

From Burden to Benefit

Streamlining SME Data Sharing to Unlock Green Finance & Economic Incentives



About B4NZ

B4NZ is a not-for-profit initiative bringing together banks, businesses, regulators, and policymakers to accelerate the shift toward a just, resilient net zero economy. Rooted in the UK's policy and regulatory framework, we champion the national delivery of international climate commitments while reinforcing the UK's leadership in sustainable finance through engagement with a wide-reaching global network.

Our mission is grounded in strategic policy alignment, pinpointing where smart policy can unlock the full potential of the banking sector to finance the transition of the real economy. Through credible, cross-sector engagement, we convene influential stakeholders to develop practical, scalable solutions that drive meaningful climate action at both national and global levels.

Since our launch in 2022, B4NZ has evolved from a lean start-up into a fast-growing organisation with an expanded team and stronger institutional presence, as highlighted in our **2024 Impact Report**. Our cross-sector Advisory Board, established last year, is now fully operational and plays a key role in providing strategic guidance, helping ensure our work remains responsive, accountable, and aligned with the evolving landscape of sustainable finance.

B4NZ is funded solely through membership fees from banks and corporates. To ensure accountability and diversity, we offer free membership to climate think tanks, academia, and civil society organisations.

About Broadway Initiative

Broadway Initiative is the coalition of major trade associations powering cross-economy collaboration to deliver the UK's net zero and nature goals. Broadway is founded on the belief that cooperation between all sectors of the economy is essential to restoring the environment, so we connect the leading trade associations with government, experts and environment bodies to co-create the necessary policies and frameworks.

Broadway is at the forefront of the business transition to net zero. We proposed and continue to provide the co-secretariat for the Net Zero Council, where Ministers, the financial community and leaders from business and civil society coordinate the development of net zero strategy. Broadway also pioneered and delivers the UK Business Climate Hub, the nation's single point of net zero information for Small and Medium Sized Businesses.

Acknowledgements

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Whilst this paper reflects the broad consensus reached in our working group sessions, it does not necessarily represent the views of individual members. The views, input and/or contributions of individual members are not necessarily aligned with the views held by, or the commercial strategies of, their employers/affiliated organisations. This paper does not constitute financial, legal, or other professional advice and should not be relied upon as such. Nothing in the paper is intended to override, substitute, or alter existing legal or regulatory requirements, including, without limitation, duties of the entity's directors and senior managers, and the entity's constitutional documents. Nothing in the paper should be understood to require the disclosure of commercially sensitive information. The paper was produced independently of the SME Sustainability Data Taskforce member organisations and does not necessarily represent their views.

Definition of SMEs

This paper uses the definition of small and medium-sized enterprises (SMEs) as outlined in The Companies (Accounts and Reports) (Amendment and Transitional Provision) Regulations 2024, effective for financial years beginning on or after 6 April 2025. Businesses are classified based on meeting any two of the following three criteria: turnover, balance sheet total, and average monthly number of employees.

Micro-entities:

Turnover not more than £1 million; balance sheet total not more than £500,000; average monthly employees not more than 10.

Small entities:

Turnover not more than £15 million; balance sheet total not more than £7.5 million; average monthly employees not more than 50.

Medium-sized entities:

Turnover not more than £54 million; balance sheet total not more than £27 million; average monthly employees not more than 250.

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JON GELDART

Director General, Institute of Directors

Small and medium sized enterprises (SMEs) are increasingly attuned to their role in the transition to a net zero economy. Yet for many, the journey remains complex, uncertain, and resource intensive. The process of measuring and reporting carbon emissions is frequently perceived as an obligation rather than an opportunity, particularly for smaller firms balancing tighter margins and a multitude of competing demands.

IoD research in October 2024 found that over half (57%) of business leaders' organisations either already measure their carbon footprint (30%) or intend to do so (27%). While encouraging, this represents a slight decline from 2023, suggesting that progress is still fragile and more support is needed. At the same time, our data shows that a smaller but growing number of SMEs have been asked by a potential or existing client for carbon data as reporting requirements are passed down through supply chains. Without a standardised approach to SME carbon reporting, this trend risks leaving SMEs struggling to respond to different reporting requirements, potentially locking them out of opportunities for business growth.

Beneath these figures lie a diversity of views and experiences. Many SMEs express concern that growing demands for emissions reporting may disproportionately burden smaller firms, adding administrative complexity and creating competitive imbalances in favour of larger organisations. Others describe taking practical steps, such as reducing waste or minimising travel, without engaging in formalised reporting, often viewing more structured frameworks as excessive or misaligned with their realities. A number of respondents also question the efficacy and fairness of current net zero policies, citing anxieties about competitiveness, job security and limited customer demand.

This evolving landscape underscores the need for a clear, trusted and proportionate standard for emissions reporting; one that reflects the needs and constraints of SMEs. At present, these businesses face a fragmented array of frameworks, tools and expectations. In the absence of consistency, many are left to navigate alone or disengage entirely.

The UK SME Voluntary Emissions Standard represents an essential step forward. By offering



a baseline for emissions reporting that is both credible and accessible, it has the potential to reduce friction, eliminate duplication and enable small businesses to participate on more equitable terms. If implemented effectively, such a standard could transform compliance from a burden into a source of opportunity, unlocking access to finance, supply chain participation and future policy incentives, including tax benefits or links to creditworthiness.

However, standards alone are not sufficient. Real progress will depend on coordinated efforts and shared infrastructure. That is why the interplay between the UK SME Voluntary Emissions Standard and Project Perseus is so significant. Together, they offer a foundation for trusted digital carbon reporting and a coherent framework for market-wide adoption. The Institute of Directors is proud to support both initiatives, which we see as complementary and mutually reinforcing.

SMEs are on board with the necessity of the net zero transition and are keen to play their part. But they require the tools, support and clarity to do so in a way that is viable and proportionate. Establishing a shared standard is a vital part of building a path that more businesses, regardless of size, can follow with confidence.

JAMES CLOSE

Head of Climate Change, NatWest Group

Small and medium-sized enterprises (SMEs) are the backbone of the UK economy and they must also be central to its green transition. As the UK strives to meet its net zero targets, we have a strategic opportunity to help unlock SME-led green growth that drives innovation, resilience, and regional prosperity, while advancing environmental goals.

The banking sector has a critical role to play in enabling this transition. At NatWest, we are Great Britain's biggest business bank. We recognise both the scale of the opportunity and the challenges SMEs face in accessing the finance and support they need to decarbonise. Among the most pressing barriers are infrastructure and data gaps, including the lack of consistent, trusted emissions data and the absence of secure, interoperable systems to share that data efficiently across the economy.

This is where collaboration becomes essential. No single organisation can address these challenges alone. We need shared infrastructure and common standards to simplify sustainability for SMEs, creating a coherent system that benefits financial institutions, supply chains, regulators, and, most importantly, the businesses themselves.

We are experienced in supporting businesses of all sizes to grow and become more sustainable. Our **Carbon Planner** has helped numerous companies calculate their carbon footprint and create an action plan to reduce emissions. We are always looking for new ways to support businesses to take an easier step to become more sustainable.

We must work together to provide frictionless and secure infrastructure and connected platforms to enable SMEs to collect sustainability data once and share it effortlessly and transparently with multiple business customers. This means it also helps larger businesses who use SME suppliers with their own environmental reporting.



Progress will depend on deep, cross-sector collaboration, between financial institutions, government, industry, and the SME community. By aligning around shared tools and standards, we can move beyond fragmentation and begin scaling practical, effective solutions at speed.

At NatWest, we are committed to playing our part and are proud to have contributed to the creation of the new standard. We look forward to continuing in partnership with B4NZ and others. Together, we can unlock the full potential of the UK's SMEs to lead in the green economy and help build a more sustainable, resilient future for all.

NIGAR ARPADARAI

COP29 Climate High-Level Champion

The SME Sustainability Data Taskforce's latest work on streamlining SME data is a timely contribution to our global effort to empower and enable SMEs to take ambitious climate action through the Climate-Proofing SMEs campaign. It offers a simple, credible, and scalable solution, proving that policymaking can be both ambitious and accessible, while unlocking the 'virtuous circle' where sustainability data enables access to finance and deeper climate action. I commend the Taskforce and its partners for their leadership. Now is the time for governments, financial institutions and corporations to follow through, by aligning, adopting and accelerating this standard.



HANNAH COOL

Chief Operating Officer, B4NZ

At Bankers for Net Zero, our core mission is to accelerate the flow of capital into the real economy, where climate ambition meets real-world delivery. We believe in building the conditions for investment, not just the frameworks, and in creating movements that drive meaningful, lasting change.

We do this by bringing together government, industry, and civil society to agree on the partnerships, infrastructures, and policies we need to manage risk and unlock opportunity. That's what this report is about and why SMEs sit at the very heart of our work.

If we want a sustainable economy that works for everyone, we have to start from the bottom up. SMEs make up the vast majority of UK businesses, yet they're too often treated as data gaps or cost centres, locked out of sustainability progress rather than empowered to lead it. Without trusted, consented data from the ground level, we're working in the dark. Energy efficiency remains a burden, not a benefit, and the financial system continues to misunderstand the true impact and potential of the SME sector.

Supporting SMEs and making sure they see real financial benefit from investing in energy efficiency has been a core priority for B4NZ since day one. We incubated Project Perseus to build the infrastructure for secure, automated data sharing, and now – through the SME Sustainability Data Taskforce – we've started a wider movement to create a voluntary, SME-appropriate data standard that reduces complexity, lowers the reporting burden, and prioritises flows of high-quality, primary data.



The recommendations in this report are not theoretical. They are grounded, achievable steps that – if implemented – will help make energy efficiency make sense. For lenders, for supply chains, and most importantly, for the businesses powering our economy.

All that's left to say is a huge thank you. To our members, collaborators, and supporters: this work wouldn't be possible without you.

Here's to making change happen – together.

EXECUTIVE SUMMARY

Small and medium-sized enterprises (SMEs) make up the bulk of the UK economy and are responsible for between 43%-53% of UK greenhouse gas emissions¹. In the UK, as elsewhere, they are essential to achieving national net zero goals - they are also critical to driving economic growth and innovation. Yet despite their central role, SMEs often face disproportionate challenges in understanding, engaging with, and benefiting from the low-carbon transition.

As large organisations and financial institutions respond to increasing regulatory and market pressure to report on emissions, they push data requests down their supply chains. This has created a cascade effect: SMEs are now at the receiving end of fragmented, inconsistent, and often duplicative emissions data demands². These requests typically come in the form of bespoke, complex questionnaires that vary by sender and lack a standardised approach. Most SMEs lack the resources, expertise, and capacity to respond effectively, let alone accurately, to these growing asks.

As a result, the current system creates a significant administrative burden for SMEs, while often failing to generate the consistent, high-confidence data that banks, buyers, and policymakers need. Emissions information is often collected through static templates or one-off forms with limited validation or contextual support. This undermines trust in the data, making it difficult for financial institutions and corporates to draw meaningful insights or act. The outcome is a lose-lose: SMEs are overwhelmed and excluded from opportunities such as green finance or sustainable procurement, and the data collected is of limited use in climate decision-making.

The lack of common infrastructure and standards for collecting primary data – first-hand information from SMEs such as energy bills or vehicle fuel receipts – is compounding the problem. Without a clear, coordinated approach, SMEs are increasingly treated as ‘data gaps’ rather than active contributors to decarbonisation. In turn, this undermines the integrity of climate disclosures across the economy and risks stalling progress towards national and global net zero goals.

To address this, B4NZ and the Broadway Initiative have convened the SME Sustainability Data Taskforce and developed the UK SME Voluntary Emissions Standard (‘The Standard’), a practical, credible, and scalable disclosure approach designed specifically to help SMEs share consistent emissions data in a way that works for them and meets the needs of the wider market.

The Standard is designed to make emissions data collection practical for SMEs and useful for those who rely on it. It introduces a consistent set of expectations for emissions data requests and allows for a “create once, share many” approach to reduce duplication and ease the compliance burden. Trusted data, shared at scale, helps unlock access to green finance, supports fairer procurement decisions, and strengthens the UK’s climate data infrastructure.

Alongside the core Standard, the Taskforce has developed a four-point data quality scale, helping data users evaluate data submissions in a consistent and transparent way. This allows institutions to make more informed decisions based on the integrity of data provided, and supports SMEs to improve their reporting incrementally, without needing costly consultants or advanced technical systems.

The Standard was developed through a collaborative market-led process, including engagement with the Net Zero Council’s SME Working Group. Over several months, the Taskforce engaged a wide range of stakeholders, including SME-facing organisations, data users, policymakers, and subject-matter experts through working groups and interviews. This collaborative approach ensured the framework reflects the realities of SMEs while aligning with broader regulatory and commercial requirements, including compatibility with Public Procurement Notice (PPN) 006.



With Phase 1 complete, the programme is now entering Phase 2: a test-and-learn period, involving practical trials and a nationwide consultation. This phase will refine the Standard, strengthen guidance materials, and gather insights from both SMEs and data users to inform broader implementation.

Next steps include working closely with UK Government departments and industry bodies to integrate the Standard into existing systems, secure wider adoption, and ensure it delivers meaningful value for both SMEs and the organisations they supply or borrow from.

To make this work, we call for three things:



Endorsement

Signal early support for the direction of travel by endorsing the taskforce's approach ahead of the consultation.



Consultation

Actively participate in the national consultation to help shape the final form of the UK SME Voluntary Emissions Standard.



Adoption

Net Zero Council, DESNZ and wider government to commit to engage with B4NZ and Broadway Initiative to agree messaging and plans to ensure wider market adoption and commitment to sign up to principles of responsible and low-friction data capture.

SMEs are willing to play their part, but the system must work for them. The UK SME Voluntary Emissions Standard lays the groundwork for trusted, high-quality data sharing that benefits SMEs and the wider economy. It's time to move from top-down compliance to bottom-up empowerment and build a fair, practical pathway to net zero.

Section 2

SETTING THE SCENE: SMES AND THE NET ZERO TRANSITION

The Role of SMEs in the Net Zero Economy

Small and medium-sized enterprises (SMEs) are not just the backbone of the UK economy; they are the foundation of its net zero future.



SMEs account for 99% of all UK businesses, employ over 16.6 million people, and generate more than £2.8 trillion in turnover³. They also represent 94% of all UK employers operating in the high-growth, low-carbon economy⁴. With SMEs responsible for around 50% of business-related greenhouse gas emissions⁵, their role in the climate transition is not peripheral, it's pivotal.

Encouragingly, the appetite is there. Over 80% of SMEs are already taking steps to cut emissions, and a similar proportion say they're eager to do more⁶. This isn't just about responsibility, it's about opportunity. With an estimated \$789 billion in green finance up for grabs globally⁷, SMEs have everything to gain from going green.

But turning ambition into action isn't so simple.

The Challenge: Why Emissions Data Disclosure is broken for SMEs

Despite growing motivation, most SMEs struggle to access the very finance they need to achieve emissions reductions.

Nearly half of all SMEs looking to adopt more sustainable practices cite access to finance as their greatest barrier⁸. This reveals a fundamental disconnect – although lenders have pledged to expand green finance offerings, many SMEs remain effectively excluded.

At the core of this issue is data. Or rather, the lack of it.

Banks and investors need high-quality emissions data to inform the design of green loans, sustainability-linked finance, and ESG-aligned products. While many current offerings rely on estimated or self-reported data, the shift toward validated, primary data is essential for building trust, reducing greenwashing risks, and ensuring these products deliver real-world impact. Trusted data is essential to building financial products and ultimately reducing risk and the cost of capital. But today's data sharing system is failing both sides. 80% of lenders say they can't get the sustainability data they need from SMEs⁹. Where products do exist, many SMEs can't qualify simply because they don't have the right data to prove their impact or track progress.

The current emissions data disclosure landscape is complex, inconsistent, and largely built around the needs of large corporates. As part of these requests, SMEs face a confusing mix of uncoordinated requests, forms, and methodologies – often with no clear starting point. This fragmented landscape means it is unsurprising that recent research from the Federation of Small Businesses indicates that 60% of UK SMEs who were asked to provide data by a large business they supplied to found it difficult or very difficult¹⁰.

The challenge of navigating a complex landscape is compounded by a widespread lack of knowledge and tools to measure emissions. In earlier research, the Federation of Small Businesses noted that 69% of SME respondents did not know how to measure their carbon footprints¹¹. Without a common baseline or accessible guidance, SMEs are effectively locked out of meaningful participation in net zero supply chains and struggle to access climate-linked finance.

Findings from the British Business Bank's 2024 Small Business Finance Market 2024/25 review reinforce these challenges. A lack of knowledge about what to measure, monitor, or report was cited as the most common barrier to emissions disclosure, mentioned by 45% of respondents. This was closely followed by a lack of capacity (42%) and a lack of necessary skills (38%) – all pointing to systemic gaps in infrastructure and capacity that hinder SME engagement with climate action.

The result? Ambitious SMEs struggle to report and remain stuck on the sidelines. Lenders lack the trusted data needed to develop products and deploy capital effectively. And the wider economy misses out on the emissions reductions and innovation that SMEs are well placed to deliver.

To unlock SME climate action – and protect the broader economy – we must overhaul the system. This starts with implementing standardised, simple, and scalable emissions data disclosure framework designed specifically for SMEs.

Such standardisation will enable consistent, validated, and comparable emissions data to flow seamlessly from SMEs into the financial economy. This trusted data is essential to inform product development and informed investment decisions, enable targeted decarbonisation strategies, reduce administrative burdens, and unlock access to green finance for SMEs. The importance of trusted data is underscored by recent findings from the Willow Review, which recommended that SMEs explore both formal and informal methods of tracking carbon emissions and found a strong link between emissions tracking and financial performance: 65% of businesses are already seeing financial benefits from efforts to actively monitor their sustainability impact.¹²

“Access to standardised, trustworthy emissions data is key to scaling green finance for SMEs. It will help lenders to make confident, consistent decisions, and to design products that reward sustainability. Driving SME energy efficiency is a win-win for both our net zero and energy security ambitions, but right now progress is limited because the data isn't there in a practical form.”



Conrad Ford, Chief Product & Strategy Officer, Allica Bank

“The British Business Bank is committed to helping smaller businesses take advantage of the low carbon transition, and for this we need action on many fronts. Data is fundamental to insight and good decision-making. But it’s not just the supply of quality data that needs to be solved. We also need to co-ordinate the demand for data to make sure that reporting requests made to smaller businesses are proportionate, relevant, and useful while seeking at the same time to minimise their administrative burden.”



Tony Greenham, Managing Director, Sustainability, British Business Bank

Harnessing trusted data is not just a technical fix—it is the foundation for building resilient businesses and a sustainable economy capable of withstanding the impacts of climate change.

We recognise that data requirements extend beyond carbon and emissions. However, starting simple is essential. By establishing a foundation for the low-friction sharing of trusted, system-based quantitative primary data, we can create the conditions for future expansion into other areas. This will enable better data sharing, more effective risk management, and the design of tailored financial products.

The principles we are building here provide a scalable foundation that can be developed over time to meet broader sustainability data needs.



Section 3

THE SME CLIMATE CHALLENGE: UNDERSTANDING THE LANDSCAPE

SMEs are under growing pressure to report their greenhouse gas emissions, not just from regulators, but from every part of the business ecosystem.

What was once a voluntary or values-driven activity is now becoming a commercial requirement. 37% of SME's who responded to the UK Net Zero Business Census reported receiving requests for carbon data – even though they are not currently subject to regulatory requirements to measure emissions.¹³ Whether bidding for contracts, securing finance, or maintaining supply chain relationships, SMEs are increasingly being asked to provide primary emissions data that is consistent, credible, and comparable.



In the 2023 OECD survey of public development banks and private financial institutions, over 70% of financial institutions stated that they are already asking for sustainability-related data from their SME clients. Of those that currently do not ask for any data, the majority intend to introduce reporting requirements in the near to medium term.

OECD (2025), Fostering convergence in SME sustainability reporting

It is vital that SMEs are supported in their transition to Net Zero. However there are real fears that the average SME may face multiple requests for different carbon emissions questionnaires to be completed, or even worse, multiple costly carbon standards to be achieved to remain suppliers to their multinational customers. Much better for them to be able to complete one single form detailing all their emissions data, and spend their time and their money reducing their actual environmental impact

Professor Miranda Barker OBE, CEO East Lancashire Chamber & Co-chair BCC Climate & Environment Group

What's Driving the Demand for SME Emissions Data

Three powerful forces are converging to increase the volume and urgency of climate data requests:



“SMEs that can’t report their emissions risk being cut out of major supply chains. Buyers are under pressure to meet their own climate targets, and without credible data, they’ll look elsewhere. This isn’t a distant threat, it’s a commercial reality. Reporting is fast becoming a prerequisite for winning work.”



Andrew Griffiths, Policy Director, Planet Mark

Zooming In: Regulation as a Catalyst

Regulation is perhaps the most visible accelerator of this trend. In Europe, directives such as the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CS3D) are reshaping expectations. These frameworks require large companies to disclose their environmental impacts across full value chains, which often includes hundreds of SME suppliers.

While SMEs may not be directly subject to these rules, the indirect impact is immediate and growing. Larger firms are increasingly asking their suppliers (many of them SMEs) to provide the data needed to meet their own obligations.

The effects are already being felt: as of 2025, over one in seven small businesses (15%) have been impacted by emissions-related data requests. Of those, 35% were able to provide all of the data requested, 40% were able to provide some of the data requested, and 21% could not provide any of the data requested. With the government aiming to onshore supply chains and expand procurement opportunities for SMEs, the demand for accurate emissions data is set to grow – making it likely this figure will continue to rise¹⁴.

“While emissions-related data requests are currently only impacting a minority (15%) of small businesses, it is likely that their impacts will be felt by more and more as we get closer to 2050. As the UK Government looks to onshore supply chains in the UK, and expand procurement opportunities for small businesses, the need for accurate data in relation to SME emissions will increase.”

Federation of Small Businesses, 2025¹⁵

This marks a turning point. SMEs are no longer being encouraged to share their emissions data, they are increasingly being required to. But without the tools, guidance or capacity tailored to their size and complexity, most cannot respond in a meaningful or consistent way.

As data requests rise and expectations tighten, SMEs risk being excluded from supply chains, financial markets, and policy benefits, not due to a lack of willingness, but due to a lack of support.

The challenge is clear: demand is escalating, but enablement is lagging. If left unaddressed, this mismatch could slow progress toward net zero, increase SME vulnerability, and deepen inequity in the green transition.

The SME Data Gap

For most SMEs, sharing emissions data is less a business opportunity and more a source of confusion and complexity. The current system is fragmented, inconsistent, and simply not built with smaller businesses in mind.



Even those actively trying to report face duplication and inconsistency receiving slightly different data requests from each corporate partner or finance provider. The result is frustration, wasted effort, and often abandonment.

“Small businesses often face multiple, slightly different requests for emissions data, with organisations requesting data with different content or in a different format.”

Federation of Small Businesses¹⁹

When asked about the biggest barriers to sharing emissions data, UK SMEs pointed to:



In addition, 66% reported at least one obstacle to sharing data on their carbon emissions – a slight increase from 64% last year – suggesting that the process is not becoming any easier, whilst 8% reported they intend to start measuring, monitoring or reporting their carbon emissions in the future, but this percentage is down from 14% last year²⁰.



The Global View: How Others Are Tackling It

Around the world, governments and regulators are starting to recognise that current sustainability frameworks are failing small businesses.

In Europe, the EU's CSRD reforms are being complemented by initiatives like VSME and the proposed Omnibus Directive, both aimed at creating more proportionate approaches to asking SMEs to share primary emissions data. These are positive steps, but many still question whether they go far enough to truly reduce the burden on SMEs.

Case-study of CSRD & CS3D

The EU's Corporate Sustainability Reporting Directive (CSRD) established mandatory sustainability reporting requirements for companies operating within the European Union. The directive applies to large companies that met at least two out of three criteria:

€50 million
or more in net turnover

€25 million
or more in total assets

250
or more employees

SMEs listed on EU-regulated markets were also included in the scope of reporting under the framework. The CSRD's original timeline required large companies to start reporting in 2025 and listed SMEs in January 2026.

The reporting requirements mandated by the CSRD were complex, leading to widespread concern about the administrative burden they would place on in-scope companies. There was also significant concern about the potential for complex reporting requests to filter down to out-of-scope non-listed SMEs.

As a result, in February 2025, the European Commission introduced an Omnibus proposal to raise the in-scope threshold to companies with more than 1,000 employees, delay the introduction of the regulations by two years for companies initially scheduled to report in 2026 and 2027, and

limit the information that non-listed SMEs can be asked to provide to the categories included in EFRAG's VSME.

These proposals demonstrate how SME-specific standards (such as VSME and the UK SME Voluntary Emissions Standard) are essential to shielding SMEs from disproportionate regulatory pressure. As the reporting landscape continues to evolve, it is important to establish practical and proportionate guidelines for what SMEs can reasonably be asked to report.

The omnibus proposals also reflect a broader acceptance that sustainability reporting obligations, initially aimed at large companies, are already beginning to cascade down the supply chain. The inclusion of the VSME safeguard in the Omnibus proposal is a tacit admission of this trend and a necessary step to manage its impact on smaller businesses.

Case-study of VSME

The Voluntary Sustainability Reporting Standard for non-listed Small and Medium-sized Enterprises (VSME) was developed by EFRAG in response to the European Commission's SME Relief Package. It is designed to support SMEs in communicating their sustainability performance clearly and consistently to stakeholders such as banks, investors, and large corporate clients.

Many SMEs are facing increasing demands for environmental, social, and governance (ESG) information, particularly from larger companies required to report under the Corporate Sustainability Reporting Directive (CSRD). The VSME provides a voluntary but structured framework that helps SMEs meet these expectations without being overwhelmed by complex requirements.

The VSME is divided into two modules:



The Basic Module, which focuses on disclosures deemed most relevant to SMEs. These include data on greenhouse gas emissions, energy consumption, water use, workforce composition, health and safety performance, social metrics (such as diversity and employee well-being), and impacts on biodiversity.



The Comprehensive Module, which allows SMEs to report in more depth on areas such as sustainability policies, climate risks, due diligence processes, and human rights practices.

Using the VSME, SMEs can enhance transparency, build trust with partners, and improve access to sustainable finance. It also reduces the burden of responding to multiple ESG questionnaires by offering a common reporting language across industries.

The Case for a Unified Approach to SME Sustainability Data

Sharing emissions data is not only essential for transparency but is also a critical enabler of what Sage have termed the "Virtuous Circle"²¹: a reinforcing cycle of sustainability data disclosure, sustainable finance, and climate action.

Figure 1 (Sage, 2024) Based on Virtuous Circle outlined in Sage and ICC's 2024 'Unlocking Sustainable Finance for SMEs' report.



Figure 1 (Sage, 2024)

However, for this cycle to function effectively, the market needs a shared baseline for SME sustainability data – one that enables the flow of trusted primary emissions data. Without reliable data, impact cannot be measured. Currently, the lack of a common framework has resulted in a fragmented data sharing landscape that creates:

- Confusion and inefficiency for SMEs
- Inconsistent, non-comparable data for corporates and financial institutions
- Significant blind spots and increased risks of greenwashing in supply chain emissions disclosure

A unified data framework has the potential to address these issues at their root. It would establish a common language for all stakeholders - SMEs, corporates, investors, and regulators - facilitating greater comparability across sectors and geographies. It would also improve the allocation of finance and support, ensuring it reaches the right businesses at the right time.

The benefits of such a framework are wide-ranging:

For SMEs: Reduced administrative burden, fewer duplicated data requests, and a clearer pathway to action, beyond compliance.

For financial institutions: Higher quality data to support risk assessments, green finance deployment, and the development of tailored financial products.

For corporates: More consistent supplier data, improved visibility across value chains, and enhanced alignment with Scope 3 emissions targets.

In summary, simplification is not merely desirable, it is essential. A streamlined, standardised approach to emissions disclosure is key to making SME climate action scalable, credible, and finance-ready.

Broadway
INITIATIVE

“Simplifying sustainability reporting for SMEs isn’t a ‘nice to have’, it’s a must. Right now, complex and fragmented demands are locking small businesses out of green finance, procurement opportunities, and the net zero transition itself. The new SME Standard cuts through the noise, providing a clear, consistent foundation that SMEs can actually use, not someday, but now. If we want climate action that’s fair, scalable, and investable, simplification can’t wait.”



Scott Harrison, Director of Strategy & Innovation, Experian UK&I

“We believe in the power of the Virtuous Circle , where better sustainability data unlocks access to sustainable finance, enabling real climate action. But for this to work, SMEs need a simple, consistent way to share their impact. The UK SME Voluntary Emissions Standard offers exactly that: a centralised, credible baseline that reduces the reporting burden for SMEs and allows solutions like Sage Earth to align outputs to a widely recognised standard. It’s a foundational step that enables small businesses to participate more meaningfully in the green economy and access the capital they need to grow sustainably.”



Elisa Moscolin, Executive Vice President of Sustainability & Foundation, Sage



Recognising these challenges and opportunities, the SME Sustainability Data Taskforce was established to co-design a solution that enables the flow of trusted primary system-based qualitative data that will set this virtuous circle in motion. The following report presents the results of that collaboration: a clear, practical, and aligned framework to support SME participation in the net zero transition.

“Accurate, proportionate, and ideally automated carbon reporting for SMEs is long overdue. As a lender committed to supporting the UK’s transition to a low-carbon economy, Atom Bank welcomes B4NZ’s efforts to create clearer, more consistent data standards. These standards are essential to easing the reporting burden on SMEs, improving data reliability, and enabling the financial sector to make better-informed, climate-aligned decisions.”

Edward Twiddy, Co-Founder and Director of ESG, Atom Bank

Section 4

DESIGNING THE SOLUTION

Who Shaped It and Why It Matters



Figure 2 SME Sustainability Data Taskforce

The governance of the SME Data Taskforce is built around transparency, inclusivity, and collaboration. It brings together stakeholders from across the economy to co-create a practical solution tailored to SMEs. Following our presentation to the UK Net Zero Council in May, we have received increased interest from major UK banking organisations and corporates, and hope to increase membership of the Taskforce as we move into Phase 2.

Partner Organisation:

Broadway Initiative

Delivery Workstream Members Include:

British Business Bank, Experian UK&I, NatWest, Institute of Directors, Atom Bank, Planet Mark, OakNorth, Sage, Tide, Federation of Small Businesses, Giki, Allica Bank, Heart of the City, ESG Book, Development Bank of Wales, We Mean Business Coalition, Tese.io, LiMa Green, Accelerate the Shift, Cogo, Blue Patch, Zellar, East Lancashire Chamber of Commerce and Small World Consulting.

Observers Include:

UN Net Zero Banking Alliance, OECD, British Chambers of Commerce, UN Global Compact Network UK, Department of Energy Security & Net Zero, Sodexo, Scope 3 Peer Group and the BBC.

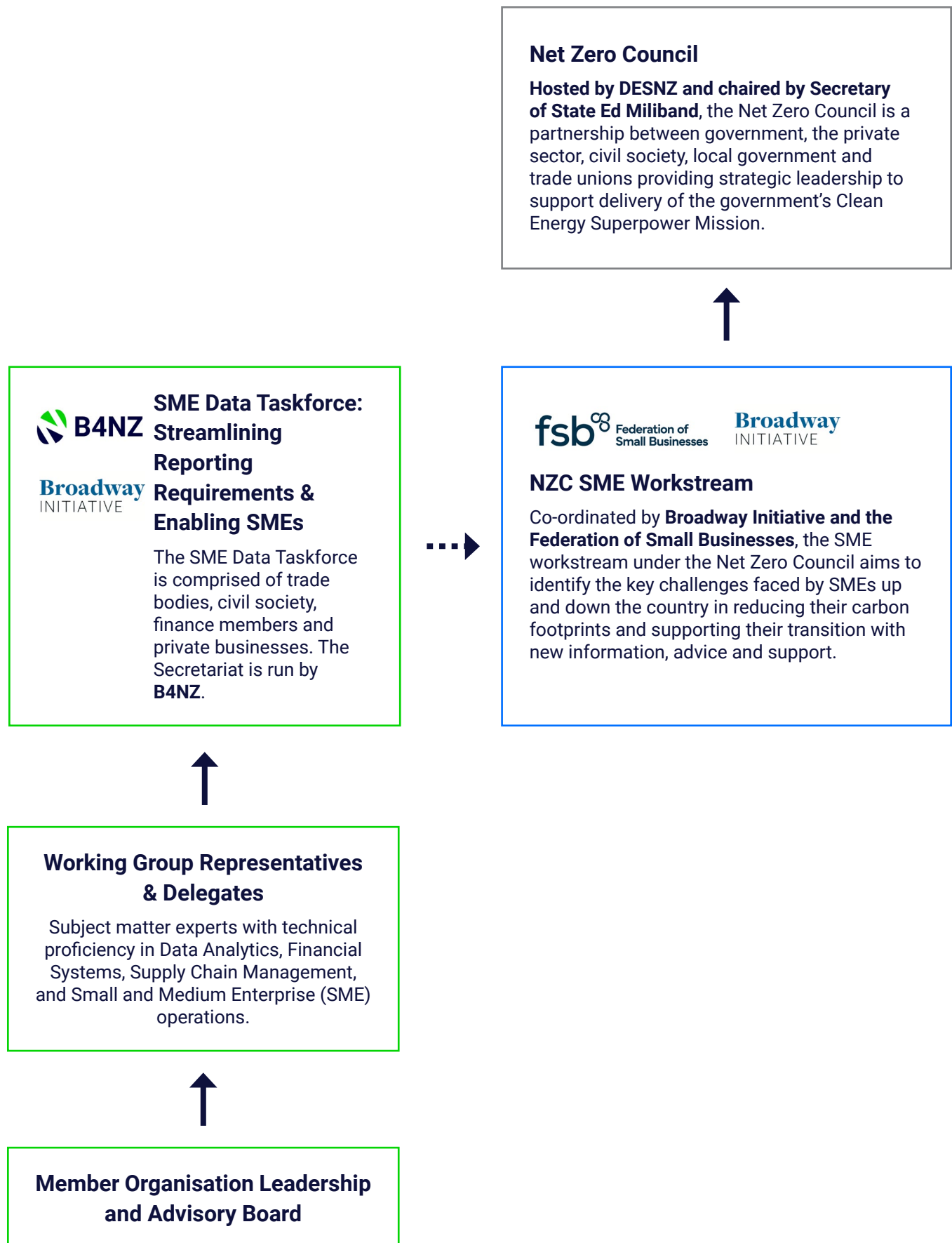


Figure 3 Governance and Relationship with Net Zero Council

How the Standard Was Developed

The development of the UK SME Voluntary Emissions Standard was shaped by rigorous stakeholder engagement, research, and structured collaboration. The process was guided by the principles of transparency, practicality, and alignment with existing frameworks ensuring that the standard reflects real-world needs while remaining implementable for SMEs.

Identifying the Problem

The initiative began with targeted consultations to better understand the challenges SMEs face when it comes to sharing sustainability data. In partnership with Experian UK&I and the Institute of Directors (IoD), a session was hosted with SME leaders to gather first-hand insights.

Key findings included:

- SMEs face a lack of clarity and consistency in sustainability expectations, resulting in fragmented and duplicative information requests.
- Business owners are generally willing to share sustainability data – provided they are supported and understand its purpose.
- There is a strong demand for a common structure to enable easy data collection and streamlined sharing with multiple stakeholders.
- The current ESG data landscape lacks transparency, consistency, and comparability.
- High-quality, standardised ESG data is critical to supporting a just and accelerated transition to a net-zero economy.

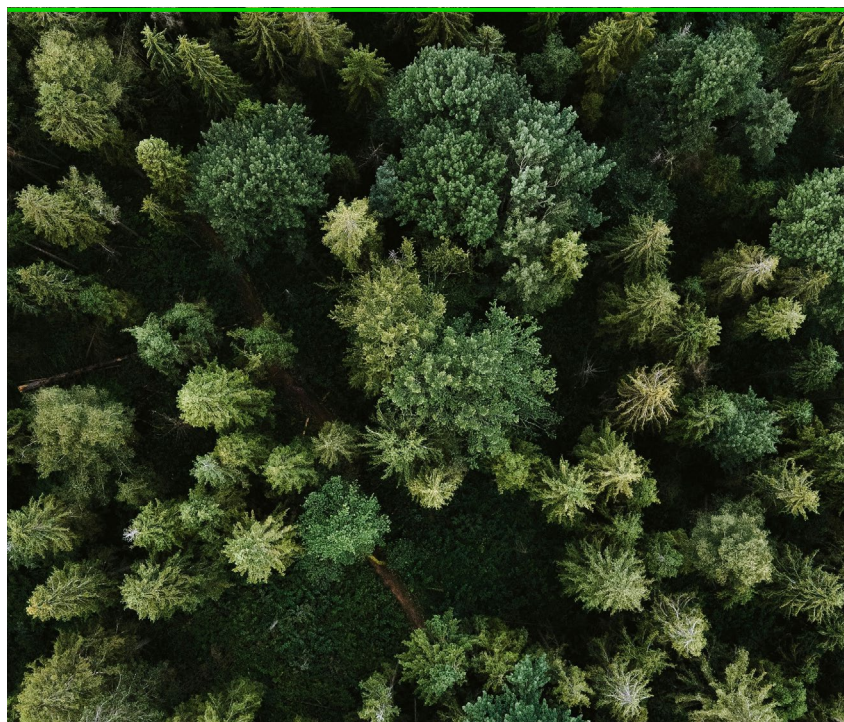
Literature Review

To ground our work in evidence and best practice, the secretariat conducted a comprehensive review of academic and industry literature. This helped identify the persistent barriers to SME data sharing and informed the design of the framework. A full list of sources consulted is available in Appendix B.

Mapping Existing Standards

The secretariat undertook a thorough mapping exercise of existing frameworks and regulatory guidance. This included standards such as PPN06/21 (now functionally PPN006), CDP SME, FSQS, VSME, CBAM, SECR, IFRS S2, and BSI Flex. By identifying overlapping requirements and common data points, we were able to build a baseline that integrates widely accepted metrics ensuring alignment, interoperability, and consistency with industry expectations.

Of particular importance was alignment with PPN06/21. At present 34% of UK small businesses who have been asked to provide emissions-related data were asked to do so by the UK Government in line with the PPN06/21 framework²². To reduce potential duplication, and to support the 'create once, share many' approach we envisage, we have worked with the Cabinet Office at official level to ensure that a PPN06/21 (PPN006) submission could be easily created using a submission made in line with the UK SME Voluntary Emissions Standard.



Working Group Process



Figure 4 Working Group Session Timeline

The proposed UK SME Voluntary Emissions Standard was co-designed through a market-led, cross-sector working group. This ensured real-world relevance, broad endorsement, and alignment with existing frameworks.

The core development of the standard took place through the SME Sustainability Data Taskforce Working Group, which met monthly from September 2024 to May 2025. Each 120-minute session focused on specific aspects of the standard, guided by pre-session questionnaires that surfaced member priorities and feedback.

From the outset, the working group agreed that the standard should focus on emissions, as this is what most data users are asking for and what matters most to SMEs. A broader standard with additional sustainability areas/ questions risked reducing engagement and making disclosure feel like a burden. In line with our commitment to radical simplification, an emissions-first approach was seen as the most effective starting point, with the potential to expand to broader sustainability metrics in future.

In the March session and following further engagement with the Cabinet Office at official level, the group agreed that although Scope 3 had initially been included as a purely optional

metric, the five categories included in PPN006 (then PPN 06/21) should be made mandatory. However, we also included the option to respond with 'not currently recorded'. This decision followed discussion within the group, acknowledging that many SMEs will not be in a position to report Scope 3 emissions for some time and recognising the challenges many SMEs face in gathering information from suppliers in a usable format²³. Nonetheless, including these categories as mandatory – while allowing for non-disclosure where necessary – was seen as a pragmatic middle ground to align with PPN006 and support smoother future adoption.

To ensure rigour and consensus, proposed changes or affirmations of adequacy required a minimum approval rate of 80%. Outside of the main sessions, one-on-one engagements were held with members and relevant organisations to gather deeper insights and resolve outstanding issues. These discussions reflect the collaborative nature of the working group – our aim is to hear all perspectives and work towards a shared position, while continuing to test and refine through further engagement, particularly during the upcoming summer consultation period.

National Alignment: Building with Government, Not Around It

We recognise that meaningful and lasting impact requires deep coordination with government. From the outset, we have maintained open and ongoing feedback channels with key teams across UK Government, including the Department for Energy Security and Net Zero (DESNZ) and the Cabinet Office at official level. This engagement has helped ensure the UK SME Standard is not only technically sound but also designed with real-world implementation in mind.

Crucially, the framework has been built to align closely with PPN006, which mandates carbon reduction plans for suppliers bidding for central government contracts. Our work complements and extends this requirement, providing a practical baseline for broader SME sustainability disclosure. By aligning with PPN006, we aim to ensure coherence across policy tools and reduce the risk of competing frameworks.

We have also briefed officials in HM Treasury and the Department for Business and Trade, helping to secure cross-government understanding and early buy-in. In addition, members of Parliament's Energy Security and Net Zero Committee have been engaged to build cross-party awareness of the framework and its relevance to UK economic and climate goals.

The UK SME Voluntary Emissions Standard

Contextual Questions		Data Quality Considered?
1	Please share the postcode of your main operational business location: a. (Optional) Is this location owned or rented?	No
2	Please provide your SIC code(s): a. [A dropdown list using the 2007 SIC reference, including an 'Other' option that allows for a short free-text submission.]	No
3	Total employee headcount (No. Employees):	No
Emission Questions		
1	Emissions intensity ratios: Please can you provide details for the following aspects of your business activity: a. Total floorspace owned and/or rented (Total Square Meters) b. Total company revenue, as per last year of accounts (in GBP)	No
2	Electricity Use (Renewable and Nuclear electricity used (MWh)): Report your organisation's consumption of purchased or acquired electricity from renewable or nuclear sources in MWh.	Yes
3	Electricity Use (Non-Renewable and Non-Nuclear electricity used (MWh)): Report your organisation's consumption of purchased or acquired electricity from non-renewable sources in MWh.	Yes
4	Natural Gas Usage (M3): Report your organisation's consumption of natural gas in M3.	Yes
5	Scope 1 emissions (tCO ₂ e): What were your organisation's gross global Scope 1 emissions in metric tons CO ₂ e?	Yes
6	Scope 2 emissions (tCO ₂ e): What were your organisation's gross global Scope 2 emissions in metric tons CO ₂ e? a. Absolute Scope 2 emissions (market-based method): b. Absolute Scope 2 emissions (location-based method):	Yes
7	Scope 3 Categories Mandatory for PPN006 Compliance (tCO ₂ e) Please report Scope 3 emissions (tCO ₂ e) from the following included sources: i) Upstream transportation and distribution (Scope 3 category 4) ii) Waste generated in operations (Scope 3 category 5) iii) Business travel (Scope 3 category 6) iv) Employee commuting (Scope 3 category 7) v) Downstream transportation and distribution (Scope 3 category 9) [Respondents can select a 'not currently recorded' if they do not have this information]	No
8	(Optional) Additional Scope 3 emissions (tCO ₂ e): From the remaining categories, please account for your organisation's gross global Scope 3 emissions, choosing the most relevant categories to your business processes. [This question gives disclosers a drop down of 10 options (the remaining 10 Scope three categories). Organisations will have the option to choose the most relevant categories to their operation] a. [If selected none] If you cannot provide quantitative data relating to your Scope 3 emissions, please state the year or period you will be able to report.	No

Can you confirm you are committed to reaching Net Zero by 2050 (if sooner, than 2050 please state the target year you will reach net zero)		
9	a. (Optional) Do you have interim emissions reduction targets? ii. If yes, are these targets: 1. Absolute Emission Reduction Targets (from X tCO2e in YYYY to X tCO2e in YYYY, a % reduction of X) 2. Emissions intensity ratio reduction targets (X% by YYYY)	No
10	(Optional) Narrative: "Please select a category for any actions your business has taken in the last reporting year to improve efficiency, attract customers, or promote green growth." (Multiple choice drop box, including): <ul style="list-style-type: none"> • Company policy or behavioural change (e.g. sustainability policies, staff engagement programs) • Energy efficiency improvements in buildings (e.g. insulation, LED lighting, HVAC upgrades) • Energy efficiency in production or operational processes (e.g. equipment upgrades, process redesign) • Reduction of fugitive emissions (e.g. leak detection, improved sealing or containment) • Switch to low-carbon energy sources (e.g. purchasing renewable electricity, green gas) • On-site generation of low-carbon energy (e.g. solar panels, biomass boilers) • Reduction in non-energy industrial process emissions (e.g. using alternative materials or methods) • Low-carbon transportation initiatives (e.g. EVs, route optimisation, active travel policies) • Waste reduction and circularity measures (e.g. reuse, recycling, resource efficiency) • Other (please specify) 	No
Sign Off		
1	Leadership Sign Off: a. Is a senior executive accountable for the information presented in this questionnaire? (Yes/No) i. Please share the name and role of the senior executive accountable for the information. b. To the best of your knowledge is the information you have provided complete and accurate? (Yes/No) c. Please confirm the date that a senior executive has signed off this submission: (DD/MM/YY) <i>i. Note: The duration for which submissions remain valid will be determined by the organisations requesting the data. However, the secretariat recommends a validity period of no less than one year and no more than three years.</i>	No

Figure 5 UK SME Voluntary Emissions Standard



What the Standard Covers

The UK SME Voluntary Emissions Standard provides a practical, proportionate framework for small and medium-sized enterprises, including microbusinesses, to disclose primary emissions data in a structured and consistent way. The standard is designed to help SMEs respond to increasing demands from financial institutions, supply chains, and regulators, without imposing unnecessary complexity.

It covers key data points essential for understanding an SME's emissions. Each data point has been carefully selected for its relevance, utility, and feasibility for SMEs. The standard covers:

- **Location Information:** Knowing where an SME operates helps contextualise emissions sources, local regulations, and potential mitigation strategies. Ownership or rental status offers further insight into the SME's control over its energy infrastructure.
- **SIC Codes:** Standard Industrial Classification codes are used to understand the sectoral context of the SME. While the current SIC system has limitations, particularly in classifying emerging green industries, the standard allows for additional context to be provided to ensure accurate representation.
- **Employment Headcount:** Helps scale emissions relative to business size and complexity, supporting fair benchmarking and comparability across sectors.
- **Floorspace and Revenue:** These inputs allow for emissions intensity ratios to be calculated, reflecting emissions performance relative to business growth and operations.
- **Energy Usage:** The standard requests a breakdown of renewable, non-renewable, and gas usage. This forms the foundation for accurate Scope 1 and 2 emissions calculations and supports benchmarking within and across industries.
- **Scope 1 and 2 Emissions:** These are mandatory data points, capturing the SME's most direct sources of emissions and forming the core of any meaningful carbon footprint analysis.
- **Scope 3 Emissions – Mandated Categories:** To align with government procurement standards (PPN006), SMEs are asked to report on five Scope 3 categories. Responses may include a 'not currently recorded' option, recognising current limitations while still generating valuable insights into market readiness.
- **Scope 3 – Optional Categories:** The remaining ten categories are optional to ensure flexibility. This reflects the reality that many SMEs are still building the capacity to track and report indirect emissions.
- **Net Zero Commitment:** SMEs can indicate whether they have set a target for reaching net zero by 2050. This helps stakeholders gauge ambition and readiness for transition.
- **Narrative Disclosure:** An optional space for SMEs to share qualitative insights – practical actions taken, challenges faced, or successes achieved – providing richer context to the quantitative data.

The standard is designed to evolve with the market – supporting SMEs to build confidence over time, while providing data users with consistency, comparability, and meaningful insight. Over time, it will expand to cover broader sustainability issues beyond emissions. A detailed breakdown of the questions included in the standard, along with the rationale behind each one, is provided in Appendix A, accompanied by guidance to help SMEs locate the data needed to respond effectively.

“This voluntary reporting standard provides SMEs with a simple set of guidelines for reporting on their own emissions, and those in the most accessible parts of their value chains. As such it will help SMEs get started on their sustainability journeys and provide valuable data to their own value chains, lenders, and other interested parties.”

Chloë Fiddy, Senior Policy and Engagement Lead, IEMA

“This standard was built through deep collaboration and grounded in real market needs. The process brought together insights from global frameworks and frontline experience with SME data to ensure its practical, proportionate, and ready for use. It’s not about compliance for its own sake; it’s about building something that businesses and data users alike can genuinely rely on.”

Justin Fitzpatrick, CEO, ESG Book

“As advocates for micro firms, we welcome B4NZ’s leadership in advancing a green economy that is both inclusive and proportionate. For the smallest businesses, sustainability is not merely a policy aspiration, it’s a vital pathway to remaining relevant, resilient, and ready for future growth. At LilMa Green, we fully support the launch of the SME Standard. It brings much needed clarity and consistency, without overwhelming the very firms we most need to include.”

Mags Arrow, Founder and CEO, LilMa Green

“People working at SMEs are busy, but want to play their part in reducing emissions. A clear, simple emissions reporting standard is therefore a crucial step to making this easier while also providing robust, decision-useful data. Whether that enables companies to focus reduction efforts on key areas, access green finance, or spot cost-saving opportunities, it’s a necessary step to accelerate decarbonisation.”

Jo Hand, Co-Founder, Giki

“SMEs hold the key to a just, scalable green transition, and the new SME Standard is an important step toward levelling the playing field. But today, too many SMEs still face a fragmented maze of data demands and financing barriers. We believe in building ecosystems that simplify, not complicate, turning trusted sustainability data into tangible opportunities and ensuring capital can flow seamlessly and equitably across businesses of all sizes.”

Kuzi Charamba, Founder & CEO, Tese.io

Use Cases for the Standard & Benefits for SMEs

Implementing a single, voluntary disclosure framework offers a “create once, share many” approach, streamlining the collection and sharing of trusted primary data. This not only reduces the administrative burden on SMEs and the time spent on emissions disclosure, but also enhances the quality and comparability of emissions data, facilitating access to green finance and integration into sustainable supply chains. According to the OECD²⁴, streamlined sustainability disclosure frameworks significantly alleviate the burden on SMEs by improving the consistency, comparability, and interoperability of shared data. Without a common framework, SMEs often struggle to identify appropriate solutions, leading to fragmented data and inefficiencies.

Simplified and standardised approaches to sustainability disclosure make it easier and more practical for SMEs to participate. By reducing complexity, these frameworks help SMEs engage more effectively with regulators, investors, and supply chain partners. They also facilitate the flow of trusted, smart, and open data—laying the foundation for a more integrated and efficient system. In such a system, an SME could submit its data once, then easily manage who can access it. With the SME’s consent, trusted partners or potential customers could access the data without the need for repeated submissions or duplicative reporting. The goal is to minimise redundancy, safeguard privacy, and ensure that high-quality primary data is readily accessible to those who need it.

“Standardised, reliable emissions data enables financial institutions to better understand and support SMEs on their sustainability journeys. With the right systems in place, data sharing can unlock opportunities for SMEs, making their journey towards Net Zero less time consuming and more cost effective.”



Gurjodhpal Singh, Tide India CEO and Head of Net Zero

Supply Chains: Closing the Data Gap

“We welcome B4NZ’s efforts to introduce consistent and simplified emissions disclosure for SMEs. Clearer and more streamlined reporting makes it easier for smaller suppliers to engage, reduces the reporting burden and enables more consistent and actionable data across value chains. This will help all of us move faster towards meaningful Scope 3 reductions.”

Oliver Hurrey, Founder & Chair, Scope 3 Peer Group

56% of SMEs who were asked for emissions data were asked by businesses they supply to²⁵. Supply chain disclosure is emerging as a bottleneck, with SMEs in B2B supply chains facing growing demands - particularly from larger corporations - for clear communication of sustainability goals, climate mitigation efforts, and emissions reductions²⁶. As noted by the Federation of Small Businesses, this will disproportionately impact small businesses, who do not have the time to manually calculate a host of different emission data points, and who often lack the finance to seek external support²⁷. SMEs who cannot share emissions data therefore risk losing business to larger competitors - regardless of actual sustainability performance.

The SME Standard addresses this by:

Improving data coverage:

More SMEs can contribute emissions data across the value chain.

Standardising data collection:

Consistent data enables corporates to track and manage Scope 3 emissions more effectively.

Boosting transparency and efficiency:

Reduces manual data work and allows procurement teams to make better, faster decisions.

Finance: Unlocking the \$789 Billion Opportunity

“Trusted, high-quality data is the foundation of sustainable product innovation and financial resilience. For SMEs navigating the path to net zero, streamlined and reliable emissions reporting reduces friction, enabling smarter decisions and unlocking access to capital. By simplifying data collection and sharing, we not only empower SMEs to scale with confidence but also lower their risk profile - making them more attractive to both investors and lenders, reducing the cost of capital.”



Valentina Kristensen, Corporate Affairs Director, OakNorth

As noted earlier, the global green finance opportunity for SMEs is estimated at **\$789 billion**²⁸. However, most SMEs remain excluded, largely because financial institutions lack access to the trusted data needed to offer appropriate products.

80% of lenders offering green finance struggle to access high quality SME sustainability data²⁹. Without a significant improvement in data availability and reliability, lenders will continue to face barriers - and SMEs will remain unable to tap into the finance required to support their transition and growth.

A unified data capture process helps shift that narrative:

For Lenders

Facilitates the flow of trusted primary system-based data that enables them to accurately assess risk.

For SMEs

Reduces data burdens and builds the trust needed to access green capital.

For the Market

Introduces comparability and consistency that reduce reliance on bespoke, one-off assessments.



Loans Linked to Sustainability Performance

Cheeky Panda is a business currently in receipt of an HSBC UK Sustainability Improvement Loan, which links the cost of financing to a company's EcoVadis rating. This allows them to benefit from reduced rates as their ESG rating improves in line with agreed targets. Similarly, if their rating was to decline, then the interest rate may increase. This type of financing supports businesses in embedding sustainability into their operations while rewarding improved ESG performance³⁰.

Global Coherence: Interoperability Beyond Borders

The framework has also been developed with international compatibility in mind. It is designed to interoperate with evolving SME-specific standards around the world, including those being developed through EU initiatives such as VSME and the Omnibus Directive under the Corporate Sustainability Reporting Directive (CSRD). These efforts seek to address the growing challenge of fragmented and overly complex emissions data disclosure for SMEs, a challenge echoed globally.

While these reforms represent meaningful progress, they may not go far enough. The UK SME Voluntary Emissions Standard offers a more radical simplification, specifically tailored to the UK's diverse SME ecosystem and grounded in bottom-up design. It aims to serve as a practical and replicable model for other jurisdictions looking to reduce disclosure friction for small businesses.

B4NZ are aware of the fast-evolving global landscape in this space and have stayed closely engaged with emerging developments throughout the development process to ensure our work remains relevant, aligned, and impactful.

As part of the COP29 Presidency's Climate-Proofing SMEs Campaign, B4NZ are supporting efforts to build SME capacity, expand access to green finance, and strengthen regional support networks. A key area of focus is fostering catalytic collaborations where large companies assist SME suppliers and customers on their climate journeys. We plan to share early insights from trials of the SME Data Taskforce's UK SME Voluntary Emissions Standard at COP30, demonstrating how streamlined approaches can unlock finance and empower SMEs to contribute meaningfully to a low-carbon economy.

We also maintain a strategic knowledge partnership with the Organisation for Economic Cooperation and Development (OECD), contributing to its Platform on Financing SMEs for Sustainability. Through this collaboration, we are sharing insights from our UK-based work – including from the UK SME Voluntary Emissions Standard – to help shape international approaches and policy guidance.

Our international engagement is guided by a clear commitment to coherence and collaboration. We are not only keeping pace with global efforts – we are contributing to them, ensuring that our activities complement and reinforce the wider movement to support SMEs in the net zero transition.

Perseus Case Study

Project Perseus is creating the rules and framework needed to enable the secure, automated sharing of trusted high-quality emissions data from SMEs. By establishing common standards for the live sharing of primary and usage data, Perseus makes it easier for digital tools to generate reliable, comparable emissions information. This helps bridge the data gap between the real economy and the financial system – giving banks, investors and corporate partners the insights they need to unlock green finance, target decarbonisation efforts, and reduce the data disclosure burden on SMEs. The SME Data Taskforce is an aligned 'sister' programme to Project Perseus, providing the framework for decision grade, 'Perseus-enabled' data to be adopted at scale.

Measuring Data Quality: The Data Quality Scale

One of the biggest challenges in sustainability data today is that, even when small and medium-sized enterprises (SMEs) submit their data, there is no consistent or streamlined way for recipients, particularly large corporations and financial institutions, to assess its quality. To enhance data credibility and drive meaningful impact, it is essential to improve consistency, reduce complexity in reporting requirements, and create the market conditions that enable higher-quality submissions. Addressing key blockers, such as technical capacity gaps, lack of standardisation, and unclear guidance, is also critical. These steps not only support better data from SMEs but also help financial institutions strengthen their PCAF scores and allocate sustainable finance more effectively. The Prudential Regulation Authority has made it clear that improving the quality of climate-related data is a regulatory priority, highlighting the need for firms to have robust tools, frameworks and validation processes to close persistent data gaps and manage climate risks confidently³¹.



About PCAF: The Partnership for Carbon Accounting Financials (PCAF) is a global, industry-led initiative that supports financial institutions in measuring and disclosing the greenhouse gas (GHG) emissions associated with their loans and investments. By enabling transparency and accountability, PCAF helps align financial portfolios with the goals of the Paris Agreement.

Founded in 2015 by a group of Dutch financial institutions, PCAF has since grown into a global partnership, developing a harmonised, open-source GHG accounting standard tailored for the financial sector. This standard provides a crucial starting point for setting science-based targets and supporting the transition to a net zero economy³².

Our programme is designed to reduce friction for SMEs wherever possible - minimising administrative burden while improving the trustworthiness of the data they provide. To support this, we have introduced a Data Quality Scale that serves as a practical tool for those assessing SME submissions. This scale allows data users – such as banks, investors, and supply chain managers to classify and compare the reliability of sustainability data from SMEs in a way that is transparent, consistent, and easy to work with. The aim is twofold: ensure high-quality, comparable data for users, while keeping the process simple and low friction for SMEs.

A key principle of the proposed scale is that data quality is assessed at the individual metric level, not across the full submission. This ensures clarity and flexibility for both SMEs and data users. Rather than assigning a blanket quality rating to an entire disclosure, each data point – such as energy use, fuel type, or emissions factor – can be tagged with its own quality tier.

This approach reflects the reality that SMEs often have robust data in some areas and gaps in others. It also allows data users (such as lenders or buyers) to

evaluate disclosures with greater nuance – improving trust, comparability, and decision-making. This principle was strongly endorsed by the Taskforce during working group discussions.

At the heart of this approach is a recognition that primary, quantitative systems-based data simple – is of higher quality and value than estimates, models, or unvalidated submissions. High-quality data is more trustworthy, and it is this kind of data that enables the creation of effective financial products and helps reduce risk and the cost of capital.

While SMEs are not expected to engage deeply with each data quality level, they should be aware that higher quality data - particularly Level 1 (Live & Validated Contributed Data) and Level 2 (Unvalidated but Directly Contributed Primary Data) - should be associated with greater benefits, including enhanced access to financing and reduced perceived risk.

The guidance that the group has prepared, which may be subject to updates over the summer consultation, includes practical guidance on the data sources and SME can use to answer each of the questions included in the UK SME Standard.

The Four-Point Data Quality Scale

The proposed scale ranks data across four levels—from validated, contributed data to modelled estimates:

Level 1:

Live and validated contributed data (highest quality)

Level 2:

Primary data provided directly by SMEs but not yet independently validated

Level 3:

Modelled data calibrated on a limited set of company specific attributes such as sector or employees

Level 4:

Modelled data with limited inputs, lowest confidence

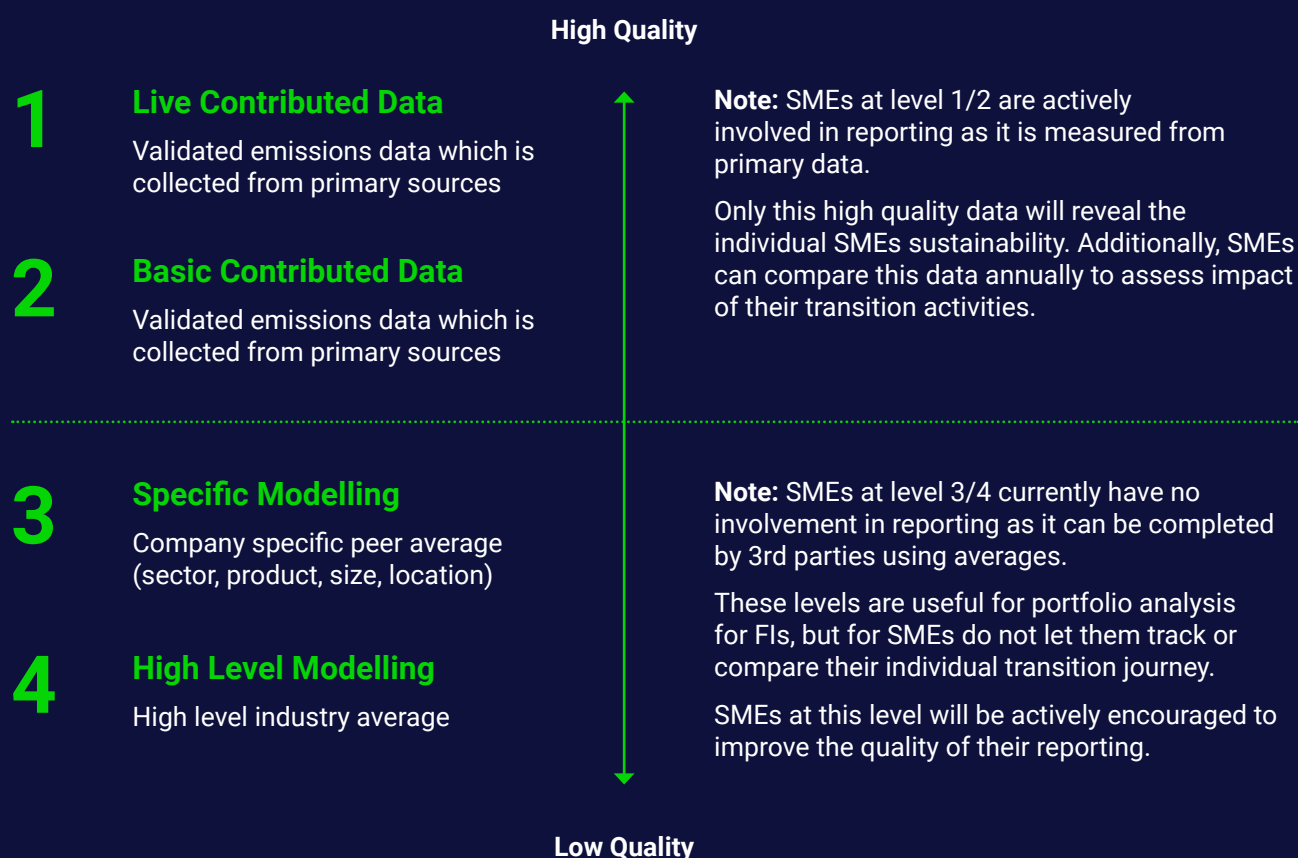


Figure 6 Data Quality Scale

SMEs submitting data in line with the UK SME Data Standard will fall into Level 1 or 2, depending on whether the data has been validated. Levels 3 and 4 cover data that can be modelled independently of SME involvement, ensuring that the absence of data doesn't prevent decision-making.

Importantly, data classification is performed by users of the data – not the SMEs themselves. This design reduces complexity for SMEs while still delivering meaningful insights to banks and corporates. The Data Quality scale should be applied at the attribute level, rather than as an aggregate score.



Hybrid Data Quality

However, in practice, certain attributes such as Scope 1 may consist of multiple data points with varying levels of quality. These are classified as Hybrid Quality - where some data points are of high quality, but others are incomplete or lower-grade. For instance, if an SME provides validated Scope 1 emissions data but omits emissions from company vehicles or process-related sources, the submission would be marked as incomplete or hybrid. These submissions are still of a higher grade than unvalidated data but are not as high quality as a submission including all emission sources.

The classification system allows users to prioritise higher-quality inputs where available and clearly flag areas where assumptions or modelling have been applied.

Key Principles of the Data Quality Scale

To ensure the scale is both practical and future-ready, it is built around five guiding principles:

- **Simplicity:** Easy for SMEs to understand, with clear guidance on how data quality is assessed and how it can be improved.
- **Encouragement:** Designed to actively motivate SMEs to improve their data quality over time.
- **Futureproofing:** Applicable across a wide range of sustainability metrics – not just emissions – and adaptable as data sharing practices evolve.
- **Alignment:** Where possible, harmonised with existing standards such as PCAF to ensure credibility and consistency.
- **Value Creation:** Structured so that achieving higher Data Quality levels can lead to tangible benefits for SMEs, such as improved financing terms or procurement opportunities.

Supporting SMEs Through Transparency

While SMEs won't be responsible for assessing their own data, they will be able to see how it is classified and will receive clear, actionable advice on how to improve. The overarching goal is to make the path to higher-quality data both visible and achievable. Over time, SMEs will be encouraged to submit supporting evidence – such as energy bills or receipts – to help validate their responses and build trust in the data.

The Data Quality Scale is designed to help data-requesting organisations consistently assess the quality of the data they receive – bridging the current data quality gap and enabling more trustworthy, comparable information to support SMEs on their sustainability journeys.

Section 5

FROM VISION TO ACTION: MAKING IT HAPPEN

To turn our shared ambition into real-world impact, we are calling for three key actions that will enable the next phase of progress:



Endorsement

Signal early support for the direction of travel by endorsing the taskforce's approach ahead of the consultation.



Consultation

Actively participate in the national consultation to help shape the final form of the UK SME Voluntary Emissions Standard.



Adoption

Net Zero Council, DESNZ and wider government to commit to engage with B4NZ and Broadway Initiative to agree messaging and plans to ensure wider market adoption and commitment to sign up to principles of responsible and low-friction data capture.

These actions will signal unified market and government leadership and lay the foundation for a consistent, market-wide approach to sustainability data that will simplify primary data disclosure for SMEs and facilitate the increased deployment of green finance.

The Net Zero Council considered the principles underpinning the SME Sustainability Data Taskforce's work in May and agreed there is a need for a simplified emissions reporting standard for SMEs that aligns with international approaches and is developed in conjunction with data users. By supporting the need for the Taskforce's work, the Council has helped set the tone for wider market adoption and show commitment to scalable, SME-friendly sustainability practices which will help SMEs to unlock commercial opportunities with larger businesses and finance organisations. The Taskforce will now leverage this support to encourage FTSE 250 businesses to engage with our summer consultation and participate in the adoption process, the outputs of which will be considered by the Net Zero Council.

ACTION 1: JUNE 2025 TO SEPTEMBER 2025: Market-Wide Consultation on the UK SME Standard

A major consultation will run from June to September 2025 to gather feedback on the draft UK SME Standard and test its relevance, practicality, and impact.

Delivery Partners:

The consultation will be run by B4NZ and the Broadway Initiative, who will use our ecosystems and membership networks to ensure a broad and representative response.

Consultation Objectives:

- Capture insights from a wide range of stakeholders.
- Test the standard with key “use case owners” to assess real-world applicability.
- Identify improvements before broader rollout.

Who We’re Engaging

- FTSE 250 and 350 corporates – to determine whether the standard supports effective supply chain monitoring and green lending assessment.
- Financial institutions and lenders – to assess if the standard provides the data needed for consistent ESG evaluation and product development.
- SMEs across sectors – to ensure the standard is clear, practical, and achievable across a wide variety of business types and sizes.
- Government departments – to seek cross-departmental consensus on the potential to adopt this standard in any future iteration of PPN006.

What We’re Assessing

- Does the data in the standard meet the needs of those using it to make investment, lending, or procurement decisions?
- Are the questions and guidance practical and understandable for SMEs?
- What specific barriers - technical, operational, or resourcing - could prevent widespread SME adoption?
- Are there clear benefits for SMEs completing the standard, such as easier access to contracts, green finance, or improved brand reputation?

Demonstrating Practical Solutions

As part of the consultation, we’ll showcase technical solutions that support data collection and sharing. The goal: demonstrate that SMEs can submit once, then safely share their data across the ecosystem with full transparency and control.

This collaborative, feedback-driven approach will help ensure the UK SME Standard is not only technically sound, but also practical, usable, and fit for the real-world pressures SMEs face.

ACTION 2 – OCTOBER 2025 TO JANUARY 2026: The Cabinet Office Works with B4NZ to Align PPN006 with the UK SME Standard

We are aiming to work with the Cabinet Office and to eventually update and align PPN006 (formerly PPN06/21) with the UK SME Voluntary Emissions Standard. As the FSB recently noted when recommending the Cabinet Office work with the Net Zero Council to promote a standardised carbon accounting framework, government procurement policy can be an effective tool to set realistic carbon reporting standards and promote these throughout supply chains.³³

Why Alignment Matters:

For SMEs:

- Reduces duplication of effort and confusion.
- Lowers the administrative burden of sharing sustainability data.
- Makes government procurement more accessible and achievable.

For Government:

- Improves the quality and consistency of supplier sustainability data.
- Broadens the pool of SMEs eligible for public contracts.
- Enhances value for money through increased competition and transparency.

For Finance Providers:

- Creates a reliable baseline of data to support green lending and SME-focused finance products.

Alignment would bring coherence to the ecosystem, encourage adoption, and drive efficiency across reporting, procurement, and financing systems.



Section 6

NEXT STEPS

The Road to Adoption

To build momentum and drive lasting change, we have developed a five-phase roadmap for establishing the UK SME Standard. This journey balances technical rigour with practical delivery, ensuring both ambition and usability.

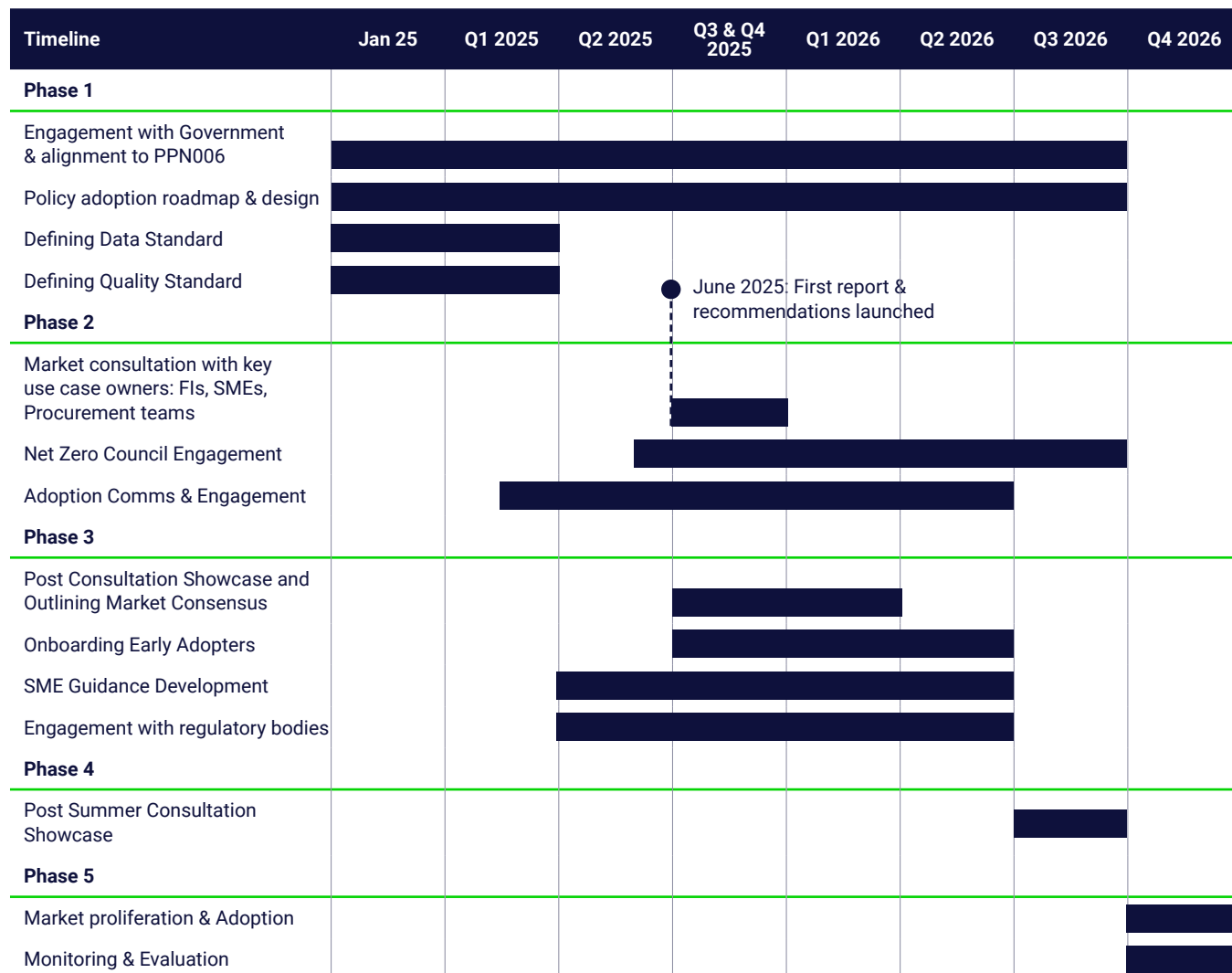


Figure 7 Adoption Roadmap

Phase 1: Defining Standards and Government Engagement

- Developed version 1 of the UK SME Standard and accompanying data quality benchmarks.
- Ensured alignment with key frameworks, including PPN006.
- Engaged government stakeholders to build political support for adoption.
- Focused initially on emissions data to provide a clear, accessible entry point for SMEs, including microbusinesses.

Phase 2: Consultation and Testing (Now Underway)

- Launching formal consultation and testing to refine the standard through real-world application.
- Engaging financial institutions, SMEs, and procurement professionals to ensure alignment with market needs.
- Developing clear communications and adoption strategies (including ongoing governance of the SME data standard).
- Continuing to work closely with government to maintain high-level support.

Phase 3: Early Adoption and Sector-Specific Guidance

- Highlighting early adopters and case studies to demonstrate the practical use of the standard.
- Partnering with trade bodies such as FSB, IoD, BCC, and SIPS to develop plain-English, sector-specific guidance for SMEs.

Phase 4: Showcase and Advocacy

- Delivering a final showcase to highlight effectiveness, gather stakeholder feedback, and demonstrate the practical value of the standard.
- Using findings from consultation and testing to strengthen public and private sector advocacy.

Phase 5: Market Proliferation and Continuous Improvement

- Driving broad market adoption and integration of the standard into existing frameworks.
- Establishing an ongoing feedback loop for monitoring, evaluation, and future refinement.
- Beginning discussions around long-term evolution of the framework to meet emerging sustainability needs.

What Comes Next

We are currently entering Phase 2 of the project, focused on testing the standard in real-world scenarios whilst the summer consultation takes place as part of our 'test-and-learn' approach. This is a pivotal moment - refining guidance on how trusted data should be collected, shared, and used, while ensuring the process is simple & workable for SMEs. We're working with Taskforce members and partners across several pilot pathways:

Bank-led Testing:

A banking partner will invite larger SME customers to complete the standard through their platform or via a third-party portal.

SME Member Networks:

SME-facing partners will encourage SMEs in their networks to trial the standard using shared platforms.

Data Aggregation:

Some members will analyse anonymised SME data already available, comparing it against the standard to identify gaps where requested data is not currently being recorded.

Once we move toward Phase 5 of the work, attention may turn to how the standard might evolve to continue meeting the needs of both the market and SMEs. While the core principles will remain unchanged, the primary purpose of the disclosure framework will be to enable low-friction sharing of trusted, system-based quantitative data with a clear pathway toward automation, there may be opportunities to expand the framework to cover a broader set of sustainability metrics, such as automated data from water billing data, for example.

Any future developments will need to be shaped by input from working groups, grounded in market needs, practical for SMEs, and supported by the broader policy environment. While the current focus is voluntary, market-led alignment, we are conscious that a more formal policy role may emerge over time – particularly to ensure consistency with a future UK taxonomy and the adoption of ISSB standards.

Conclusion

Small and medium-sized enterprises are the backbone of our economy and the engine of net zero innovation. Yet today, they face an uphill battle: rising climate expectations, fragmented reporting demands, and a system not built with their realities in mind.

The result is clear. We are losing valuable time, data, and momentum, not because of a lack of will, but because of poor infrastructure and misaligned incentives. SMEs want to contribute to climate goals, but they need a system that works for them: simple, consistent, and purposeful.

This report shows what's possible. Through the SME Sustainability Data Taskforce, we've brought together leaders from business, finance, civil society, and government to co-create a better way forward. The proposed UK SME Voluntary Emissions Standard offers a practical solution: a 'create once, share many' approach to data that reduces burden on SMEs while improving the quality and comparability of information across the value chain.

This isn't just a data fix. It's a foundation for progress, enabling smarter finance, accelerating decarbonisation, and making it easier for SMEs to participate in greener supply chains. It's how we turn climate ambition into action, across every tier of the economy.

To succeed, we now need alignment. Business leaders, policymakers, and financial institutions must come together to back a shared framework and support the systems that will make it work in practice. With the right signals, we can shift from compliance fatigue to collaboration and unlock the full potential of the UK's 5.5 million SMEs in the transition to net zero.

Now is the moment to act. Let's build something that works – from the bottom up.

APPENDIX A - STANDARD EXPLANATION:

Q1: Location Information

The standard asks SMEs to provide their location because it provides valuable context for understanding local emissions sources, regulatory requirements, and mitigation opportunities. By knowing the postcode of the SME's main operational site, stakeholders can better assess the regional environmental challenges it faces. Additionally, knowing whether the location is owned or rented offers further insight into the SME's ability to implement emissions reduction measures, such as energy efficiency upgrades or renewable energy installations. This information helps create a more precise emissions profile and aligns with regional sustainability efforts.

Q2: SIC Codes

The standard asks for SIC codes because they provide a standardised framework to classify businesses based on their economic activity, which helps stakeholders understand the nature of a business and its potential environmental impact. The SIC system enables sector-level analysis, allowing for the identification of emissions-related risks and opportunities.

However, we acknowledge that the current SIC codes may not fully capture the emergence of green or net-zero-enabling industries, which may incorrectly be categorised as high-emitting. To address this, we recommend reform of the SIC classification system to better represent industries actively contributing to net-zero and sustainability goals, such as wind turbine manufacturers. Additionally, the inclusion of an 'other' option allows businesses to provide more context via free text, helping ensure that all industries are accurately represented.

Q3: Employment Headcount

Including employee numbers in the standard helps provide a clear context for understanding the scale of a business's operations. As employee count often correlates with the

size and complexity of a business, this data helps assess emissions in proportion to workforce size. It supports more accurate benchmarking against similar businesses and ensures consistency in how emissions are reported across various sectors. Additionally, it enables comparability and accountability, making it easier for stakeholders to evaluate sustainability efforts relative to the business's capacity and resources. This information may also be used by data 'users' to calculate emissions intensity ratios.

Q4: Floorspace and Revenue (Emissions Intensity)

The emissions intensity ratio enables stakeholders to assess emissions in relation to business growth, ensuring that improvements in emissions efficiency are recognised, rather than focusing solely on total emissions, which may increase as the business expands. This ratio is calculated using the total floorspace in the UK (in square metres), the company's total revenue from the previous year (in GBP), and the employee headcount provided, as these figures reflect the scale and performance of the business.

Q5, Q6, & Q7: Energy Usage

The request for respondents to share their renewable, non-renewable, and gas usage is crucial for verifying the accuracy of reported Scope 1 and 2 emissions. This breakdown allows data users to assess the organisation's environmental impact, view its progress in transitioning to cleaner energy compared to similar businesses, and gain valuable sector-specific insights to benchmark performance and identify opportunities for improvement.

Electricity supplied from Nuclear Energy sources is counted with renewable energy, as both are zero-carbon sources and this standard is prioritising the measuring of emissions in the first instance.

Q8 & Q9: Scope 1 and Scope 2

Sustainability data would not be meaningful without including Scope 1 and 2, as they cover the most direct and immediate sources of an organisation's emissions. For this reason, we ask all SMEs to report on these as a core part of their disclosure.

Q10: Scope 3 (PPN006 Mandated)

To align with PPN006 (formerly PPN06/21), we are mandating responses to the five Scope 3 categories included in this standard. This ensures consistency with the UK government's major procurement requirements and will make it easier for both government and, eventually, the wider market to adopt this disclosure standard. As a compromise and recognising the SME-first bottom-up nature of our work, SMEs can still respond with a 'not currently recorded' option for these categories. SME respondents will not be penalised if they cannot provide a quantitative answer to this question.

Mandating responses to these Scope 3 categories will not necessarily mean that SMEs will be able to provide the required information. A significant number are likely to select the 'not currently recorded' option, as many do not yet have the necessary data available. The challenges SMEs face in recording and sharing this information were highlighted in a recent FSB survey, where X% of SMEs reported being unable to measure their emissions. Nevertheless, an SME selecting 'not currently recorded' remains valuable, as it gives data

users insight into the scale of the challenge facing SMEs and helps assess whether interventions to support Scope 3 disclosure are having the desired impact.

Q11: Scope 3 (remaining 10 categories)

The remaining ten Scope 3 categories will remain optional – it will be up to an SME whether they respond. This reflects the complexity involved in calculating Scope 3 emissions and acknowledges the challenges SMEs often face in terms of cost, data availability, and determining which categories are most relevant to their operations.

Q12: Net Zero Target

We've included a question on whether an SME is committed to reaching net zero by 2050, along with any associated targets. This provides useful context for data users and indicates whether the SME is actively thinking about net zero and potentially planning to implement measures to reach a target. It helps build a picture of current demand and ambition across the market.

Q13: Narrative

The narrative question is included to give additional context on the types of actions SMEs are taking, if any, towards reducing their emissions. While entirely optional, it offers a space for organisations to share practical steps, challenges, or successes, helping to build a fuller picture of where SMEs are on their journey.

APPENDIX B - DATA SOURCES FOR SMES:

Theme	SME Data Taskforce - Attributes	Input data sources, tools and support (if needed)
Context	SIC Code	Based off UK SIC 2007. You can find the full classification here Note: Please select the most appropriate SIC Code(s) for your business operation based on your understanding of the business. Your Companies House SIC Code(s) will not always accurately reflect the nature of your operations.
	Employee headcount	HR systems data Note: Please share total employee headcount, rather than Full-time Equivalent (FTE)
	Total floorspace	Business Rates Information will include your approximate floorspace in the UK. This information can be found either in your financial reports or on the government's tax service website . Note: This answer should be your operational location (if you do not have a physical premises, please put 0, do not share the floorspace of your registered company address).
Energy Use	Total company revenue	Financial reports will detail your revenue for the reporting period (the last year).
	Electricity Use (Renewable and Nuclear energy used (MWh))	Your supplier's annual fuel mix statement will detail the renewable/nuclear/non-renewable split. Apply this split to your total energy usage. Note: Respondents who consent to live data sharing (granting access to real-time information from their device or account) to answer this question will receive a higher data quality score.
	Electricity Use: (Non-renewable and Non-nuclear energy used (MWh))	Your supplier's annual fuel mix statement will detail the renewable/nuclear/non-renewable split. Apply this split to your total energy usage. Note: Respondents who consent to live data sharing (granting access to real-time information from their device or account) to answer this question will receive a higher data quality score.
Energy Use	Natural Gas Use (M3)	Your monthly energy bills will detail gas usage.
CO2 Emissions	Scope 1 Emissions	Fuel purchase receipts, meter readings + calculation method/carbon calculator
		Emissions factors: Emission Factor Database (e.g IPCC, UK Gov) - For calculation Free calculators can be found on the UK Business Climate Hub and SME Climate Hub . You will need to keep records of the amount of fuel (e.g., petrol, diesel, natural gas) used by each source over the reporting period.

CO2 Emissions	Scope 2 Emissions	Utility bills, energy certificates+ calculation method/carbon calculator
		Emissions factors: Emission Factor Database (e.g IPCC, UK Gov) - For calculation
CO2 Emissions	Scope 3 Emissions (5 Mandated by PPN006)	Free calculators can be found on the UK Business Climate Hub and SME Climate Hub . To do this manually, multiply the energy usage from each contract by the specific emissions factor for that source. An emissions factor can either be found on your contract if you have a low-carbon supplier (market-based) or from the published conversion factors for energy usage (location-based).
		The Greenhouse Gas Protocol establishes standardised frameworks that provide guidance on measuring and managing GHG emissions. Per the Greenhouse Gas Protocol, Scope 3 emissions are divided into 15 distinct categories across upstream and downstream value chain activities. To align with PPN006 (UK Government Procurement Standard), this standard mandates responses to these 5 Scope 3 categories.
CO2 Emissions	Scope 3 Emissions (10 Remaining)	You may select not currently recorded if these emissions are not currently recorded. If you select this option, you will not be penalised. In addition, these 5 Scope 3 emission categories are not necessarily the most important or the largest emission source for your business. Guidance can be found here on how to determine which categories are relevant for your business.
		Free calculators can be found on the UK Business Climate Hub and SME Climate Hub . Emission Factors for manually calculating the CO2 emissions produced by different types of activity can be found here .
CO2 Emissions	Net Zero Target & Emissions Reductions Targets	The Greenhouse Gas Protocol establishes standardised frameworks that provide guidance on measuring and managing GHG emissions. Per the Greenhouse Gas Protocol, Scope 3 emissions are divided into 15 distinct categories across upstream and downstream value chain activities. Guidance can be found here on how to determine which categories are relevant for your business.
		Free calculators can be found on the UK Business Climate Hub and SME Climate Hub . Emission Factors for manually calculating the CO2 emissions produced by different types of activity can be found here .
	Business Activity to Reduce Emissions	NA
	Leadership Sign Off	NA

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