



B4NZ SME SUSTAINABILITY DATA TASK FORCE - WORKING GROUP 2 - OCTOBER

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Meeting Purpose: To refine recommendations for a minimum baseline sustainability data standard for SMEs, with a primary focus on greenhouse gas emissions data, whilst ensuring the standard is practical, proportionate, and aligned with market needs.

Key Takeaways

- There was broad agreement to include Scope 3 emissions, but as optional or non-mandatory..
- Intensity ratios should be calculated from core data points provided by SMEs, rather than directly requested, to ensure consistency and adaptability.
- There was initial consensus to include a limited set of non-emissions data (such as gender diversity), with a clear roadmap for expanding to wider sustainability attributes in the future. This will continue to be discussed.
- The focus should be on quantitative, machine-readable data, with some structured qualitative inputs to provide context and narrative.
- Key use cases identified include: finance emissions calculations for financial institutions, procurement requirements, third-party risk assessments, enabling sustainable finance product innovation, and supporting due diligence for responsible lending and investment decisions.
- Overall agreement on the principles of proportional asks for SMEs and limiting the number of questions asked by our standard.
- Working Group understands that the consensus reached is to apply initially to larger SMEs (mid size) and to be refined using segmentation logic for smaller SMEs.

Scope 3 Emissions

- The group reached a general consensus to include Scope 3 emissions, but as optional or non-mandatory to avoid overburdening SMEs.
- There was a recommendation to focus initially on upstream Scope 3 categories, as these are typically easier to measure and more within an SME's control.
- Several participants suggested considering a phased implementation approach over time, allowing SMEs to gradually expand their reporting.
- The group recognised that the materiality of Scope 3 emissions varies significantly by industry, and thus the standard should allow flexibility in which categories are reported.
- Sage emphasised that for many industries, Scope 3 is where the majority of emissions lie, making it crucial for inclusion despite the challenges.



Intensity Ratios

- The group agreed to request core data points (such as revenue and full-time equivalents) rather than calculated ratios.
- This approach allows for consistent calculation of ratios and accounts for significant business changes over time (e.g., rapid growth or acquisitions).
- It was noted that this method enables multiple ratio calculations as needed for different use cases or analyses.
- Carolyn highlighted that this approach simplifies the data collection process for SMEs whilst still providing valuable insights.

Non-Emissions Data

- There was consensus that potentially including a limited set of social metrics would be beneficial, with gender diversity being the primary example discussed.
- The group considered adding basic modern slavery risk data, such as employees by country, to support risk assessments.
- Emphasised the need to balance comprehensiveness with keeping the standard simple and accessible for SMEs initially.
- The group agreed on creating a clear roadmap for expanding to other ESG attributes over time, recognising the evolving nature of sustainability reporting.

Qualitative vs Quantitative Data

- The consensus was to focus primarily on quantitative, machine-readable data to ensure comparability and ease of analysis.
- The group agreed to include some structured qualitative inputs, such as dropdown lists for emissions reduction actions, to provide context without sacrificing data quality.
- There was discussion around allowing brief narrative explanations, but with caution to avoid relying too heavily on unstructured text that could be difficult to analyse at scale.
- Participants stressed the importance of machine-readable data to avoid issues with PDF-based reporting and enable efficient analysis.

Net Zero Commitments

- The group identified a need to clarify the definition of "net zero" specifically for SMEs, recognising that current definitions may not be directly applicable.
- There was discussion around the challenges of near-term vs long-term targets, with some participants noting that SMEs may be hesitant to commit to long-term goals.



- The group recognised the limitations of SME influence on some emissions sources, such as those related to rented premises or grid electricity.
- Tom emphasised that while individual SMEs may have limited impact, the collective reporting helps surface systemic issues that need addressing (e.g., building efficiency).

Use Cases

- Finance emissions calculations for financial institutions was identified as a key use case, particularly for understanding financed emissions across SME portfolios.
- Procurement requirements, such as those outlined in PPN 0621, were highlighted as a crucial driver for SME sustainability data.
- Third-party risk assessments were noted as an important use case, particularly for larger organisations assessing their SME suppliers.
- The group discussed how the standard could enable sustainable finance product innovation by providing consistent, reliable data on SME sustainability performance.
- One participant suggested responsible lending and investment decisions as an additional use case, potentially allowing for more nuanced approaches than broad sector-based exclusions.

Next Steps

- The B4NZ team will summarise the key discussion points and share them with the working group for review.
- A new questionnaire will be issued to gauge alignment on key decisions made during the meeting.
- The baseline standard will be refined based on the feedback received and the discussions held.
- The secretariat team will research existing lists of emissions reduction actions to use for structured inputs in the standard.
- Work will be undertaken to clarify the net zero definition and link to appropriate guidance for SMEs.
- Metrics on the time and effort required to complete different existing SME standards will be added to the analysis to inform the development of this standard.
- A roadmap will be developed for future expansion of the standard, including consideration of product-level data to align with upcoming regulations like CS3D.
- The group will seek to involve more corporate representatives in future discussions to ensure the standard meets supply chain management needs.



Action Items for Secretariat

- Add climate science-led principle to data collection principles. Circulate for group approval.
- Work w/ participants to update Scope 3 proposal - non-mandatory, phased approach. To be discussed in the next session.
- Work with participants on net zero target setting (incl. long term and short term target setting). To be discussed in next session.
- Research guidance on net zero definition for SMEs, considering growth/special cases. Circulate for group review.
- Research/add average completion time for each SME standard to mapping document.
- Standard mapping: PPN 06/20 & ISSB S1