



B4NZ SME SUSTAINABILITY DATA TASKFORCE – WORKING GROUP SESSION 3 – NOVEMBER 22

Meeting Purpose

To discuss updates to the SME sustainability data standard, introduce data quality considerations, and gather feedback from the working group on both topics.

Key Takeaways

- Broad agreement was reached on including a net zero target question as optional, not mandatory, recognising the varying levels of maturity amongst SMEs
- A delicate balance must be struck between comprehensive data collection and simplicity/accessibility for SMEs, particularly as many using this standard will be new to sustainability reporting
- A data quality framework was proposed with 4 levels, aligned to PCAF but simplified for SMEs, aiming to provide clarity on data sources and reliability
- It is critical to test the data standard and quality framework with banks and lenders to ensure it enables the creation of sustainability-linked products, which is a key driver for SME engagement

Updates and Reflections on COP29

- The needs and burdens of SMEs were prominently discussed at COP29, with greater focus than in previous years
- There were widespread calls for simplified, streamlined sustainability reporting standards tailored for SMEs
- The business sector's crucial role in enabling the net zero transition was heavily emphasised
- The COP level champions group launched a 'climate proofing for SMEs' campaign, which this working group is connected to

Data Standard Updates

Subject to further discussion and agreement amongst Working Group

- Discussed whether net zero target should be mandatory or optional.
 - Consensus that it should be optional, as many SMEs may not have set a net zero target yet
 - Importance of interim 2030 targets emphasized
- Agreed scope 3 emissions should be included, but potentially with a phased approach as tools and understanding improve
 - Mandatory for larger SMEs, optional for smaller ones
 - Focus on easier to calculate scope 3 categories like purchased goods/services
- Discussed need for assurance/verification
 - Consensus was to avoid adding significant cost/burden
 - Potential to link assurance to leadership attestation, similar to anti-bribery requirements
- Consideration is being given to including some non-emissions data points (e.g. diversity statistics) in future iterations of the standard



- The group is exploring how to capture qualitative data on actions and initiatives in a structured, machine-readable format
- Discussions are ongoing about the need for sector-specific considerations, particularly for agriculture, which reports emissions by gas rather than scope

Other Discussion Points:

- Emphasis on near-term actions and emissions reductions, not just long-term net zero targets
- Importance of contextual data points:
 - Location (e.g. local authority, postcode of main operations)
 - Operating model (office-based, hybrid, multiple locations)
 - Sector/activities (using SIC codes)
- Recognition that data quality and assurance needs may differ by sector (e.g. agriculture)
- Linking data quality to unlocking value/financial incentives for SMEs, not just pure accuracy

Data Quality Framework

- A proposed 4-level framework was introduced, aligned to but simplified from the PCAF 5-level scale
- The levels are based on data sources: 4 (industry average), 3 (specific modelling), 2 (unverified company data), 1 (verified company data)
- This framework is intended to apply across all metrics, not just emissions, to maintain consistency and simplicity for SMEs
- There is a need to determine precise thresholds between levels that unlock value (e.g. lending criteria), which will require input from financial institutions

SME Considerations

- The standard must be accessible to SMEs with no prior sustainability reporting experience, as this may be their first encounter with such requirements
- There is a focus on collecting raw data (e.g. energy bills) rather than requiring complex calculations, to reduce barriers to entry
- The group aims to balance comprehensive data collection with minimising obstacles, recognising that perfection should not be the enemy of progress

Use Cases and Testing

- It is critical to test the standard and quality framework with banks and lenders to ensure real-world applicability
- A key goal is to enable the creation of sustainability-linked financial products, which will drive SME engagement
- There may be a need to allow lower quality data (levels 3-2) to unlock some incentives initially, with a pathway to improving data quality over time

Next Steps

- Iterate the data capture standard based on feedback received during the meeting
- Share the updated standard and a feedback questionnaire with the working group
- Apply the data quality framework to existing standard attributes to test its practicality



- Explore education and outreach needs to support adoption of the standard in the market
- Conduct testing of the standard and quality framework with banking partners to ensure it meets their requirements
- The next meeting is scheduled for 12th December to continue discussions and review progress

Action Items for Secretariat

- **Summarise meeting discussion points, create questionnaire on data standard updates, send to working group**
- **Update standard based on meeting feedback, reshare with working group**
- **Develop detailed examples of data quality scoring for each attribute and subcategory in the standard**
- **Reach out to banking partners to test data quality framework against current practices, modelled vs. contributed data use**
- **Conduct systematic review of data ethics frameworks, potential risks/consequences of data quality scoring system**