

**THE CHALLENGES
OF EU TAXONOMY
REPORTING FOR
SMES**

ABSTRACT	This report investigates the effect of EU Taxonomy reporting on SMEs. It covers analytical research and a qualitative methodological approach, highlighting the feasibility and challenges for SMEs. Key findings include insights into the Disclosure Delegated Act, Climate Delegated Act, and Corporate Sustainability Reporting Directive. The report also summarises engagement activities with stakeholders, including interviews and webinars, providing valuable feedback and identifying the need for simpler rules and support for SMEs.
KEYWORDS	EU Taxonomy, SMEs, Disclosure Delegated Act, Climate Delegated Act, Corporate Sustainability Reporting Directive (CSRD), Sustainability Reporting, Stakeholder Engagement

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Executive summary

The objective of this report is to assess the impact of the EU Taxonomy on small and medium-sized enterprises (SMEs), with a focus on the feasibility of Taxonomy reporting. The research identifies key challenges faced by SMEs and offers potential solutions. Findings are based on both analytical research and qualitative engagement with SMEs and experts from the energy sector.

Analytical Research:

Research into the EU Taxonomy requirements reveals the complexity SMEs face in collecting the necessary data for reporting, especially concerning activity-level performance. Key performance indicators (KPIs) such as turnover, capital expenditures (CapEx), and operating expenditures (OpEx) need to be disclosed, with SMEs struggling to interpret and gather the required data. The introduction of the Corporate Sustainability Reporting Directive (CSRD) extends these obligations to listed SMEs from 2026, creating further pressure on smaller businesses. The key findings from the analytical research are:

- **Data Burden:** SMEs face significant challenges in collecting the necessary data for Taxonomy reporting due to the complexity and novelty of the requirements.
- **Skills Gap:** Many SMEs lack the technical expertise needed to fulfil these obligations. Relying on external support would increase costs.
- **Capital Costs:** Increased costs associated with Taxonomy reporting could disadvantage EU SMEs compared to their non-EU counterparts.
- **Regulatory and Market Developments:** The Banking Book Taxonomy Alignment Ratio (BTAR) offers a potential solution for SMEs, who are currently excluded from the Green Asset Ratio (GAR). However, concerns remain about exclusion from the green market, as smaller businesses might opt for non-alignment due to the risks of incorrect reporting.

Qualitative Methodological Approach:

To understand the practical implications, experts and SMEs in the energy sector were engaged through interviews, webinars, and bilateral meetings. The report summarises findings from these engagements, highlighting the diverse challenges faced by SMEs, including limited resources, regulatory knowledge gaps, and sectoral differences. SMEs showed a general lack of demand for voluntary Taxonomy reporting, with some perceiving the administrative burden as disproportionate to the potential benefits. The key results from our engagement with practitioners are:

- **Interviews and Webinars:** A total of 20 interviews and multiple webinars were conducted across Germany, Italy, and Czechia, providing feedback on Taxonomy alignment and feasibility.
- **Participant Feedback:** SMEs expressed a strong need for simplified reporting tools and clearer guidance to navigate the complexity of the EU Taxonomy.

In short, the report emphasizes the need for simplified reporting requirements and proportionality in applying the EU Taxonomy to SMEs. Continued support mechanisms, such as training, technical expertise, and financial assistance, are crucial to ensuring SMEs can meet these requirements and benefit from sustainability opportunities. The findings will inform subsequent project tasks, aiming to adapt the EU Taxonomy for broader SME engagement.

Introduction

Purpose and scope

The main objective of this report is to convey a comprehensive understanding of how the EU Taxonomy affects small and medium-sized enterprises (SMEs). The report covers both analytical research and the development of a qualitative methodological approach.

The analytical research examines the EU Taxonomy requirements specified in the Disclosure Delegated Act and the Climate Delegated Act, incorporating feedback from recent surveys and reports. This research aims to assess the feasibility of these requirements for SMEs and to identify challenges and solutions.

The qualitative methodological approach involves engaging experts from energy industry associations and chambers of commerce, as well as practitioners from clean energy SMEs. This engagement includes conducting interviews, webinars, and bilateral meetings with SMEs in the energy sector. The report provides an overview of the main results and lessons learned.

Document structure

- 1. Introduction:** Provides an overview of the report's purpose and scope.
- 2. Analytical Research:** Details the research conducted on the EU Taxonomy requirements, including the analysis of the Disclosure Delegated Act and Climate Delegated Act.
- 3. Qualitative Methodological Approach:** Describes the engagement with experts and SMEs through interviews, webinars, and bilateral meetings.
- 4. Achievements and adjustments:** Outlines the achievements made in the engagement process, highlighting any deviations from the original proposal.
- 5. Main Results and Lessons Learned:** Summarises the key findings from the analytical research and qualitative engagements, providing insights into the feasibility and challenges of the EU Taxonomy requirements for SMEs.
- 6. Conclusion:** Offers a brief summary of the report's findings and their implications for future tasks in the CONFESS project.

The findings from this report inform subsequent tasks and contribute to the development of a simplified EU Taxonomy for SMEs and non-financial companies.

Analytical research

Our analytical research has provided valuable insights and a comprehensive understanding of the EU Taxonomy and its implications for non-financial companies, particularly for SMEs. The main findings are summarised below.

Environmental objectives and technical screening criteria (TSC)

The EU Taxonomy identifies six environmental objectives that economic activities should contribute to while avoiding harm and meeting social requirements. The Technical Screening Criteria (TSC) define the specific requirements for each combination of economic activity and environmental objective. The TSC for activities that substantially contribute to climate change mitigation and adaptation to climate change have been in force since January 2022, while the TSC for the remaining four environmental objectives came into effect in January 2024. For the latest version of the TSC, the [Taxonomy Compass](#) webpage hosted on the European Commission's website provides an up-to-date list.

Disclosure requirements for non-financial companies

Non-financial companies are required to disclose their alignment with the EU Taxonomy using three key performance indicators (KPIs): turnover, capital expenditure (CapEx), and operating expenditure (OpEx).

1. **Turnover:** The ratio of annual net sales generated by Taxonomy-aligned activities to the company's total annual net sales.
2. **CapEx:** The ratio of capital expenditures linked with Taxonomy-aligned activities to the company's total capital expenditures.
3. **OpEx:** The ratio of operational expenditures linked with Taxonomy-aligned activities to the company's direct, non-capitalised costs.

These KPIs are used to assess alignment with the EU Taxonomy at the entity level, for each economic activity and environmental objective. The disclosure should include qualitative explanations, methodology, changes in figures, and adherence to the TSC.

The introduction of the Corporate Sustainability Reporting Directive (CSRD) expands the scope of reporting to include both large companies and listed SMEs. Listed SMEs are required to report Taxonomy alignment information starting from the fiscal year 2026.

Comprehensive understanding of requirements

By analysing the EU Taxonomy, the Disclosure Delegated Act, the Climate Delegated Act, and the Corporate Sustainability Reporting Directive (CSRD), we have gained a precise understanding of the formal and substantial requirements connected to the EU Taxonomy. This analysis provides the basis for the identification of areas where SMEs are likely to need simplifications, support and guidance in order to perform their own (voluntary) Taxonomy reporting. These insights have been important for developing our engagement strategy with SMEs and other stakeholders, ensuring that we address their specific needs and challenges in meeting the Taxonomy requirements.

In a next step, we performed extensive desk research to understand stakeholders' perspectives on the EU Taxonomy, focussing especially on the industry landscape. The findings from this desk research were crucial in designing interview guides tailored to the expertise of the respondents and in triangulating data from the interviews with perspectives from practitioners and academia.

Key findings

1. **Data:** Reporting Taxonomy alignment poses a significant burden for SMEs. The data required for Taxonomy reporting is often novel and differs from what SMEs are accustomed to collecting. This focus on activity-level performance is new for many sectors and necessitates detailed data on activity performance, which cannot be obtained through proxies or averages. SMEs may face challenges in interpreting requirements and gathering data, potentially needing external support, which could incur additional costs.
2. **Skills:** SMEs often rely on employees with multiple roles and varied expertise. The specialist knowledge required for Taxonomy reporting in areas such as auditing, engineering, and financial planning is challenging for SMEs. External support in the form of training, access to technical expertise, training materials, stakeholder coordination, and financial assistance is expected to be necessary for effective Taxonomy reporting.
3. **Capital Costs:** Capital costs are a major concern for SMEs, as highlighted by several sources. These increased costs may lead to a competitive disadvantage for EU SMEs compared to non-EU competitors. However, some argue that short-term adaptation costs will be outweighed by market positioning and financial opportunities associated with high Taxonomy alignment.
4. **Regulatory Developments:** Regulation 2022/2453 introduced the Banking Book Taxonomy Alignment Ratio (BTAR), which offers a potential solution for SMEs excluded from Taxonomy reporting. The BTAR provides a voluntary framework for financial institutions to disclose their alignment for investments in non-CSR companies. It shares similarities with the Green Asset Ratio (GAR), employing the same KPIs and TSC. However, the BTAR allows the use of proxies for data collection and limits reporting for SMEs to their main activity based on turnover. Further research is needed to assess the BTAR's impact and feasibility as an alternative to voluntary reporting.
5. **Market Developments:** There is a potential risk of SMEs being excluded from the green market, as the GAR may become the primary funding channel for sustainable activities, currently excluding SMEs. Additionally, there is a risk of voluntary exclusion from the green market, as declaring 0% alignment might be more cost-effective and carry fewer risks than incorrect Taxonomy alignment, which could be perceived as greenwashing.

By conducting thorough desk research, we have identified and explored these key themes, providing important insights into the challenges and considerations related to Taxonomy reporting for SMEs. These insights have informed the development of our interview guides and the overall approach to engaging with SMEs and other stakeholders in the energy sector.

Qualitative methodological approach

The qualitative methodological approach involves engaging with experts from energy industry associations, auditors, SME representatives, representatives of large corporations and chambers of commerce. This engagement was achieved through interviews, webinars, and bilateral meetings with SMEs in the energy sector. These activities aimed to gather insights and feedback on the feasibility of the EU Taxonomy requirements for SMEs.

Engagement activities

- **Interviews:** Conducted with experts and SMEs to gather valuable insights and perspectives on Taxonomy reporting. Interviews were held with 10 experts in Germany, 3 in Italy, and 7 in Czechia.
- **Webinars:** Hosted to engage stakeholders and disseminate information about the EU Taxonomy. Two webinars were conducted in Germany and one in each Czechia, and Italy.
- **Bilateral Meetings:** Climate & Company has also engaged with SMEs on the topic of voluntary sustainability reporting, gaining a deeper understanding of their general capabilities and challenges.

Results from the interviews

The findings from the expert interviews are grouped into four macro themes:

1. the relationship between Taxonomy reporting and SMEs,
2. the relationship between Taxonomy reporting and the energy sector,
3. the relationship between SMEs and other stakeholders, and
4. strategies to make Taxonomy reporting feasible for SMEs.

The findings represent the views of experts and provide valuable insights, even though they may not be universally representative of the EU market.

On Taxonomy reporting and SMEs

There is currently insufficient demand and incentives for SMEs to engage in voluntary Taxonomy reporting. SMEs often fail to perceive the long-term economic benefits and struggle with the administrative burden of sustainability reporting. In large companies, specialised or external experts manage sustainability reporting, whereas in SMEs, one person often has multiple functions, lacking the capacity to address all requirements adequately.

Respondents emphasised that it would be extremely burdensome for SMEs to report their Taxonomy alignment due to technical knowledge gaps, capital constraints, and challenges in data gathering and analysis. However, it's important to avoid major generalisations; challenges vary across sectors, and SMEs differ in capabilities, sustainable practices adoption, size, and resources. SMEs also generally lack understanding of the EU Taxonomy but are familiar with carbon footprint reporting. Those aware of the obligations are dismayed by the high administrative burden.

In Czechia, additional concerns arise from the pandemic, which disrupted supply chains, increased energy prices, inflation, wage pressure, and interest rates on loans. SMEs believe

the European Union does not prioritise their needs and requires simpler, more accessible rules. If SMEs want to disclose their Taxonomy alignment, a simple and accessible tool is needed to assist them.

On Taxonomy reporting and the energy sector

The presence of SMEs in the Czech energy sector is limited, but their involvement is likely to increase. ESG reporting in the energy sector has been hindered by reluctance to invest in new technology, though attitudes are changing due to the energy crisis. The Czech energy market is described as centralised, but SMEs are expected to play a larger role in the future. National legislation has slowed the uptake of renewable energy, but current adjustments aim to overcome these obstacles.

In the German market, SMEs in the renewable energy sector show little interest in disclosing sustainability performance, perceiving it as having little impact on financial market performance due to high demand for renewable energy from EU sources. SMEs also face difficulties securing funding for unfamiliar activities or new technologies. Voluntary Taxonomy reporting can help demonstrate that a new technology poses minimal sustainability risks, aligning with the EU Green Deal objectives.

Italy's renewable energy development has seen notable growth in solar power due to government incentives and favourable conditions, achieving a record 30.6 TWh in 2023 and making Italy third in Europe for renewable power consumption and generation. However, wind energy development has been slower, generating 23.4 TWh in 2023, hindered by community resistance and regulatory challenges. Hydropower, generating over 45 TWh in 2021, remains significant but faces classification issues under EU Taxonomy due to environmental concerns. Italy's National Resilience and Recovery Plan (NRRP) aims to address these challenges with a €59 billion investment in renewables and an emphasis on integrating hydrogen into the energy infrastructure.

The Italian energy sector has witnessed significant shifts in recent years, particularly concerning SMEs. The drive towards renewable energy sources has been robust, spurred by national and EU directives aimed at reducing carbon emissions. However, there is a notable reluctance among SMEs to adopt Taxonomy reporting practices due to perceived complexity and lack of immediate financial benefits. Additionally, securing funding for new technologies remains a hurdle, as investors often favour established enterprises over smaller entities.

On the relationships between SMEs and other stakeholders regarding the Taxonomy reporting

Larger companies exert ESG reporting pressure on SMEs, especially those supplying industries like automotive or involved in the Green Deal. Carbon footprint reporting is more significant for SMEs than social and governance aspects, but standardised methodologies are lacking, and buyers do not provide clear guidance on reporting requirements.

In Czechia, banks require a sustainability assessment on location safety, flood zones, and manufacturing facilities when SMEs apply for loans. Banks are likely to disclose the Taxonomy alignment status of loans extended to SMEs, given their substantial proportion of total loans.

However, there is a lack of clarity among banks and financial institutions regarding their specific expectations from businesses. This lack of standardised reporting requirements across the EU contributes to uncertainties faced by SMEs, amplifying associated risks and impeding voluntary reporting initiatives.

On business strategies to make the Taxonomy reporting feasible for SMEs

For SMEs to be interested in Taxonomy reporting, they need to perceive economic benefits, marketing advantages, and support from financial institutions. The reporting requirements need to be simplified, and guidance and financial support should be provided by either financial institutions or the EU. Financial institutions need to find voluntary certification valuable, which can be achieved by making Taxonomy reporting mandatory for SMEs (though some interviewees do not favour this), including SMEs in the GAR numerator, and creating a voluntary certification tool to compare and evaluate all the financial institution's requirements.

The analytical research has provided valuable insights into the EU Taxonomy requirements. A total of 20 interviews with experts and SMEs have been completed, yielding important feedback and perspectives. In addition, webinars were hosted to engage a wide range of stakeholders.

Analytical Research

Our analytical research has been instrumental in identifying key themes and challenges related to the EU Taxonomy reporting requirements. We examined data, trends, and developments, enabling a comprehensive understanding of the industry landscape. This research informed the design of our interview guides and helped triangulate data from interviews with perspectives from both practitioners and academia.

Interviews

We conducted one-on-one interviews with 20 experts and SMEs across Germany, Italy, and Czechia. These interviews, managed by Climate & Company, RWTH Aachen, Circular, and ISFC, covered a broad spectrum of expertise. The interviewees included representatives from EU regulatory bodies, sustainability reporting authorities, financial institutions, academia, industry associations, industry representatives, corporate sustainability auditors, and energy sector experts. This diverse group of interviewees provided comprehensive insights into the EU Taxonomy reporting requirements from various critical perspectives, ensuring a thorough understanding of both the practical challenges and potential solutions for SMEs. Key themes from these interviews include the administrative burden of sustainability reporting, the need for technical knowledge and support, and the varying capacities of SMEs to meet these requirements.

Webinars & Seminar

The webinars and seminar aimed to offer a practical and concrete approach to understanding the EU Taxonomy, focusing specifically on SMEs.

Webinar 1 (Germany): The EU Taxonomy - Relevance and application for SMEs

21. June 2023, online

Objectives and Participant Selection: In Germany, Climate & Company conducted both webinars in collaboration with WeShyft. The webinars provided a concise introduction to the EU Taxonomy and its legal framework, emphasising its significance for SMEs and the benefits and opportunities it offers. The webinar further aimed to reduce fear and increase engagement by presenting the EU Taxonomy in a practical manner. Invitations were sent to various German industry associations and shared on LinkedIn by WeShyft, Climate & Company and RWTH Aachen, reaching a broad network of report preparers, sustainability managers, and other professionals.

Outcome: The first webinar was attended by 216 individuals and engaged participants actively through digital tools like Slido. This interactive approach fostered engagement and provided valuable data on participant turnout, professions, and perspectives on the EU Taxonomy and the CONFESS project. The session concluded with a dedicated Q&A segment, allowing participants to ask questions and receive thorough responses.

Participant perspectives and feedback

- **Turnout and professions:** Participants included managers (3%), sustainability professionals (40%), consultants (40%), financial sector representatives (3%), and others such as students and legal professionals (15%).
- **Reasons for attending:** Most attendees (53%) wanted a deeper understanding of the EU Taxonomy, while others were curious about its relevance for SMEs (15%) or sought updates on regulatory developments (31%).
- **Familiarity with the EU Taxonomy:** The majority had limited familiarity or a vague understanding of the EU Taxonomy.
- **Post-webinar feedback:** Many respondents felt compelled to learn more about the EU Taxonomy to evaluate its impact on their activities (39%) or understand its effects on their customers (46%). A small percentage expressed a need to outsource Taxonomy reporting to a consultant (3%), considered it irrelevant for their situation (8%), or had other specific inquiries (12%).

Key Features webinar participants would want for a Taxonomy Data Tool:

- Clear and concise explanations of the Taxonomy concepts (82%).
- A user-friendly data visualisation dashboard (78%).
- One participant specifically requested an intuitive execution of the Taxonomy criteria.
- An interactive glossary for technical terms (38%).
- A Frequently Asked Questions (FAQ) section (15%).
- Some interest in gamification elements (12%).
- Preference for direct bank submission of the Taxonomy certificate (54%).

Participant Questions: Participants inquired about the necessity of third-party certification, the appropriate section of the annual report for disclosing the Taxonomy alignment, timing for disclosure, support for interpreting the Taxonomy requirements, and the relationship between the EU Taxonomy and the European Sustainability Reporting Standards (ESRS).

Seminar 1 (Italy): EU Taxonomy for SMEs and the CONFESS project

26. January 2024, Canitieri Culturali della Zisa, Palermo (Italy)

In Italy, a seminar was conducted in-person, in contrast to the webinar held in Germany. Similar to the webinar in Germany, the seminar aimed to provide a practical and concrete approach to understanding the EU Taxonomy, with a specific focus on SMEs. In Italy, Circular, in collaboration with Legambiente, organised a seminar that offered a concise introduction to the EU Taxonomy and its legal framework. The seminar emphasised the importance of the EU Taxonomy for SMEs, highlighting the benefits and opportunities it presents.

Objectives and Participant Selection:

The seminar was designed to reduce apprehension and enhance engagement by presenting the EU Taxonomy in a practical manner. Invitations were distributed to various Italian industry associations and local SMEs, and were shared on LinkedIn by Circular, the Confess Project, and Legambiente. The majority of attendees were SME owners, with the remaining participants being professionals working in sustainability or the energy efficiency sector.

Outcome:

The seminar, attended by 40 individuals, actively engaged participants through an interactive approach. This method fostered participation and provided valuable data on attendee turnout, professions, and perspectives on the EU Taxonomy and the CONFESS project. The session concluded with a dedicated Q&A segment, allowing participants to pose questions and receive comprehensive responses.

Participant Questions:

Participants inquired about the relationship between the Taxonomy and other sustainability standards, such as the carbon footprint. They also questioned whether the Taxonomy criteria consider the supply chain, particularly in relation to the social aspects linked to it. Several SMEs within the agriculture sector have raised whether their primary activities are already recognised under the EU Taxonomy, or if only their activities related to energy production are considered.

Webinar 2 (Germany): CSRD, Taxonomy & SFDR for SMEs – Understanding the relationship and realising opportunities

23. November 2023, online

Objectives and Participant Selection: The webinar highlighted opportunities and challenges for companies related to sustainability reporting, including the Taxonomy reporting. It also outlined a tangible action path for SMEs to proactively address the topic. The dissemination strategy mirrored the one described above under “Webinar 1”.

Outcome: The webinar was attended by 71 individuals. Participants were once again engaged actively through the digital survey tool Slido. Data on participant turnout, professions, and perspectives on the EU Taxonomy and the CONFESS project were collected from the attendants. The webinar featured a dedicated Q&A segment that allowed participants to ask questions and receive thorough responses.

Participant perspectives and feedback:

- **Company sizes:** 31% of attendants work in microenterprises with 1-9 employees, 22% are active in companies with 10-49 employees, 17% work for larger SMEs with 50-249 employees, and 31% work for companies with more than 250 employees.
- **Area of activity:** 38% of the participants work in the sustainability department of their company, 19% were company managers. 31% of the attendants are sustainability consultants, while 13% were active in a variety of other roles.
- **Information requests on sustainability topics:** Almost two thirds of the participants (62%) stated that their company has previously been confronted with sustainability-related information requests from stakeholders, while slightly more than one third has not experienced such requests
- **Experience with EU Sustainable Finance Framework:** Most participants were familiar with the Corporate Sustainability Reporting Directive (82%), followed by the EU Taxonomy (58%). Participants were less familiar with the Sustainable Finance Disclosure Regulation (9%). Some participants (9%) indicated no familiarity with any of the above.
- The biggest **challenges for sustainability reporting** were the complexity of the topic (38%), data availability (27%), a lack of internal resources (15%), low efficiency in collecting data (8%), lack of expertise (8%), and support from management (4%)

Key Features webinar participants would want for a Taxonomy Data Tool:

Participants valued the internal learning effect of being guided through relevant Taxonomy-criteria in a simplified way the most (2.5 out of 3 points). This feature was closely followed by the opportunity for a self-assessment to understand which criteria are already fulfilled, and what is still missing to achieve alignment (2.15 out of 3 points). Less important is the possibility to get Taxonomy conformity certified by an independent third party (1.35 out of 3 points)

Participant Questions:

Participants asked about what new tasks and jobs will be created within SMEs because of the EU Sustainable Finance Framework. Taxonomy-related questions addressed the nature of the criteria, as well as who verifies Taxonomy-alignment. Other questions referred to the CSRD sector standards, as well as the link between sustainability reporting and the Corporate Sustainability Due Diligence Directive.

Participants asked about what new tasks and jobs will be created within SMEs as a consequence of the EU Sustainable Finance Framework. Taxonomy-related questions addressed the nature of the criteria, as well as who verifies Taxonomy-alignment. Other

questions referred to the CSRD sector standards, as well as the link between sustainability reporting and the Corporate Sustainability Due Diligence Directive.

Webinar 3 (Czechia): Sustainability for SMEs operating in the Energy Sector

26 July 2023

Objectives and Participant Selection:

How can SMEs in the energy sector use sustainability to gain a competitive advantage? What is the role of the EU Taxonomy in accessing EU funds?

In this webinar, we aimed to answer these questions and address the concerns SMEs may have regarding EU sustainability legislation and its implications. Together with Martin Racan, a Taxonomy expert from CEZ Group specialising in the energy sector, we explored how the EU Taxonomy and its components are applied to EU funds and funding programmes in Czechia and discussed the main implications for project applicants.

Our experts with moderator Karel Voldrich explained various aspects of the EU Taxonomy, sharing practical examples and offering tips to help SMEs navigate the legislation effectively.

Outcome:

The webinar was attended by 40 individuals, who actively engaged with the speakers by asking various questions. Additionally, this webinar has been viewed on [YouTube](#) by 154 viewers as of August 2024.

Participant Questions:

Participants were mainly concerned with risks pertaining to the implementation of the EU Taxonomy and case studies of Czech SMEs, which were successful in the implementation of the EU Taxonomy and whether it have helped them, for example, with financing. Lastly, there was a significant focus on the Taxonomy criteria and their applicability for SMEs operating in the energy sector.

Deviations from original proposal

There have been some deviations from the original proposal. More interviews were conducted in Germany and Czechia than originally planned, with the total number of interviews surpassing the proposed amount. In Germany two webinars were held, whereas the other countries (CZ and IT), only one webinar was conducted instead of the proposed two to three. The focus groups have not yet taken place, as the plan is to use them for testing the data tool with experts and gathering their feedback. This adjustment aims to ensure that the focus groups are more productive and yield practical insights for refining the tool.

Main results and lessons learned

The main results from our analytical research and qualitative engagements are summarised as follows:

Analytical Research Results

Our analytical research has provided a clear understanding of the current criteria for climate change mitigation and adaptation, detailed insights into the KPIs for non-financial companies, and the expanded scope of the Corporate Sustainability Reporting Directive (CSRD). It has also identified key challenges for SMEs, including:

- **Data collection:** SMEs often find it difficult to collect the detailed data required for Taxonomy reporting. The novelty and granularity of the data needed pose significant challenges.
- **Technical knowledge:** Many SMEs lack the technical expertise required for accurate Taxonomy reporting, which often necessitates external support.
- **Administrative burden:** The complexity and administrative burden of the reporting process are considerable obstacles for SMEs, which usually do not have dedicated sustainability reporting staff.

Interview and Webinar Findings

From the interviews and webinars, several key themes emerged:

1. **SMEs' perceptions:** There is a general lack of awareness among SMEs about the new obligations and benefits of Taxonomy reporting. Those who are aware often find the administrative burden overwhelming.
2. **Need for support:** SMEs require simpler rules, clear guidance, and financial support to comply with the EU Taxonomy. The need for accessible tools and resources to aid in reporting was highlighted.
3. **Engagement and feedback:** Effective engagement through webinars and interviews provided valuable feedback on the feasibility of the requirements. SMEs expressed interest in sustainability but were concerned about the timing and implementation of regulations.

The most important learnings from the interviews and webinars are:

1. **Importance of clear communication:** SMEs need clear, concise, and practical information about the EU Taxonomy and its implications. The success of the webinars demonstrated the value of practical and engaging presentations.
2. **Support mechanisms:** There is a strong need for support mechanisms, including training, technical assistance, and financial incentives, to help SMEs navigate the complexities of Taxonomy reporting.
3. **Tailored approaches:** The challenges and needs of SMEs vary widely across sectors and regions. Tailored approaches that consider specific sectoral and regional contexts are crucial for effective implementation.
4. **Ongoing engagement:** Continuous engagement with SMEs and other stakeholders is essential to address emerging challenges and ensure that the reporting requirements are both feasible and beneficial.

These findings and lessons learned highlight the need for a supportive and adaptable framework to help SMEs meet the EU Taxonomy reporting requirements, ensuring that they can contribute to sustainability goals without being overwhelmed by the process.

Conclusion

This progress report provides a comprehensive report on Task 2.4 of the CONFESS project. The findings highlight the progress made in understanding the EU Taxonomy reporting requirements for SMEs and the challenges they face. The insights gained from analytical research and qualitative engagements will inform subsequent tasks and contribute to the adaptation of the EU Taxonomy for SMEs in the scope of this project. The report underscores the need for proportionality through simplified reporting processes and criteria, as well as continued support. In this way, SMEs can be empowered to benefit from the intended benefits of the EU Taxonomy and its broader framework.

Appendix 1: List of Expert Interviewees (anonymised)

Table 1: List of Expert Interviewees

Germany	Czechia	Italy
Professor with focus on sustainability reporting and accounting of a University in Germany	Sustainability manager of a manufacturing SME	Head of Sustainability & ESG Strategy of a cooperative banking group
Research assistant on Taxonomy reporting of a University in Germany	Sustainability officer at a financial institution	Chief Sustainability Officer of a large energy company
Senior ESG economist of an insurance company	Sustainability officer at an energy institution	Head of Corporate Lending Office of an international banking group
Managing Director of a company	Head of ESG products at an international bank	
Board of director of a clean energy SME	CEO of the Czech branch of an international bank	
Senior advisor on sustainable finance of a large company	Director of Sustainability Policies Department at a Czech Ministry	
Sustainable finance expert of a financial institution	Investment director at a large venture capital fund focused on clean energy	

Head of sustainability reporting of a large company		
Expert of a sustainability consulting company		
SME expert of an umbrella organisation on accountancy		

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Clean Energy Certification