



Australian Government



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**Small Business and
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Ombudsman

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Claire LaBouchardiere, Senior Executive Leader

Companies & Small Businesses

Australian Securities and Investments Commission

GPO Box 9827

Melbourne VIC 3001

via email: sustainable.finance@asic.gov.au

Dear Ms LaBouchardiere,

CP 380 Sustainability reporting guidance material

We welcome the opportunity to comment on Australian Securities and Investment Commission's (ASIC) Consultation Paper 380 – Sustainability Reporting guidance material. We are concerned that while most small businesses are not required to make climate-related financial disclosures to the regulator, they may be required to contribute to their customers' reporting obligations.

We are already hearing of instances in New Zealand, where some reporting entities are requesting greenhouse gas (GHG) emissions data from small businesses in their supply chain. Small businesses in New Zealand and Australia are facing the same challenge of providing GHG emissions data to reporting entities which is not readily available. Further, because of the power imbalance between a large entity and a small entity, small businesses are often unable to decline or negotiate the request for fear of retribution such as loss of contract.

Recommendation: ASIC's guidance should include information to reporting entities regarding the collection of emissions data from smaller entities.

To support a fair and reasonable approach to collecting GHG emissions data from the value chain, we encourage ASIC to include in its sustainability reporting guidance information for reporting entities about the collection of GHG emission data from a value chain. As the sustainability reporting obligations come into effect, particularly the Scope 3 reporting requirements, some large entities will need to request data from their supply chain, which may include small businesses. Several submissions to Treasury's consultations on climate-related financial disclosures noted that this data is not readily available, and standardised reporting frameworks for Scope 3 GHG emissions are absent.

For these reasons, we encourage ASIC to consider providing guidance to reporting entities regarding the Australian Accounting Standards Board *Australian Sustainability Reporting Standards AASB S2* (AASB S2) requirement that 'reporting entities shall use all reasonable and supportable information that is available to the entity at the report date *without undue cost of effort*' [emphasis added].¹

Drawing on the experience and lessons learned in international jurisdictions who have already implemented sustainability reporting, such as New Zealand, may help to inform ASIC's

¹ Australian Accounting Standards Board (AASB), *Australian Sustainability Reporting Standard AASB S2 – Climate Related Disclosures*, AASB, Australian Government, September 2024, p 8



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sustainability reporting guidance regarding the collection of GHG emissions data from a reporting entity's value chain.

New Zealand's External Reporting Board noted in their 2024 *Proposed 2024 Amendment to Climate and Assurance Standards* consultation that many reporting entities were facing challenges with obtaining sufficient and reliable GHG emissions data from the value chain. It is expected that over time, markets and technology will adjust, and the availability of data will improve. But as BP Australia noted in its July 2023 submission to Treasury's consultation on Climate-related financial disclosures, this may take longer than expected.

In the interim, it is important to ensure that the information collected from the value chain is material to the sustainability reporting obligations of the entity. The guidance should therefore include an emphasis on materiality if a reporting entity finds it necessary to request GHG emissions data from its value chain.

Recognising the tension between reporting entities obligations to report scope 3 GHG emissions by 2027, and the exemption of small businesses from direct reporting, ASIC's guidance should reference the AASB S2 requirement that requires an entity to use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort.² Further, the guidance should reflect that the AASB S2 supports two alternative methods of quantifying Scope 3 GHG emissions: direct measurement and estimation (including utilising available proxy data and methods).

By including this information in sustainability reporting guidance for large reporting entities, it will encourage a considered approach to requests for GHG emissions data from small businesses. This in turn will support small businesses, by reducing burdensome requests for information that are not needed to meet the objectives of sustainability reporting requirements.

If you require any further information, please do not hesitate to contact the ASBFEO Advocacy team via email at advocacy@asbfeo.gov.au.

Yours sincerely

The Hon Bruce Billson

Australian Small Business and Family Enterprise Ombudsman

² Australian Accounting Standards Board (AASB), Australian Sustainability Reporting Standard AASB S2 – Climate Related Disclosures, AASB, Australian Government, September 2024, p 23