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# Toolkit Zone 2 Navigating EU Sustainability Frameworks

## CSRD Reference

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## Chapter 3 - The Complexity of Sustainable Business Models

Sustainability is no longer a “nice-to-have” add-on to business activity. For SMEs, it is becoming a defining condition of competitiveness, shaped by rising expectations from customers, supply chains, banks, and regulators, and by a market that increasingly rewards transparency, resilience and responsible practices. Yet this transition is rarely straightforward. The sustainability landscape is crowded with frameworks, standards and reporting requirements—CSR, ESG, double materiality, CSRD, the EU Taxonomy, ISO 14001, EMAS—each bringing its own language and logic. For smaller firms, the challenge is not only to respond, but to do so in a way that makes strategic sense and fits real capacity. This chapter unpacks that complexity: it clarifies the shift from responsibility to performance, explains why alignment at business-model level matters before compliance, and introduces the key regulatory and voluntary frameworks that are most likely to influence SMEs—directly or through value-chain pressure. The aim is to help readers understand what these tools are, why they matter, and how to make informed choices about how far to go.

### 3.1 Why Sustainable Business Models Matter Now

Competitiveness in today’s economy is increasingly shaped by a firm’s ability to operate sustainably and adapt to shifting environmental and social expectations. As shown in the previous chapter, efficiency, resilience, and innovation now anchor long-term performance. Building on that foundation, this chapter examines why sustainable business models have become essential and how regulatory, market, and societal pressures are reshaping the environment in which SMEs operate.

One of the defining changes is the shift from a **shareholder-oriented** perspective to a **stakeholder-driven model of value creation**. Firms are expected not only to generate profit but also to manage their environmental footprint, support employee well-being, and contribute to the broader community (Al Malki, 2023). This expansion of responsibility is particularly significant for SMEs, whose legitimacy often depends on local trust and relational networks. Sustainable growth, therefore, is no longer about financial continuity alone but about balancing economic performance with ecological limits and social resilience. Regulatory developments in Europe reinforce this shift. Policymakers are embedding sustainability into the competitive framework through instruments such as the EU Taxonomy

and the Corporate Sustainability Reporting Directive (CSRD), which formalize expectations around transparency, climate risk, and responsible operations. Central to these frameworks is **double materiality**: firms must evaluate both how sustainability issues affect financial outcomes and how their own activities affect society and the environment (Delgado-Ceballos et al., 2022). This dual perspective broadens accountability and demands deeper integration of sustainability into strategy, risk management, and performance systems, even for SMEs that may fall outside full reporting obligations but remain subject to supply-chain expectations.

However, SMEs encounter this evolving landscape with limited institutional capacity. Barriers such as financial constraints, managerial overload, skill shortages, and the absence of dedicated sustainability personnel make the adoption of structured practices difficult (Al Malki, 2023). Evidence from European SME case studies shows a recurring pattern: external pressures, particularly regulatory requirements and customer expectations, drive early sustainability actions, but internal limitations restrict the shift from isolated measures to integrated management systems (Moursellas et al., 2023). Many SMEs therefore implement practical steps with immediate cost benefits (e.g., reducing

energy use, recycling, reusing materials) while struggling with more complex tasks such as supplier engagement, environmental tracking, or navigating certifications like ISO 14001 and EMAS. These pressures are accelerating a deeper transformation in business-model design. Traditional models focused solely on economic value are no longer adequate in the face of regulatory demands, societal expectations, and resource constraints. Research shows that **sustainability-oriented business models** require the simultaneous creation of economic, social, and environmental value, supported by innovations in processes, products, organizational structures, and collaborations (Figueiredo et al., 2024). Cooperation becomes a strategic capability: SMEs increasingly depend on partnerships with suppliers, clients, universities, and European networks to access technologies, expertise, and market opportunities they cannot develop internally. Yet collaboration with governmental or research entities may introduce bureaucratic delays or administrative burdens, illustrating the complexity SMEs must navigate when aligning innovation with evolving sustainability requirements.

To organize this complexity, SMEs need internal structures capable of steering sustainability as a strategic priority. Gennari (2023) identifies three

interconnected pillars that shape an SME's transition capacity: **governance** (leadership, strategy, resources, decision-making); **relations** (culture, learning, stakeholder cooperation); and **innovation** (eco-design, technological upgrades, new business models). These pillars evolve unevenly, with firms progressing from reactive compliance to proactive improvement and, ultimately, to fully integrated sustainability systems. This multi-stage evolution underscores that sustainability transformation is not a linear checklist but a dynamic process requiring alignment between internal capabilities and external expectations. Altogether, these dynamics explain why sustainable business models are no longer optional. SMEs operate within a rapidly expanding ecosystem of expectations, from regulators, investors, customers, and supply chains, that directly shape competitiveness and long-term viability. At the same time, they must navigate significant resource constraints and fragmented guidance, making sustainability both a strategic imperative and a managerial challenge. This chapter explores how regulatory and voluntary frameworks contribute to this complexity and what it means for SMEs seeking to build coherent, future-oriented business models.

### 3.2 Navigating the Sustainability Landscape: CSR, ESG, and Strategy Alignment

For many SMEs, the sustainability landscape now feels crowded with acronyms and expectations: CSR, ESG, SDGs, “green transition,” double materiality, impact reporting. Behind this complexity lies a simple managerial question: how can a small business align its business model with these expectations in a way that fits its size, sector, and resources? This question has become particularly pressing as SMEs shift from shareholder-oriented logics toward broader stakeholder expectations (Freeman, 1984; Rao et al., 2023). Customers, employees, banks, communities, and supply-chain partners increasingly expect credible action, transparency, and measurable outcomes—transforming sustainability from a voluntary gesture into a core strategic requirement.

#### *From Responsibility to Performance: CSR vs. ESG*

Historically, Corporate Social Responsibility (CSR) emerged as a voluntary, values-driven concept. Companies were encouraged to “give back” to society through philanthropy, community projects, or isolated environmental initiatives. CSR often sat outside the core business model—

symbolic rather than strategic (Carroll, 1999).

But as climate risks, supply-chain disruptions, and social inequalities began to affect operating costs, market access, and investor decisions, this approach proved insufficient. The conversation moved from “doing good” to understanding how environmental and social issues shape business resilience and performance. This is where ESG (Environmental, Social, Governance) enters.

ESG reframes sustainability as a measurable set of risk and performance factors:

**Environmental (E):** Energy use, emissions, waste, circularity, resource efficiency, climate exposure.

**Social (S):** Skills, training, working conditions, diversity, occupational safety, community impact.

**Governance (G):** Accountability structures, transparency, ethics, decision-making systems (Kotsantonis et al., 2016).

Where CSR asks: “*What do we contribute to society?*” ESG asks: “*How do environmental and social issues affect our business, and how do we manage them?*”

For SMEs, this distinction matters. CSR can remain peripheral and project-based; ESG forces sustainability into the language of management: controls, risks, indicators, and governance.

Importantly, countries with stronger “social responsibility environments”, meaning transparent governance, human capital development, environmental norms, tend to stimulate higher SME innovation and strengthen stakeholder expectations for responsible practices (Oliinyk et al., 2023). This institutional context reinforces why ESG thinking is becoming unavoidable even for smaller firms.

### ***From Scattered Actions to a Sustainability Strategy***

As expectations rise—from regulators, banks, large customers, and employees—many SMEs undertake isolated sustainability actions: installing LEDs, recycling, switching suppliers, or supporting local social activities. These steps matter, but they do not constitute a strategy.

A sustainability strategy includes three elements:

**a. Clarity on what really matters (materiality).** Not all sustainability topics matter equally for every SME. Materiality identifies what affects the long-term success of the business, and what matters most to key stakeholders.

This now includes double materiality, the idea that firms must assess both how sustainability issues impact the business and how the business impacts society and the environment (Delgado-Ceballos

et al., 2022). For SMEs, this dual lens helps turn abstract sustainability objectives into clear priorities.

**b. Focused priorities and targets.** Once the material issues are clear, SMEs define a small set of priority areas, such as energy and carbon, waste and circularity, employee well-being, or responsible sourcing. Targets can be:

- quantitative (e.g., “reduce electricity use per unit of output by 15%”),
- qualitative (e.g., “formalize supplier code of conduct”), or
- process-oriented (e.g., “integrate sustainability criteria into investment decisions”).

Research shows that SMEs with clearer priorities and stronger governance structures are more resilient, more adaptive in crises, and more capable of transitioning toward long-term sustainable growth (Rao et al., 2023).

**c. Integration into the business model and governance.**

A sustainability strategy is not a separate “green initiative”—it informs:

- value creation (products, services, value propositions),
- value delivery (processes, supply chains, partnerships),
- value capture (cost structure, risk management, revenue models).

SMEs often begin with simple governance steps: assigning responsibility, embedding basic ESG indicators into management reporting, or aligning procurement and investment decisions with sustainability goals. Countries with higher national social responsibility norms also show stronger SME innovation and business sophistication, reinforcing the connection between governance quality and sustainability integration (Oliinyk et al., 2023).

Voluntary reporting plays a role here, but SME practices are still limited. Most small firms publish little or no structured sustainability information; disclosures remain reactive, template-like, and rarely externally assured due to cost barriers (Ortiz-Martínez & Marín-Hernández, 2024). These patterns highlight why SMEs struggle to connect sustainability practices with formal governance structures and why strategy, not reporting, must come first.

***What Does This Look Like in an SME Context?***

A sustainability strategy in an SME does not require replicating the complexity of large corporate frameworks. Instead, it can be built around four practical questions:

**a. Stakeholders and expectations**

Who matters most to our business—customers, employees, suppliers, banks, local communities, regulators? What are they asking for now—or likely to ask for soon?

### ***b. Risks and opportunities***

Which environmental or social issues could disrupt our operations or reputation (energy volatility, resource scarcity, stricter regulation)? Where do we see opportunities in greener products, processes, or partnerships?

### ***c. Priorities and actions***

Which 3–5 sustainability topics are critical? What concrete actions can we take in the next 1–3 years that improve performance and are feasible?

### ***d. Minimum structure***

How do we formalize existing efforts—through simple policies, basic procedures, and internal plans—so sustainability does not depend on one person?

This structured reflection fills a critical capability gap: SMEs often approach sustainability tactically through scattered initiatives, rather than embedding it into their governance and business model (Rao et al., 2023).

## ***Why Alignment Matters Before Looking at Rules***

Understanding CSR, ESG, and sustainability strategy at the business-model level is essential before turning to regulatory frameworks such as the CSRD, EU Taxonomy, ISO 14001, or EMAS. These frameworks do not exist in isolation; they codify how sustainability should be integrated into governance, risk management, and value creation.

When an SME first clarifies:

- what sustainability means for its business model,
- which issues and stakeholders are most material, and
- how it intends to manage them,

external frameworks become supports and reference points—not bureaucratic burdens. This preparatory clarity is especially important as sustainability reporting expectations formalize and intensify across European markets (Ortiz-Martínez & Marín-Hernández, 2024).

### ***3.2.1 Corporate Sustainability Reporting Directive (CSRD)***

The Corporate Sustainability Reporting Directive – **Directive (EU) 2022/2464** – is the EU’s new framework for how companies must report on sustainability. It amends the EU accounting and transparency rules so that sustainability information is treated with the same

seriousness as financial reporting (Directive (EU) 2022/2464, 2022). In practice, it makes environmental, social and governance (ESG) performance visible to investors, lenders, regulators and other stakeholders in a standardised way (IBM, 2025).

Most SMEs will not be directly subject to CSRD. However, they will increasingly feel its effects through value-chain pressure from large customers, financial institutions and investors who are in scope and need reliable data from the SMEs they work with (Braun, 2025; Social and Economic Council of the Netherlands [SER], n.d.; The Hague University of Applied Sciences, 2025). CSRD is therefore highly relevant for SMEs, even when they never publish a formal “CSRD report” themselves.

The section below explains CSRD through five essential questions that an SME manager should be able to answer.

### ***Does CSRD apply to my SME – and why should I care if it doesn’t?***

CSRD directly applies to three main groups (Directive (EU) 2022/2464, 2022):

- **All “large” EU undertakings** and large groups that exceed at least two of the usual size criteria on net turnover, balance sheet total and employees.
- **All companies whose securities are admitted to trading on an EU**

**regulated market**, including **listed SMEs**, except micro-undertakings.

- Certain **non-EU (“third-country”) companies** with significant net turnover generated in the EU and a large EU subsidiary or branch.

These companies must include a **sustainability reporting section** in their management report, prepared in line with **European Sustainability Reporting Standards (ESRS)** and subject to external assurance (Directive (EU) 2022/2464, 2022; IBM, 2025).

For SMEs, two situations are particularly important:

- **Listed SMEs:** CSRD foresees **simplified, proportionate reporting standards** for listed SMEs, with later application dates and the option to opt out for a limited period if they explain why (Directive (EU) 2022/2464, 2022; Manasakis, 2024).
- **Non-listed SMEs:** they are **not required** by CSRD to report, but they are still part of the **value chains** that large companies must report on. Large customers and banks will therefore ask them for sustainability information so they can meet their own obligations (Braun, 2025; IBM, 2025; SER, n.d.).

Recent EU discussions go even further in this direction. As part of a broader **“Omnibus” simplification package**, the

European Commission has proposed to **limit mandatory CSRD reporting mainly to very large companies (over 1,000 employees)** and instead develop a **voluntary sustainability reporting standard for SMEs (VSME)** that smaller firms can use when they want or need to report (European Commission, 2025). This reinforces a trend: **most SMEs will not be directly regulated by CSRD, but they will be “pulled in” indirectly** through the information needs of their CSRD-reporting partners.

Surveys already show that this is happening. In the Netherlands, about **one in four SMEs** had already received sustainability-related data requests from customers or suppliers by the end of 2024, rising to **around two-thirds for SMEs with more than 50 employees** (The Hague University of Applied Sciences, 2025). For many SMEs, CSRD is therefore **not a distant future issue**, it is already shaping the questions they get from key clients and financiers.

### ***What information about our business will CSRD-reporting companies need from us?***

Under CSRD, in-scope companies must disclose information that is necessary to understand both (a) **their impacts on “sustainability matters”** and (b) **how sustainability matters affect their development, performance and position** (Directive (EU) 2022/2464, 2022; IBM, 2025). This information is structured in

ESRS into cross-cutting and topic-specific standards covering environment, social issues and human rights, and governance (IBM, 2025; SER, n.d.).

In practical terms, CSRD-reporting customers and banks will need data from SMEs that feeds into at least five areas (Directive (EU) 2022/2464, 2022; IBM, 2025):

#### ***a. Business model and strategy***

- How resilient is their business model to climate change, resource constraints, labour issues or human-rights risks in the value chain?
- How does their strategy address sustainability impacts and stakeholder expectations?

#### ***b. Targets and transition plans***

- Their **greenhouse gas (GHG) reduction targets** and progress.
- Other environmental or social targets and how they plan to achieve them.

#### ***c. Governance***

- The roles, responsibilities and skills of the board and management in overseeing sustainability.
- Whether executive pay is linked to sustainability performance.

#### **d. Policies and due diligence**

- Policies on environment, labour, human rights, anti-corruption and responsible business conduct.
- Due diligence processes for identifying, preventing and addressing adverse impacts in their own operations and **value chain**.

#### **e. Impacts, risks, dependencies and indicators**

- Principal actual and potential **adverse impacts** connected with operations and the value chain.
- Principal **sustainability-related risks and dependencies**, and quantitative indicators that support the narrative.

For SMEs, this translates into **concrete questions and data requests**. Experience so far suggests that the first wave of demands is heavily focused on **environment and CO<sub>2</sub> emissions**, but with a clear tendency to broaden into social and governance topics (IBM, 2025; The Ecological Entrepreneur, 2025):

##### **a. Environmental data**

- Energy and fuel consumption, electricity mix, basic GHG emissions (often at least Scope 1 and 2, with Scope 3 encouraged), waste, sometimes water and

material use depending on the sector (IBM, 2025; The Ecological Entrepreneur, 2025).

##### **Social and human-rights data**

- Number of employees, gender balance, working conditions, health and safety incidents, use of temporary or agency work, respect for labour and human rights in the SME's own supply chain (Directive (EU) 2022/2464, 2022; SER, n.d.).

##### **Governance and conduct**

- Existence of codes of conduct, anti-corruption measures, whistle-blowing channels, and basic information on how the SME handles complaints and ethical issues (IBM, 2025; Minutiello et al., 2025).

Because CSRD data must be **audited**, large companies and financial institutions will not be satisfied with generic statements (“we are environmentally friendly”). They need **documented, traceable data** that can withstand assurance checks (IBM, 2025). As a result, SMEs are increasingly asked not only **what** they do, but also to **show evidence**, for example, energy bills, fuel logs, HR data or supplier certificates.

### *What is “double materiality” and how does it change the way we think?*

A central innovation of CSRD is that it formalises the idea of **double materiality**. Companies must assess and disclose sustainability information from **two distinct but complementary perspectives** (Directive (EU) 2022/2464, 2022; IBM, 2025):

**a. Impact materiality** – “What do we do to the world?”

- How the company’s activities affect people and the environment, positively or negatively.
- This includes, for example, emissions, pollution, working conditions, human rights, community impacts and effects on biodiversity.

**b. Financial materiality** – “What does the world do to us?”

- How sustainability matters affect the company’s cash flows, risks, access to finance and overall financial health.
- This covers, for example, climate transition risks, resource price volatility, regulatory change, labour shortages, reputational impacts and supply-chain disruptions.

Information is considered material if it is significant from **either** perspective, or both (Directive (EU) 2022/2464, 2022; SER, n.d.). The Directive explicitly aligns materiality analysis with the **UN Guiding Principles on Business and Human Rights** and the **OECD Guidelines for Multinational Enterprises**, which already require companies to look at both impacts and risks across their value chains (SER, n.d.).

For SMEs, double materiality can be translated into a pragmatic reflection:

On the **impact side**, where are our **biggest footprints?**

- Energy and fuel use, waste, logistics, working conditions, key suppliers, local community.
- Which impacts are most severe, affect many people, or are hardest to fix?

On the **financial side**, where are our **biggest exposures?**

- Dependence on one or two major customers, sensitivity to energy prices, regulatory changes, reputation in the local community, vulnerability to extreme weather or supply disruptions (Braun, 2025; Manasakis, 2024).

Research on SMEs shows that what really drives sustainable strategies is not so much size or formal governance structure, but the **underlying beliefs and vision** of the firm—how decision-makers

think about their role, their responsibilities and their long-term competitiveness (Minutiello et al., 2025). Double materiality provides a **structured way** for SME leaders to align those beliefs with concrete priorities: focus on the **few issues that are most important both for society and for the business.**

### *How do value-chain obligations translate into pressure on SMEs?*

CSRD significantly extends the scope of sustainability reporting **beyond a company's own operations**. Companies must report on sustainability matters in **“their own operations and their value chain, including their products and services, their business relationships and their supply chain”** (Directive (EU) 2022/2464, 2022, Art. 19a). This is tightly linked to due-diligence expectations under international standards: companies are expected to have processes to identify, prevent, mitigate and account for adverse impacts across their value chains, not only within their own walls (Braun, 2025; SER, n.d.).

For SMEs, this has several consequences:

#### **a. Visibility inside customers' reports**

- If an SME is an important supplier or partner, it becomes part of how the customer explains its value chain emissions, labour conditions, human-rights risks and other impacts.

- This can be positive (as a “responsible supplier” with good data) or negative (as a risk hotspot that needs remedial actions).

#### **b. More structured information requests and contractual expectations**

- Large companies, under pressure to demonstrate effective value-chain due diligence, increasingly use **codes of conduct, supplier assessments, audits and digital portals** to collect data and show that they manage ESG risks (IBM, 2025; The Ecological Entrepreneur, 2025).
- SMEs can therefore expect more questionnaires, requests for proof (certificates, policies, procedures) and, in some cases, requirements to improve practices as a condition of doing business.

#### **c. Risk of overburden – and attempts to limit it**

- Academic analysis warns that there is a real risk of **overburdening SMEs** with complex, frequent and uncoordinated data requests, given their limited

resources and bargaining power (Braun, 2025).

- EU policy makers have recognised this and are working on **proportionality mechanisms**. The proposed “Omnibus” package includes a **value-chain cap**, which would **prohibit CSRD-reporting companies from demanding more information from SMEs than what is foreseen in the official SME sustainability standard (VSME)** (European Commission, 2025).
- Member States can also adopt national measures to protect SMEs, as in Belgium, where SMEs are guided towards the voluntary VSME standard and cannot be forced by large customers to obtain third-party assurance (The Ecological Entrepreneur, 2025).

#### **d. SMEs as essential enablers, not just passive recipients**

- From a regulatory systems perspective, CSRD is part of a **multi-level sustainability enforcement system** that only works if SMEs participate. They are the “nodes” that link local

realities to EU-level reporting, finance and due diligence (Braun, 2025).

- SMEs are deeply embedded in local communities and supply chains; their actions and data are therefore crucial for making sustainability transitions real on the ground (Manasakis, 2024; Minutiello et al., 2025).

In short, **if you are part of someone’s supply chain, you are part of their CSRD story**. The pressure is real, but there are growing safeguards and tools designed specifically so that **SMEs are not crushed by it**.

#### ***How can SMEs turn CSRD-driven demands into a business opportunity?***

CSRD and related initiatives create **costs and complexity** for SMEs, but they also open up **opportunities** in at least four areas: competitiveness and market access, finance, internal efficiency, and strategic positioning.

##### **Competitiveness and market access**

Evidence shows that sustainability is increasingly a **source of competitive advantage**. Consumers perceive responsible behaviour as a **quality signal** and may be willing to pay a premium; firms with stronger social and environmental performance often show **better abnormal financial returns**; and

sustainability is becoming a criterion in tenders and supply-chain selection (Manasakis, 2024). SMEs that can **demonstrate their ESG performance clearly and credibly** are better placed to win and keep contracts with CSRD-reporting clients (The Hague University of Applied Sciences, 2025; The Ecological Entrepreneur, 2025).

### *Access to finance and risk management*

CSRD information also feeds into the **Sustainable Finance Disclosure Regulation (SFDR)** and other financial rules, meaning banks and investors need reliable ESG data on the companies they finance (IBM, 2025). SMEs that have structured sustainability information can:

- respond more effectively to banks' ESG questionnaires,
- reduce information asymmetry,
- strengthen their case for **better financing terms**, and
- demonstrate resilience to sustainability-related risks (Braun, 2025; Minutiello et al., 2025).

### *Efficiency, innovation and internal performance*

Sustainability data is not just for outsiders. It can also act as **management information**:

- tracking energy and material use reveals **cost-saving opportunities**.

- monitoring safety or labour indicators can reduce **accidents and absenteeism**.
- supplier mapping can highlight **fragile dependencies** and trigger diversification (Minutiello et al., 2025; The Ecological Entrepreneur, 2025).

There is also evidence that responsible business behaviour can **attract and retain employees**, improve motivation and job satisfaction, and even allow some firms to offer slightly lower wages because employees value meaningful, responsible work (Manasakis, 2024). In tight labour markets, this is a non-trivial advantage.

### *Mindset and tools: values start the journey, tools make it real*

Empirical research on SMEs suggests two critical enablers of sustainability strategies:

- **Corporate beliefs and vision** – what company leaders genuinely believe about their responsibilities, their image and their long-term strategy – have a **strong influence** on whether sustainability is taken seriously in the business model (Minutiello et al., 2025).
- **Accounting and reporting tools** – even relatively simple systems to measure, track and report ESG

performance – are the **strongest direct driver** of the actual implementation of sustainable strategies (Minutiello et al., 2025).

In other words, **values start the journey, but tools make it real**. Without some kind of basic sustainability accounting, even strong beliefs risk remaining symbolic.

### **VSME and the emerging support ecosystem**

To support SMEs, the EU has promoted a **Voluntary Sustainability Reporting Standard for SMEs (VSME)**. VSME is designed as a **simplified, proportionate framework** aligned with CSRD principles and ESRS, but adjusted to SME realities (European Commission, 2025; The Ecological Entrepreneur, 2025). Key features include:

- **Voluntary use** for non-listed SMEs, but compatible with the information large clients and banks increasingly need.
- A focus on **core ESG topics and a manageable set of indicators**, rather than the full complexity of ESRS.
- A growing **“VSME ecosystem”** with educational materials, templates and digital tools provided through EFRAG and other organisations (European Commission, 2025).

Field testing suggests that both SMEs and information users (banks, large companies) see VSME as a **realistic way to standardise and simplify data**

**requests**, a potential replacement for many ad hoc questionnaires (European Commission, 2025).

Beyond VSME, **industry associations, chambers of commerce, large firms and public authorities** all have a role to play in making CSRD-related demands manageable for SMEs. Proposed measures include:

- sector-specific templates and shared taxonomies,
- collective digital tools and platforms accessible to small firms,
- training and advisory services,
- and “light-touch” due-diligence and assurance approaches for SMEs (Braun, 2025; Manasakis, 2024).

### ***Putting it all together for SMEs***

From an SME perspective, a sensible response to CSRD-driven change is not to become a mini-multinational, but to:

- Map where CSRD affects you indirectly** – which key clients and banks are in scope and what they are likely to ask.
- Identify your most material impacts and risks** – a short list of issues that matter most for both society and your business.
- Organise basic sustainability data once, in a simple digital form** – so you can reuse it across

questionnaires and use it for internal decisions.

**d. Use proportionate standards and tools** (like VSME) – to avoid reinventing the wheel and to keep information demands within reasonable limits.

**e. Treat sustainability information as a business asset** – something that helps you cut costs, manage risks, win tenders, attract people and secure finance.

In this way, CSRD becomes less a distant piece of EU legislation and more a **signal**: the market is moving toward greater transparency and responsibility, and SMEs that are “**small but impactful**” can position themselves as valuable, resilient partners in that transition (Minutiello et al., 2025; Manasakis, 2024).



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