



# ESG Advisory: Opportunities in a changing market

Rupert Bull, The Disruption House

*Independent legal & accounting firms*

# New advisory opportunities for Accountants and Lawyers in an era of commoditisation and automation.

Rupert Bull, CEO The Disruption House

Rome, 17 May 2024



# Agenda

1. 2023 Growth in Advisory Services

2. 2024 Client Demand for ESG Support Services

3. Hear From Peers

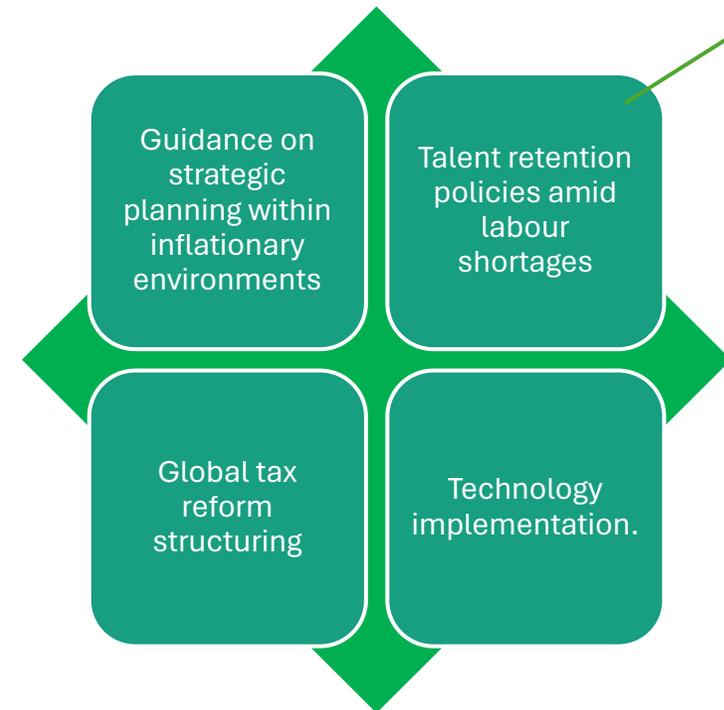
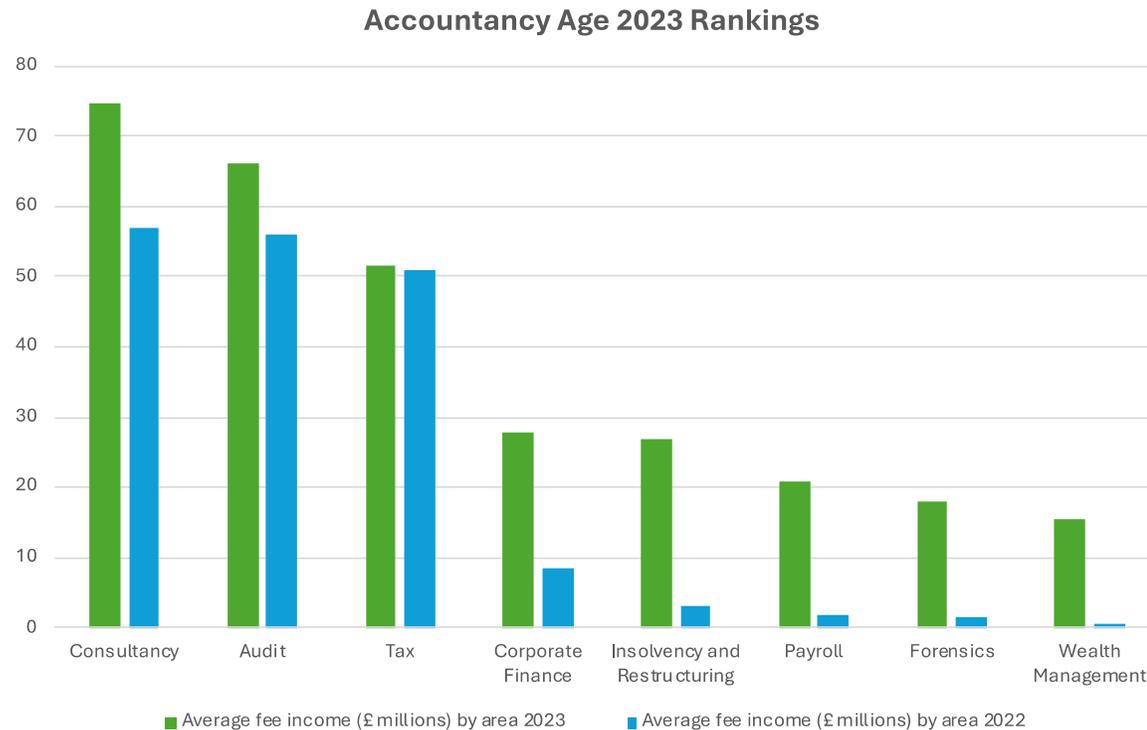
4. Q&A

## 2023 Growth in Advisory Services

# Accountants saw significant growth in advisory services over 2023

Accountancy practices generated substantial revenue growth from advisory and consultancy services – on average, the top 100 UK firms generated £74.6 million in fees.

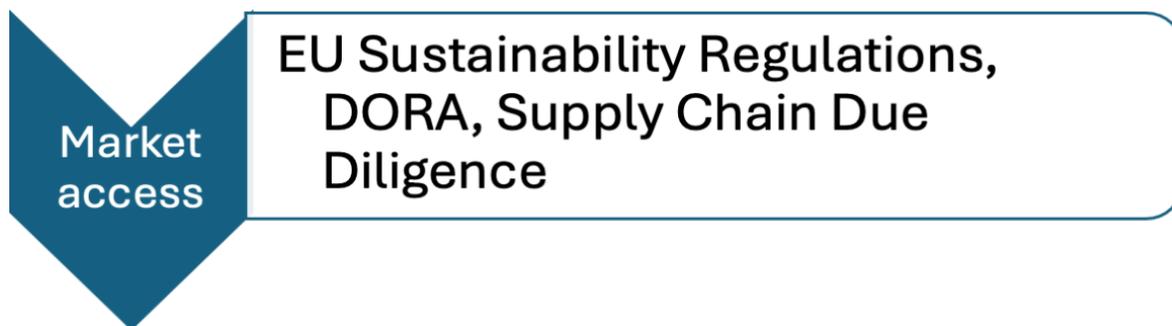
2023 customer drivers for client advisory support:



\* <https://www.accountancyage.com/2024/02/12/top-5050-accountancy-firms-2023-firms-report-total-fee-income-growth-amid-market-volatility>

# 2024 Client Demand for ESG Support Services

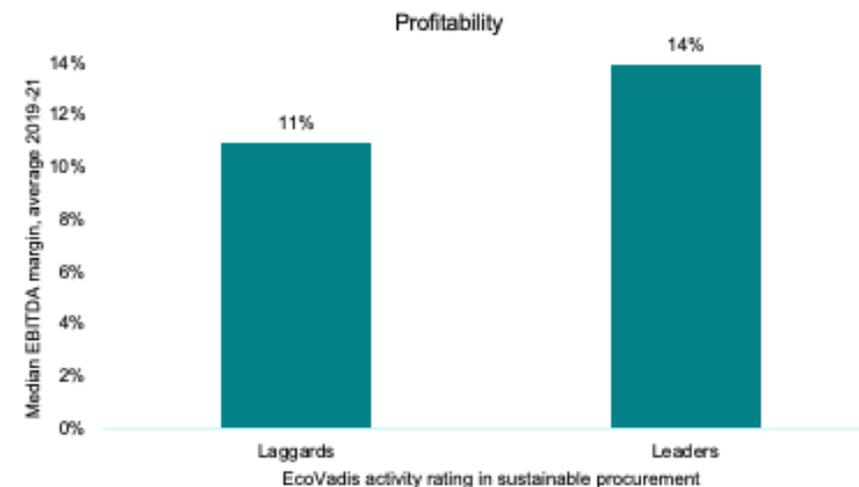
# 2024 customer drivers for ESG advisory support:



New Regulations in Jan 2025 creating specific and prescriptive requirements for affected firms including reporting on their supply chains **Sustainability** and **Resiliency**

- CSRD goes live – applies to **49,000 largest corporations** that are buyers of services from an estimated 1m SMEs
- DORA (Digital Operational Resiliency Act) - DORA applies to more than **22,000 financial entities** and ICT service providers operating within the EU, as well as the ICT infrastructure supporting them from outside the EU.

Sustainable procurement leaders are more profitable\*



**“One TDH customer serving Banking sector received 6 supply chain questionnaires in December alone”**

\*Source: Bain & Company, EcoVadis

# 2024 customer drivers for ESG advisory support:

Talent  
access

Gen Z recruitment, multi-generational workplace



76% of Gen Z employees want to work with caring, friendly and socially conscious people

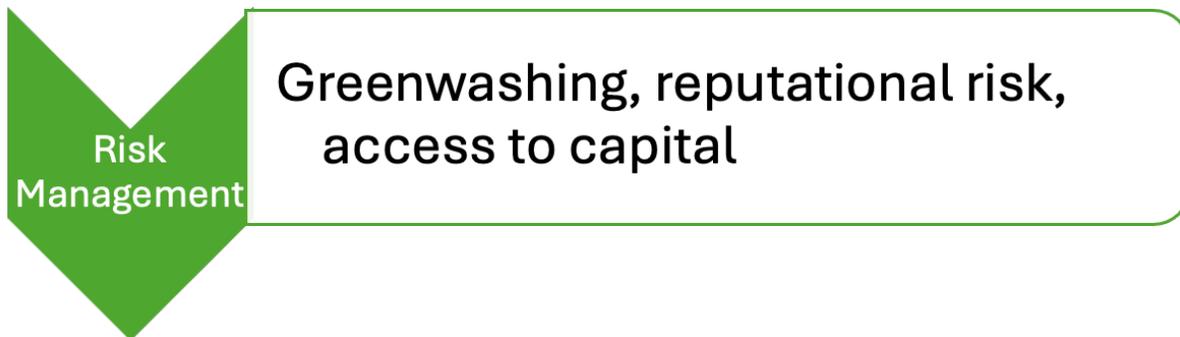
“The workplace is on the brink of a new shakeup. Generation Z is entering the workforce. Born digital into a connected world while spending half its waking hours on screen, Gen Z is shaped by internet culture and social feeds. Witnessing social justice movements, shunned gender issues, and exploitation of natural resources from early on, they have developed a unique sensibility and a strong stance for equity and ethical business practices.”

## Talent Ims survey 2024 - 1,205 US Gen Zers

“Gen Zers are becoming tired of inauthentic promises of a dynamic, stimulating work environment; they want to see tangible evidence from their prospective employers.”

**Amy Dewar, business development executive, Raptor Marketing**

# 2024 customer drivers for ESG advisory support:



**2023 Progress Report on Greenwashing** “Misleading claims ...appear ...when no clear logical framework is disclosed to help understand how a company or a project’s specific outputs translate into an outcome and contributes to progress towards any specific SDG globally, or even whether the actions of the company are genuinely relevant regarding the selected SDG.”



31 May 2023  
ESMA30-1668416927-2498

## Progress Report on Greenwashing

Response to the European Commission’s request for input on ‘greenwashing risks and the supervision of sustainable finance policies’



**2024** The Directive on Empowering Consumers for the Green Transition.



**2024** - Consultation on ISSB Standards use in listed companies reporting; From **2 December**, UK asset managers will have to meet anti-greenwash rules around how they name and market financial products.

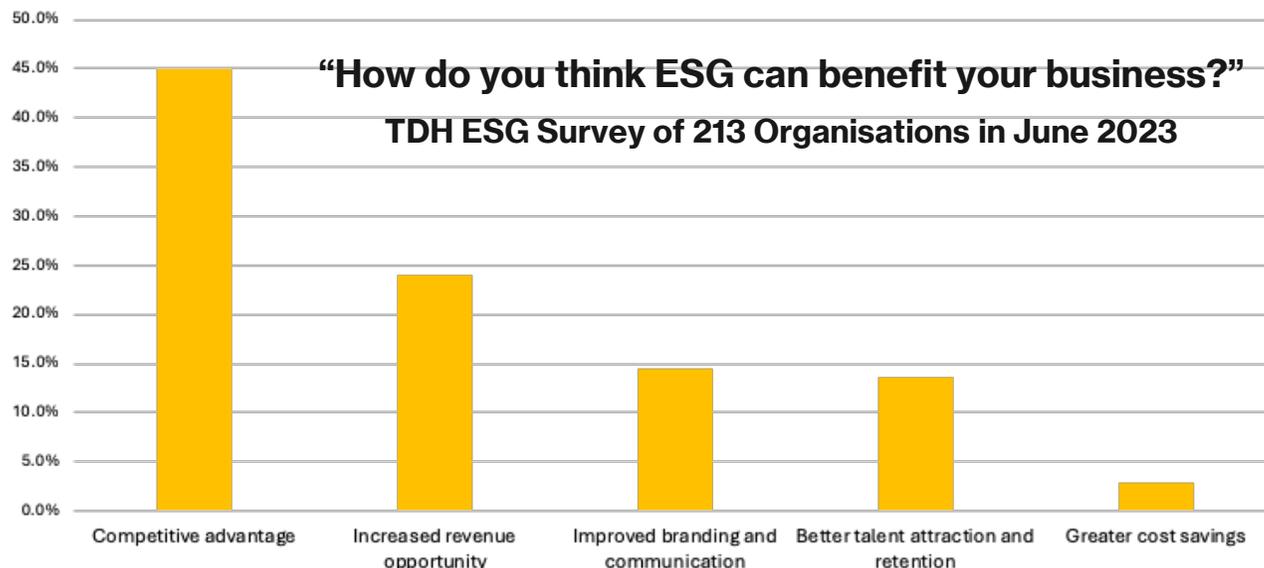
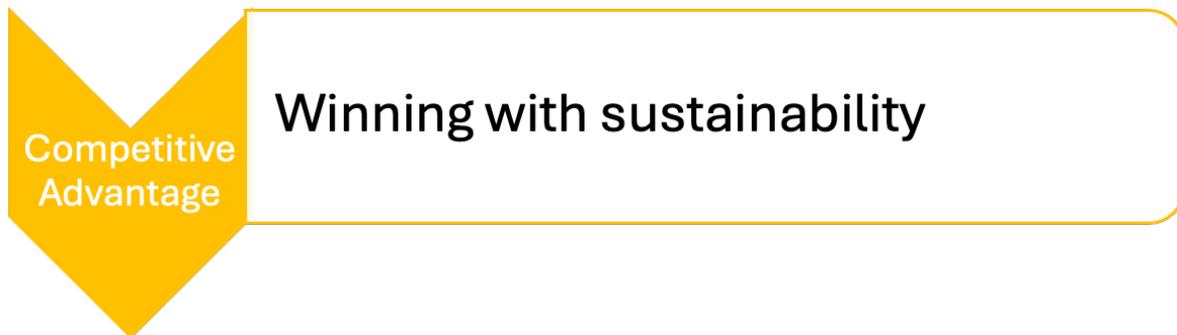


**2023 - Misleading environmental claims:**

- The CMA is investigating how products and services claiming to be 'eco-friendly' are being marketed, and whether consumers could be being misled.



# 2024 customer drivers for ESG advisory support:



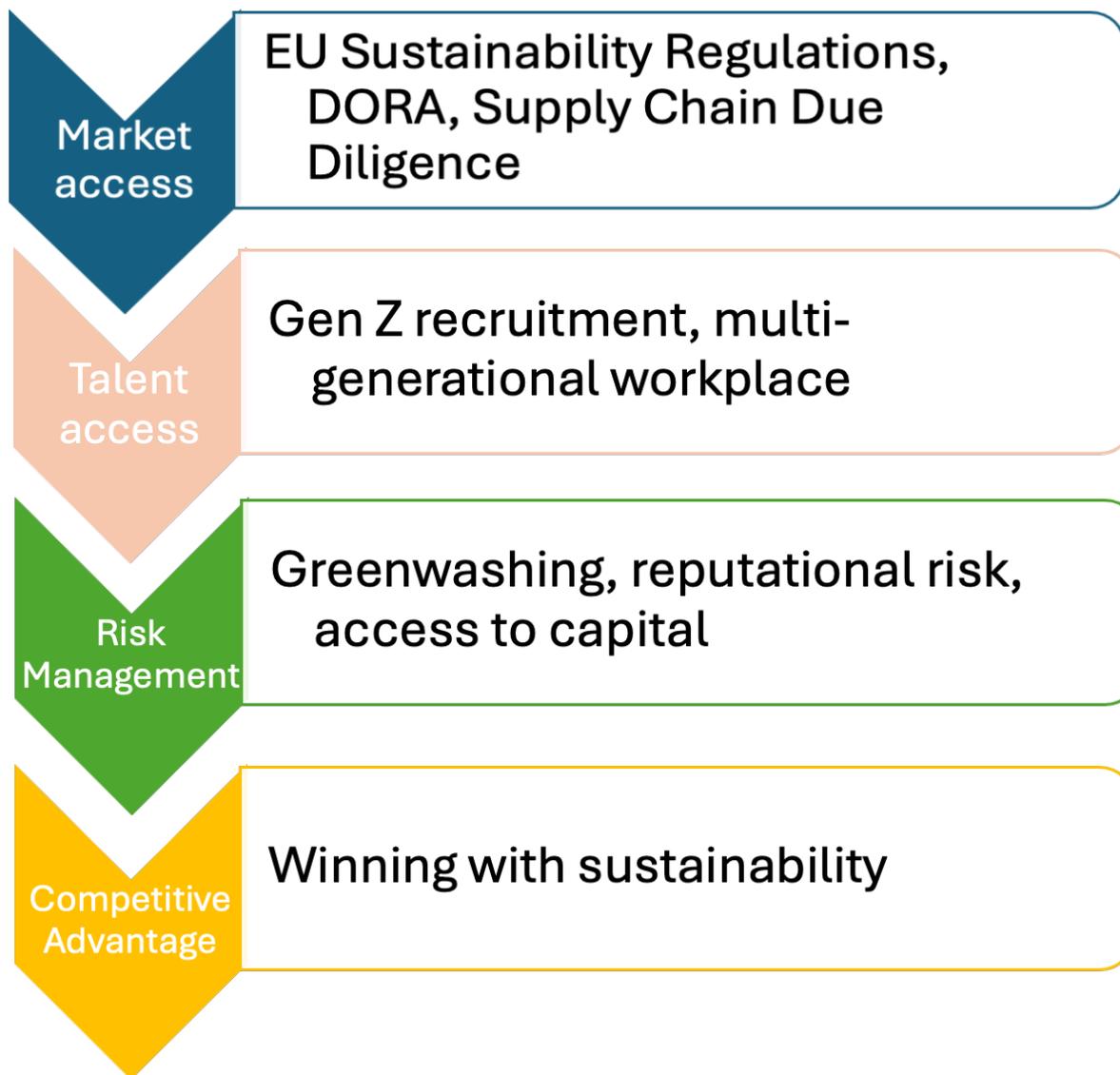
## Stand out in a sea of sameness

“Customers believe how you treat your employees; your community and the wider environment is indicative of how you will treat them.

ESG leaders utilise and communicate their ESG initiatives to drive customer engagement.”

**Henry McIntosh**  
CEO 2112 Marketing

# 2024 customer drivers for ESG advisory support:



76% of Gen Z employees want to work with caring, friendly and socially conscious people

## SUSTAINABLE DEVELOPMENT GOALS



## Demand is a Europe wide trend



*The European Federation of Accountants and Auditors for SMEs (EFAA) has 13 members throughout Europe representing more than 350,000 SMPs (accountants, auditors, and tax advisors) in Europe and beyond and a member of EFRAG.*

EFAA forecasts SME demand for the following new professional services to emerge:

- Business resilience and continuity,
- Intellectual property management,
- Sustainable business practices, with significant growth in the reporting and assurance on sustainability information

# Case study: how many UK SMEs should be investing in ESG?

ESG awareness would benefit around 1.36m SMEs in the UK. The closer an SME is to an exporting activity, the more likely it is that it will be requested to provide sustainability information as part of customer DD or for regulatory purposes.

Out of the 5.5m UK SMEs, we estimate approximately 1.36m of them represent the addressable SME market for sustainability services, of which 1/3<sup>rd</sup> are exposed to EU sustainability regulations.

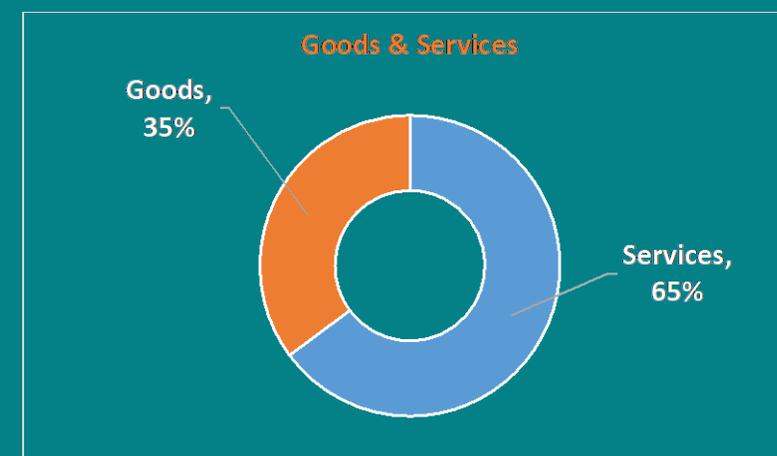
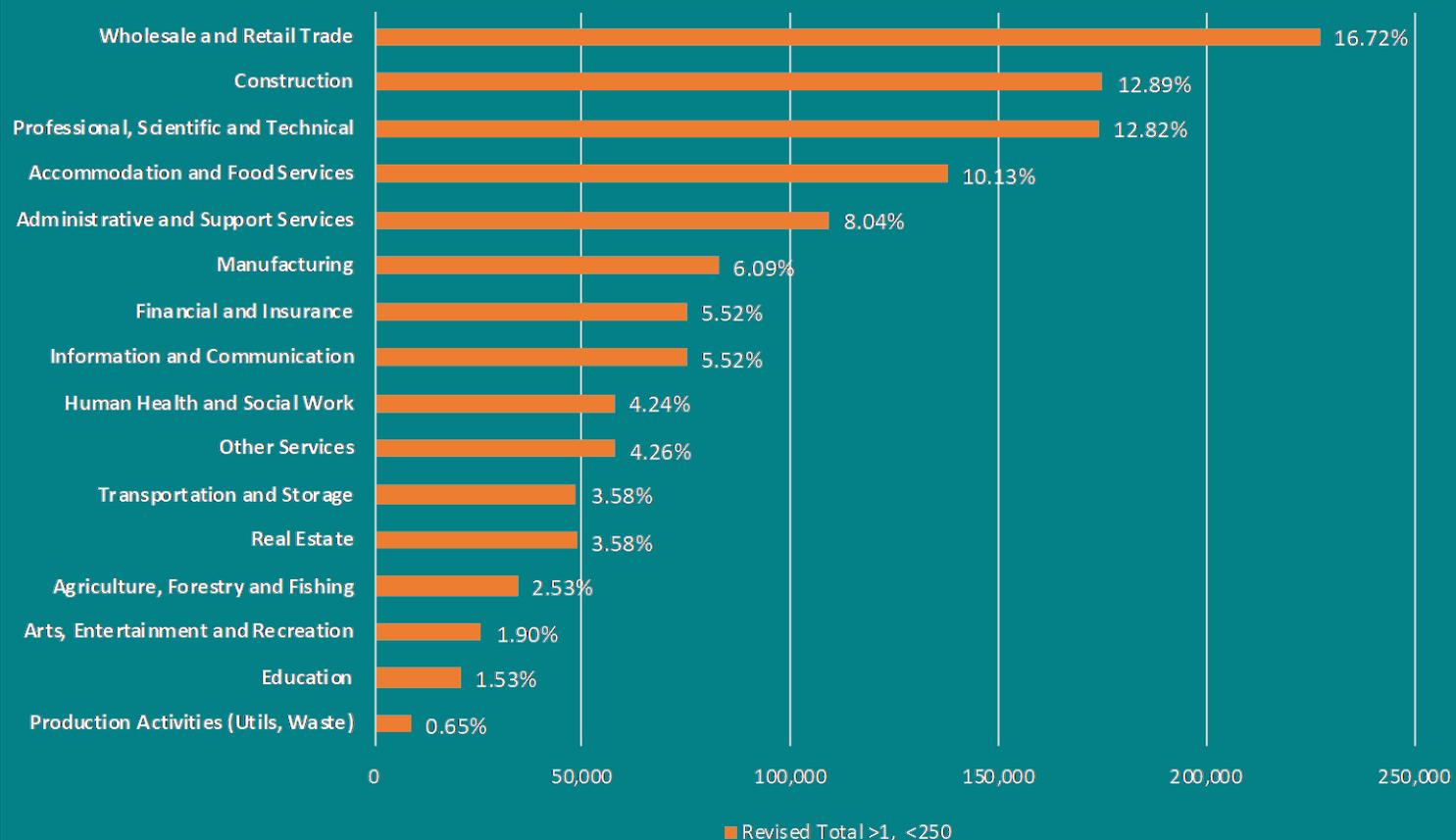


**Double-counting:** where an SME exports both directly *and* has exporters in its supply chain. This might reduce the overall number but would increase the overall incentive to provide sustainability reporting.

## Which sectors are these 1.36m SMEs in?

Our addressable 1.36m SMEs are service oriented, mainly selling goods like autos, food, clothes and textiles, or building homes, offices and civil engineering projects. Or providing professional services like consultancy, advertising, legal and accounting.

Adjusted total SMEs by sector, number, %





# VSME will be key your clients

## What is VSME?

- A simplified sustainability reporting tool for SMEs to respond to requests for sustainability information that they receive from business counterparts (i.e., banks, investors, or larger companies for which non-listed SMEs are suppliers) in an efficient and proportionate manner.

## VSME is structured into three modules:

- A Basic module, essentially an entry-level module for micro-undertakings that comprises a set of basic metrics, and two additional optional modules,
- A Narrative-policies, Actions And Targets (PAT) module and
- A Business Partners module.



## VSME is coming in 2025 but benefits for SMEs begin now

- Draft of standard out for consultation through May 24 for finalisation in January 25.
- EFRAG plans to finalize the standard in January 2025 but not publish the final standard until the Listed SME (LSME) standard is adopted as a Delegated Act in late 2025.
- Non-listed SMEs are already having to respond to requests for sustainability information from larger companies as well as lending institutions.

EFAA suggests that EFRAG and the European Commission encourage non-listed SMEs to start using the standard as soon as possible rather than wait until the LSME is adopted.

# Let's hear from a couple of your Peers

Ben Smith, Partner at ECOVIS  
Wingrave Yeats

Naomi Roper, Partner at Capsticks  
LLP



# Why should ESG matter to accountants?

Interviewing: Ben Smith (Partner at Ecovis)

# Why should ESG matter to law firms?

Interviewing: Naomi Roper (Partner and Head of Banking)

## As Naomi States Lawyers are key too

There is so much legislation coming that smaller companies struggle to understand:

- EU Corporate Sustainability Reporting Directive (CSRD)
- Supply Chain Due Diligence Directive (CSDDD)
- Taskforce on Climate Related Financial Disclosures (TCFD)
- UK Sustainability Disclosure Requirements



### Clients want help with:

- Setting ESG metrics and data collection
- Greenwashing protection
- ESG policies
- Complying with Sustainability Linked Loan commitments
- ESG verification



Lawyers are needed to guide clients through regulatory changes

# Summary

- SMEs are critical to our economies and our sustainability targets
- In the UK and Europe there are over 26m SMEs (21m EU, 5.5m UK) responsible for:
  - 9 out of 10 businesses
  - Over 112m employees
  - Over 50% of GDP
  - 60% of all enterprise Greenhouse Gas emissions.
- Their accountants and lawyers are key to supporting their success
- Offering ESG Advisory, Reporting and Assurance Services will enable Accountants and Lawyers to accelerate their own business growth
- To take advantage of this trend EFAA recommends SMPs prioritise preparing for this role.

Any Questions?



# Rupert Bull & The Disruption House Introduction

# Rupert Bull, CEO and Founder The Disruption House (TDH)

- Rupert is an experienced Entrepreneur in the field of data and analytics.
- He began his business career at Reuters in the mid-90s, before moving to electronic broker Instinet. After helping Instinet to launch as one of the first electronic bond brokers in Europe, he left to co-found Capital Markets benchmarking and advisory business Expand Research in 2001. Boston Consulting Group bought Expand in 2011. Rupert left at the end of 2014 to found The Disruption House.
- At The Disruption House, he has over nine years of experience in providing risk analytics on the ESG and business resiliency capabilities of private and venture-funded firms.
- The Disruption House's mission is to help businesses protect their reputations and improve their resilience and sustainability using proprietary model-based analytics leveraging AI.



# All businesses need affordable ESG

- ESG is increasingly mission critical for mid-sized businesses, and rapidly growing start-ups and scale ups.
- Transparency around ESG commitments and capabilities is key and ESG is rapidly becoming a license to operate.
- Doing nothing is no longer an option but investing in an in-house team and infrastructure is time consuming and costly.



We offer 4 plans to help clients achieve their ESG goals via our easy-to-use SaaS platform:

1. TDH-Discover
2. TDH-Plan
3. TDH-Transform
4. TDH-Compete



We partner with leading Accounting and Legal firms to help them provide world-class ESG Capability Assessments, reporting and remediation support to their clients

Carbon reporting delivered with our partner Compare Your Footprint

# Why do they partner with TDH for ESG?

As experts in sustainability and business resiliency in private companies, we understand the requirements of SMEs .

Our services and prices are partner friendly because The Disruption House is:

## 1. A platform-first business.....

- We productise the diagnostic and planning stages of ESG Advisory services
- We offer a full range of integration options including white label with TDH inside
- We provide you and your clients with out of the box ESG credentials

## 2. ....with a partner playbook that helps you to:

- Develop a reputation for ESG expertise and be the go-to destination for your clients
- Size both the immediate and longer-term revenue opportunity in your client base
- Increase margins and profitability in your Advisory Businesses

Enabling scalable advisory services through technology