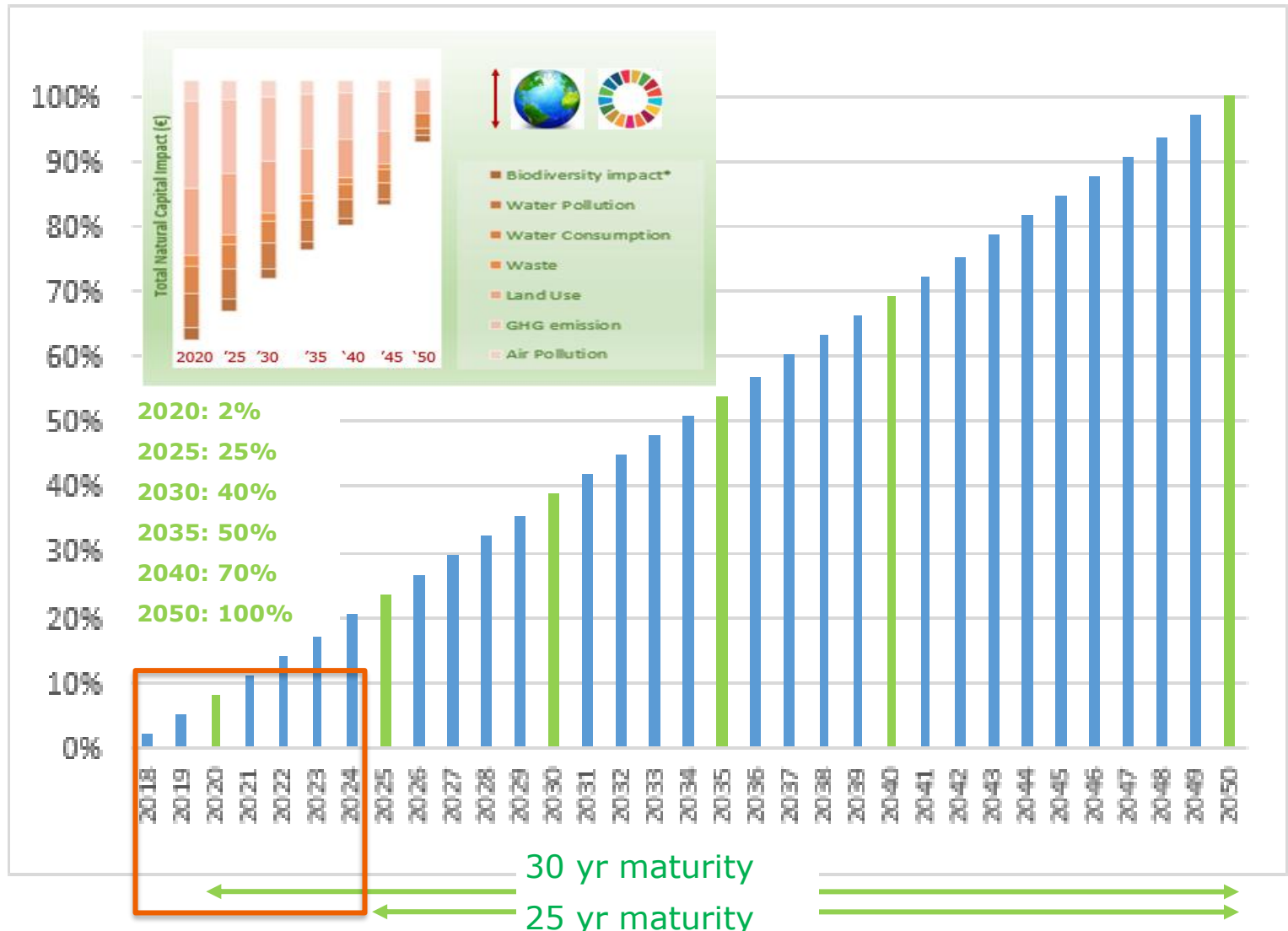


* See HLEG, UNEP-World Bank, PR-CFA, ... (2018)

Distance to Target and Transition Goals Reveals the Challenge

Transition Pathway Not (Clearly) Defined (next 5 years critical)

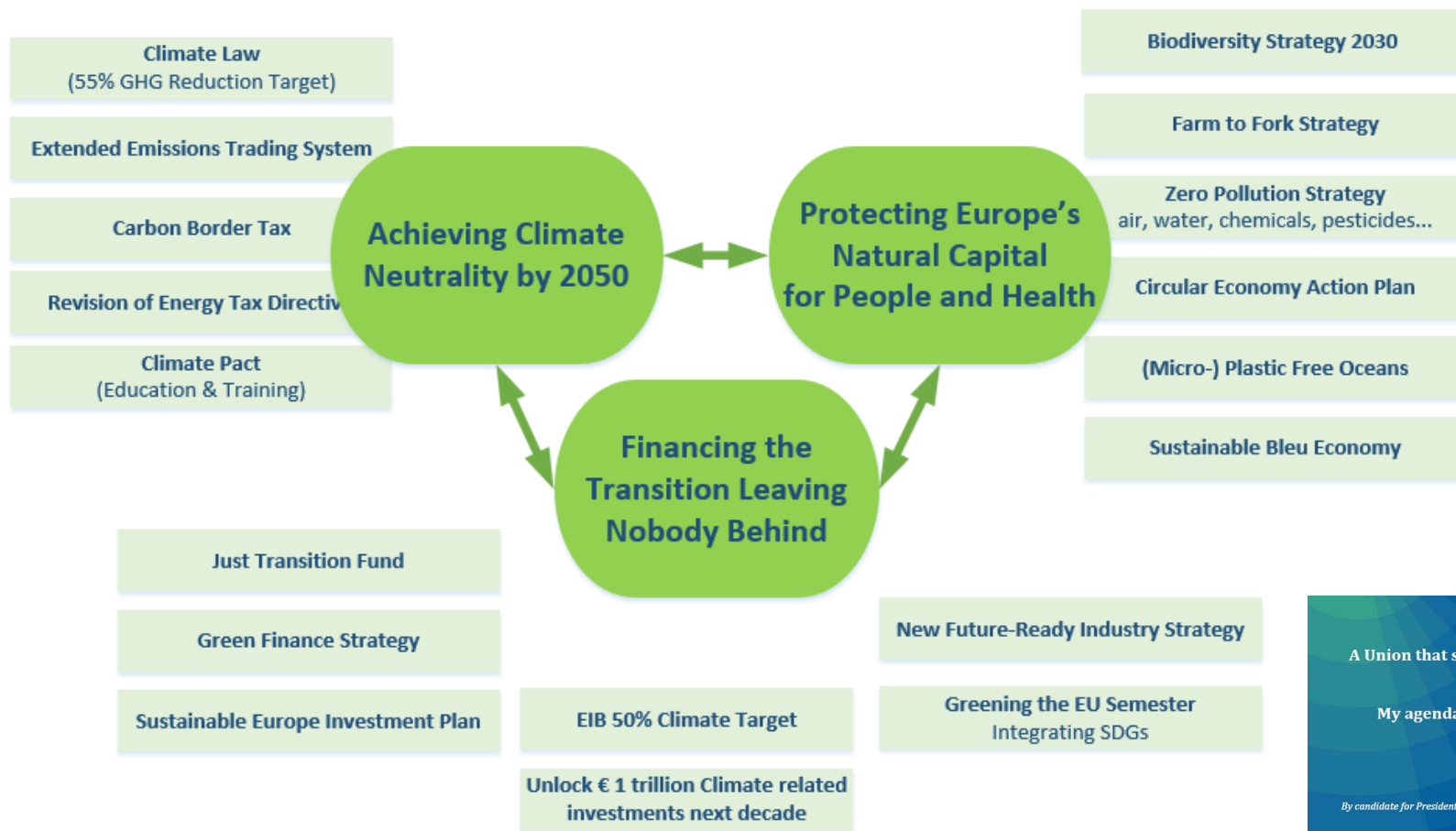
Current and Assumed Market Shares



Next 5 years crucial: All LT (infrastructure) investments are to be 100% sustainable

The European Green Deal: Boosting Sustainability

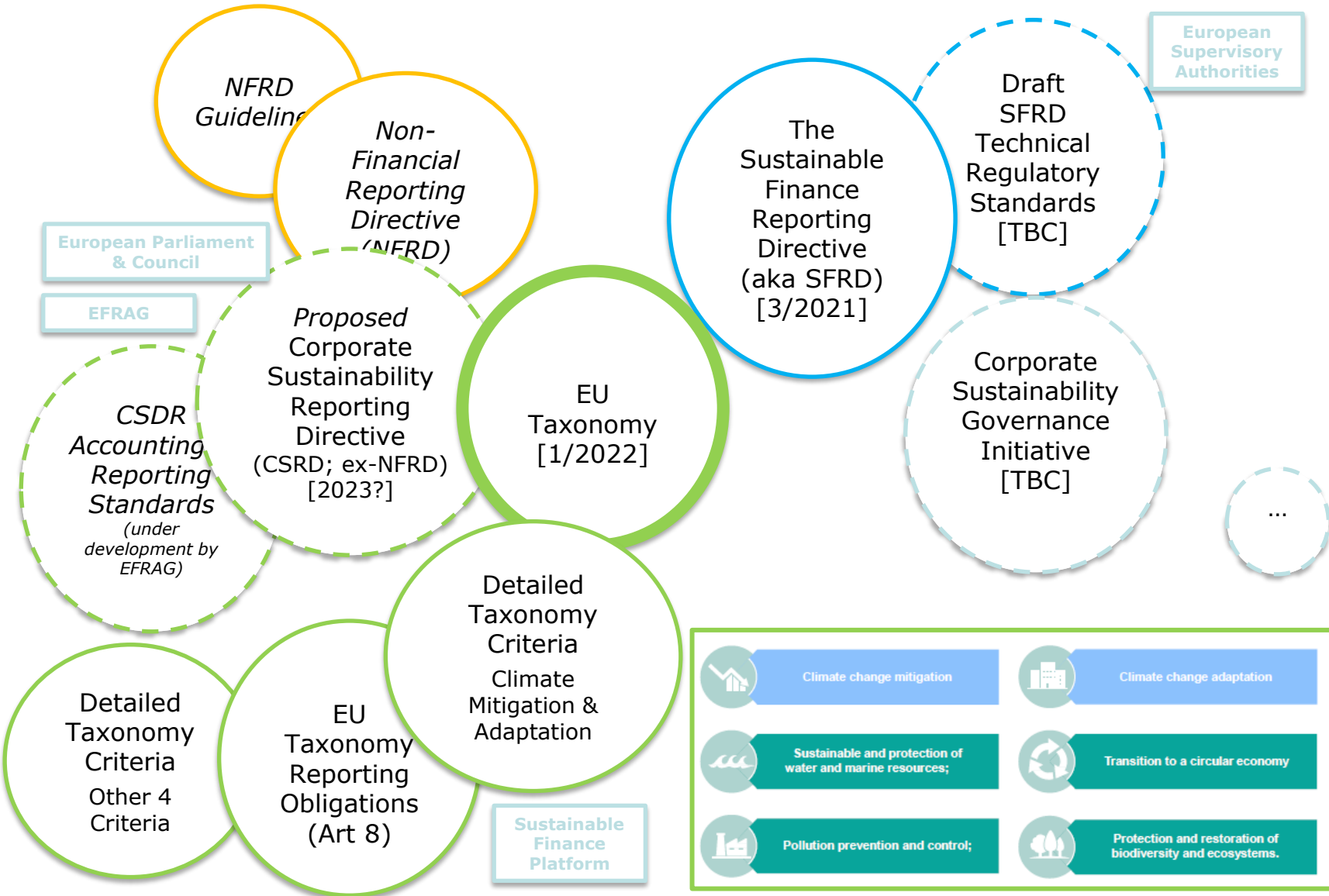
Extending Priorities Beyond Climate & Moving Sustainable Finance Center-Stage



A Comprehensive Framework for Efficiently Managing Environmental and Social Risks & Opportunities whilst Future Proofing Businesses & Economies

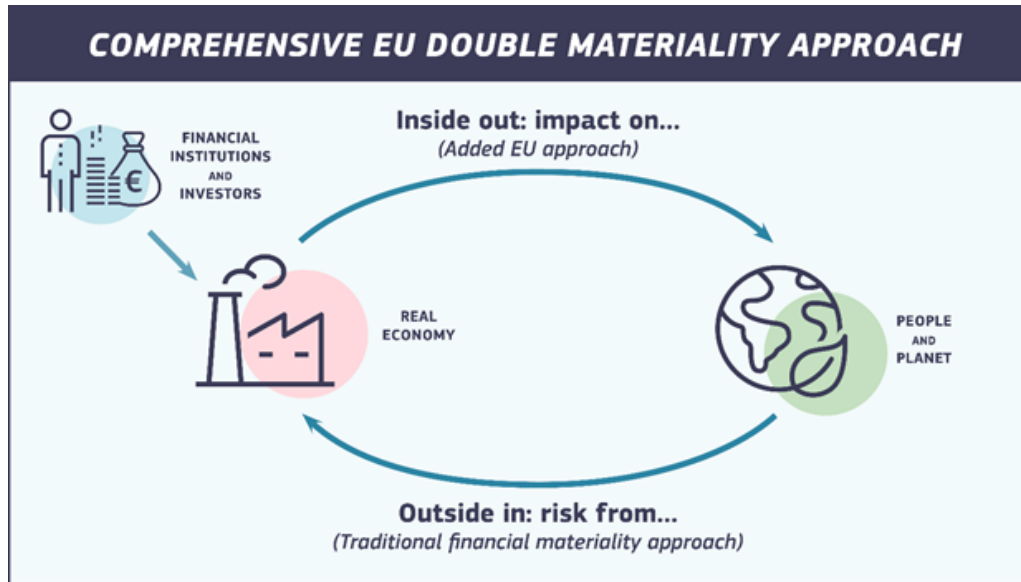
The Emerging Sustainability Accounting & Reporting Framework

And the Search for "Proportionate SME" solutions



The Emerging Sustainability Accounting & Reporting Framework

The Importance of the Double Materiality Principle



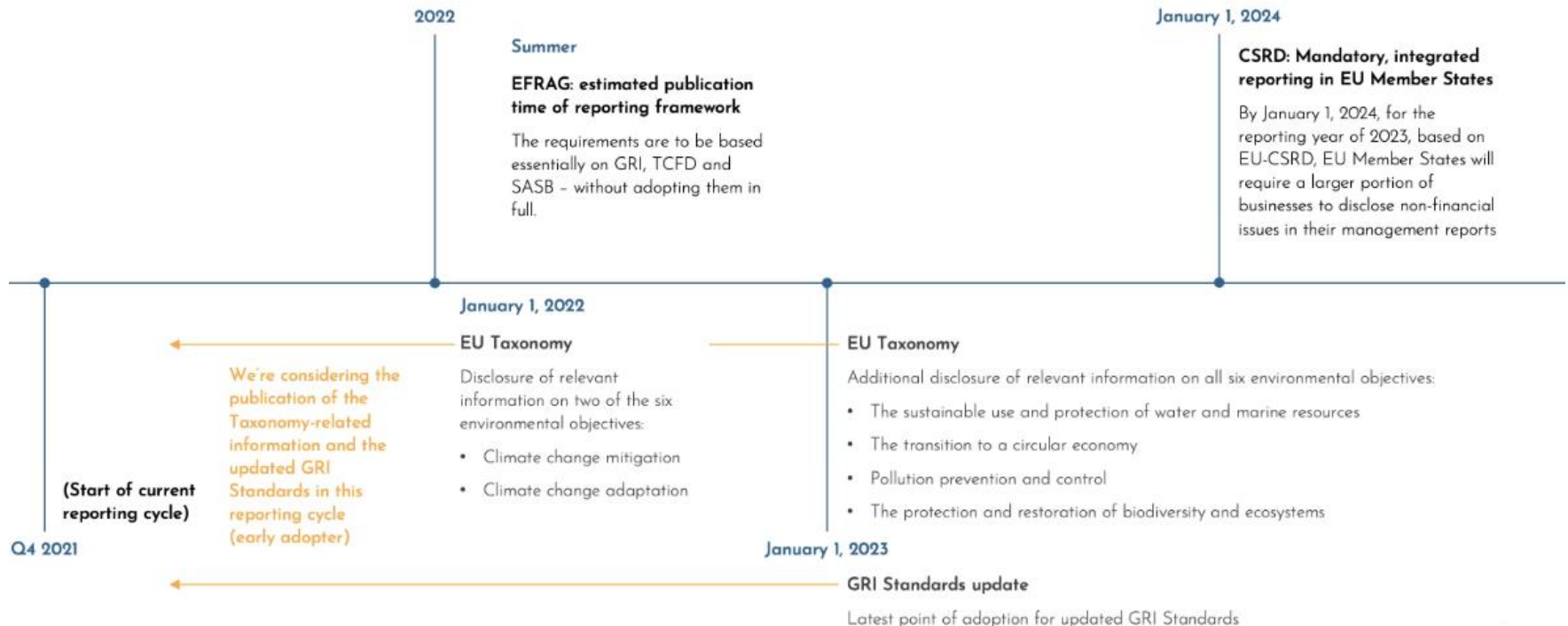
The **double materiality** approach consists of the systematic integration of both financially material sustainability risks (outside-in) and sustainability impacts (inside-out) in financial decision-making processes.

It is crucial that both angles of the materiality concept are duly integrated for the financial sector to contribute proactively and fully to the success of the European Green Deal.

The Emerging Sustainability Accounting & Reporting Framework

And the Search for "Proportionate SME" solutions

The EU Corporate Sustainability Reporting Directive (CSRD) makes 'non-financial' reporting mandatory and integrated



The New Sustainable Finance Strategy (2021)

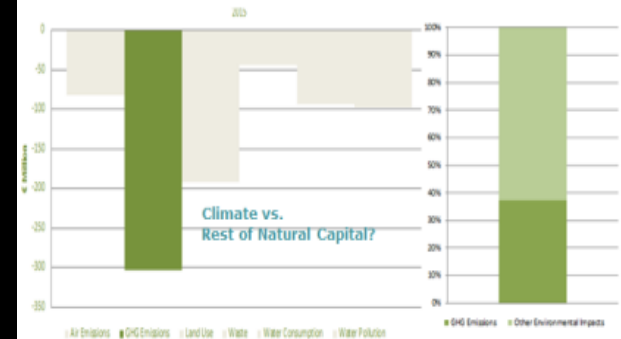
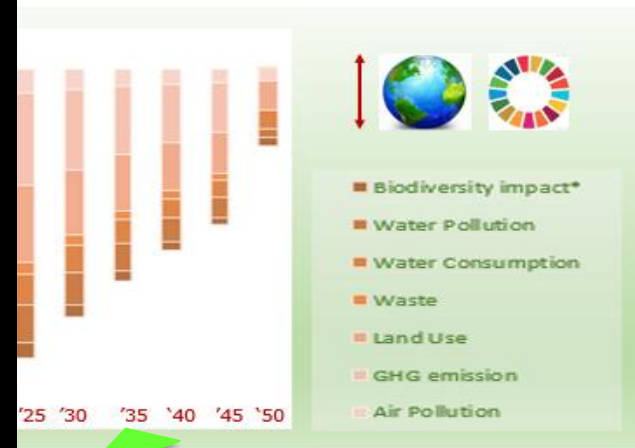
I. Financing the transition of the real economy towards sustainability	Support financing certain economic activities contributing to reducing greenhouse gas emissions.
	Consider options for a possible extension of the EU Taxonomy framework to recognize transition efforts.
	Include additional sustainable activities in the EU Taxonomy.
	Extend sustainable finance standards and labels that support financing the transition to sustainability and phased transition efforts.
II. Towards a more inclusive sustainable finance framework	Empower retail investors and SMEs to access sustainable finance opportunities.
	Explore how to leverage the opportunities that digital technologies offer for sustainable finance.
	Work towards greater protection from climate and environmental risks through increasing insurance coverage.
	Publish a report on social taxonomy.
III. Improving the financial sector's resilience and contribution to sustainability: the double materiality perspective	Work on green budgeting and risk-sharing mechanisms.
	Work towards financial reporting standards that adequately reflect sustainability risks and encourage natural capital accounting.
	Ensure ESG risks are systematically captured by credit ratings and rating outlooks in a transparent manner.
	Integrate sustainability risks in the risk management systems of banks and in the prudential framework for insurers.
	Monitor and address potential systemic risks stemming from sustainability challenges, with the aim of maintaining long-term financial stability and limiting systemic risk.
	Reinforce science-based target setting, disclosure and monitoring of the financial sector's commitments.
	Clarify the fiduciary duties and stewardship rules of investors to reflect the financial sector's contribution to the Green Deal targets.
	Improve the availability, integrity and transparency of ESG market research and ratings.
	Assess supervisory powers to address greenwashing.
	Develop a robust monitoring framework to measure progress made by the EU financial system.
IV. Fostering global ambition	Improve the cooperation between authorities to monitor the alignment of the EU financial system with Green Deal targets.
	Promote ambitious cooperation in international forums and set a high level of ambition in the development of international sustainable finance initiatives and standards.
	Propose to expand the work of the International Platform on Sustainable Finance to new topics and strengthen its governance.
	Support low- and middle-income countries in their transition efforts, with dedicated tools to help scale up their access to sustainable finance.

The Natural Capital Accounting Priority

Enabling Total Impact Measurement and Management

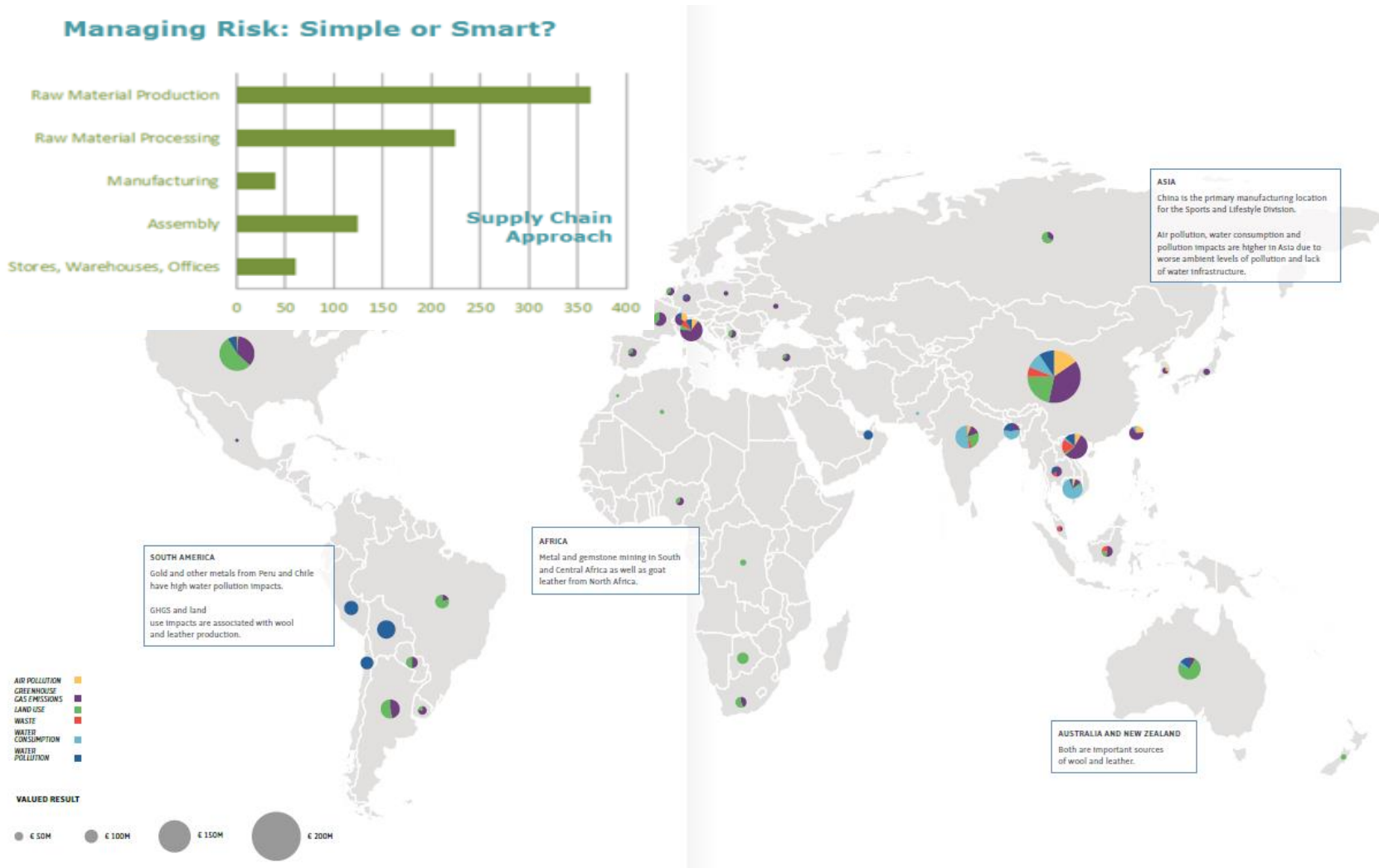
	TIER 0: STORES WAREHOUSE OFFICES	TIER 1: ASSEMBLY	TIER 2: MANUFACTURING	TIER 3: RAW MATERIAL PROCESSING	TIER 4: RAW MATERIAL PRODUCTION	TOTAL IN MILLIONS
AIR POLLUTION 						8% €64,5
GREENHOUSE GAS EMISSIONS 						35% €272,2
LAND USE 						27% €209,9
WASTE 						5% €37,0
WATER CONSUMPTION 						11% €83,2
WATER POLLUTION 						14% €106,2
TOTAL:	7% €56,0	13% €100,0	4% €33,70	26% €197,6	50% €385,7	100% €773,0

Managing Risk: Simple or Smart?



The Natural Capital Accounting Priority

Generating relevant information for managing the green (business) transition



Kering Environmental P&L Methodology and Group Results 2013

See also: <https://www.kering.com/en/sustainability/environmental-profit-loss/>



Thank you

Comments & Questions Welcome Anytime