



21 July 2023

Climate Disclosure Unit

Market Conduct and Digital Division

Treasury

Langton Cres Parkes ACT 2600

via email: climatereportingconsultation@treasury.gov.au

Dear Sir/Madam

Climate-related financial disclosure consultation

Approximately 98 per cent (2.5 million) of Australian businesses are small businesses, which generate \$500 billion of economic activity accounting for one-third of our nation's gross domestic product. We acknowledge and support the exemption of small businesses from mandatory climate-related disclosure requirements as appropriate for a sector with limited resources and more limited opportunities to abate greenhouse gas emissions than large businesses. Nonetheless, it is essential the Australian Government fully consider the potential indirect effects of these disclosures on small businesses that participate the supply chains of reporting entities.

Large businesses mandated to disclose climate-related risks can be expected to require information from their supply chain partners, including small businesses. This requirement for small businesses to provide data and information related to climate risks, emissions, and sustainability practices are likely to have disproportionate impact on their available resources.

The ASBFEO is already aware that some large businesses are already expecting and asking smaller suppliers to provide information on their climate and sustainability practices. The impact of this requirement is compounded by a lack of agreed standard in how a small business can efficiently and effectively declare its climate-related risks. Consequently, small businesses are being required to provide the same or similar information in multiple and varied formats to different buyers. As such, we provide the following recommendations:

1. The information larger reporting entities can request from small businesses should be reasonable and material.

We are concerned that the proposed system encourages larger businesses to 'fish' for data from their suppliers, beyond what is reasonably necessary. Where a small business supplier forms part of the supply chain of multiple reporting entities, this approach will produce an unfeasible and cumulative regulatory burden.

The ASBFEO recommends that Treasury limit the scope for onerous, indirect reporting by designing and implementing a template for small business being asked to make disclosures. Restricting requests outside the scope of this template will minimise the cumulative burden of a small business participating in multiple supply chains. This template should pre-fill information from trusted government data sources, similar to the lodgement of a tax return. One example would be linking data from the Bureau of Meteorology's Climate Data Services to the registered address of a business to indicate the level of potential climate risk.



2. The Australian Government should endorse and support the ASBFEO in hosting a symposium to empower small businesses to meet their growing Environmental, Social and Governance (ESG) obligations and disclosure requirements.

Small businesses lack the resources, time and expertise to meet complex reporting requirements. It is essential that government consider avenues to provide support and guidance in assisting the sector to navigate these growing expectations effectively. To facilitate this, the ASBFEO plans to host an 'ESG for SMEs' symposium in early 2024. This symposium will serve as a platform to inform and help prepare small businesses for climate-related reporting, sustainability practices and risk management. The symposium will feature expert presentations, panel discussions, and interactive workshops to equip small businesses with the knowledge and tools necessary to understand, assess, and report on climate-related risks and opportunities in a fit-for-purpose manner.

Moreover, the symposium will foster collaboration between industry experts, regulators and small business owners, enabling the exchange of best practice examples, success stories, and practical strategies for effective ESG risk management. The knowledge shared during this event will help small businesses align their practices with sustainability goals, improve their resilience to climate risks, and unlock new opportunities in a transitioning economy. Further the provision of support and clear, actionable information by government agencies and regulators to small businesses will facilitate a smooth transition to the new reporting landscape and enhance the effectiveness of the climate-related financial disclosure regime.

3. The Australian Government should ensure that reporting entities under the climate-related financial disclosures regime are encouraged to consult and include small businesses and local communities in their emissions abatement efforts.

The current proposal (and related policies) might have the unintended consequence of motivating large corporates with greater purchasing power to absorb current resources and opportunities that might be necessary for future abatement by all businesses. For example, stakeholders have already identified multinationals purchasing land in anticipation of approvals for new renewable energy projects. The ASBFEO suggests that in refining the climate-related disclosure framework and complementary policies, the Australian Government should consider and consult widely on how best to ensure existing small and family businesses have appropriate access to future emissions-abatement opportunities, including through joint or complementary action with large businesses, government agencies (both federal and state) or local councils and communities.

The ASBFEO is eager to work cooperatively with the Australian Government to support the successful implementation of climate-related financial disclosure requirements while mitigating any adverse effects on small and family businesses. If you would like to discuss this matter further, please contact Mr Lachlan Bayliss on 02 5114 6131 or at lachlan.bayliss@asbfeo.gov.au.

Yours sincerely

The Hon Bruce Billson

Australian Small Business and Family Enterprise Ombudsman