

9 October 2026

Mr Stephen Green
A/g Director
Sustainable Finance Unit
The Treasury
Langton Crescent
Parkes ACT 2600

via email: climatereportingconsultation@treasury.gov.au

Dear Mr Green,

Improving the efficiency of climate-related financial disclosures

The Australian Small Business and Family Enterprise Ombudsman (ASBFEO) welcomes the opportunity to make a submission to Treasury's consultation about improving the efficiency of climate-related financial disclosures (CRFD).

The ASBFEO supports reforms that will improve the efficiency of CRFD. For small business suppliers that are part of a reporting entity's value-chain, reforms should include establishing clear boundaries on reasonable value-chain information requests, and access to practical guidance and tools that enable efficient data collection and streamlined reporting.

Our submission focuses on Proposal 2, which seeks greater consistency in applying materiality, proportionality and "reasonable and supportable information available without undue cost or effort", and Proposal 3, which considers how these principles should shape information requests from suppliers and other value-chain participants. It considers how principles such as materiality, proportionality, and the use of 'reasonable and supportable information available without undue cost or effort' should be applied to value-chain information requests.

The ASBFEO's position

Support Proposal 2, with guidance clearly explaining how proportionality applies before a reporting entity requests information from a supplier in its value chain.

Support Proposal 3, which should set practical boundaries on reasonable value-chain requests and improve access to reputable Australian secondary data.

- Options 3a and 3b should be implemented together so clearer expectations are supported by credible alternatives to supplier-specific data.
- Where primary supplier information is necessary, requests should be targeted, explained, proportionate and reusable.

Impact of climate-related financial disclosures on small suppliers

With the commencement of Scope 3 emissions reporting under the mandatory climate-related financial disclosures regime, the ASBFEO has heard of small businesses anticipating, or in some cases have already received, requests from reporting entities in their value chain to provide emissions and other sustainability-related information.



Such requests appear reasonable and supportable where it is for information that is material to a reporting entity's climate-related risks and cannot be obtained from another source, and where the supplier is given clear, practical guidance and tools to meet the request in an efficient manner. Concerns arise where the request is unclear or seeks information that is beyond the scope of the obligation, is duplicative, more granular than necessary, or is outside the supplier's reasonable knowledge and not collected through their ordinary business operations and systems.

Reporting requests that large entities pass down their value chain impose compliance requirements on their smaller suppliers, which adds to their cumulative compliance burden increasing business costs and diverting scarce administrative resources from more productive uses. The compliance burden is exacerbated where a small supplier receives multiple requests for similar information, often in different formats, or is required to provide an assurance of compliance.

What the ASBFEO has heard

While it is too early to assess the prevalence and impact of Scope 3 information requests, the experience of modern slavery reporting suggests that unreasonable requests will be passed down value chains unless materiality and proportionality mechanisms are clearly defined and consistently applied.

A Group 3 mid-tier agribusiness we met with earlier this year described to us the significant resources it is investing in its reporting system to meet its climate-related financial disclosure obligations (see **Appendix**). It illustrates how the business will work closely with suppliers in its value chain to reduce their compliance burden — demonstrating good practice in compliance engagement — but in doing so highlights costs that would otherwise be passed down.

The agribusiness anticipates that gathering emissions-related data across its diverse supply chain will be a difficult and costly undertaking, particularly where suppliers have limited capability, resources or access to relevant data. While acknowledging the importance of disclosure in helping investors understand climate-related risks and improving the accountability of large organisations in how they manage and reduce emissions, it questioned whether it is appropriate to seek information from small suppliers beyond what is reasonably available.

Notably, the agribusiness was not aware that sustainability accounting standard AASB S2 states that reporting entities should not incur undue cost or effort in obtaining value chain information and permits the use of reasonable estimates, proxies and industry averages instead of direct measurement. This suggests that options aimed at mitigating compliance costs may not be well understood by some reporting entities, increasing the likelihood that businesses request more detailed information from suppliers than is required by the framework.

Several other small businesses expressed to us their concern that Scope 3 emissions reporting will see larger entities request that suppliers in their value chain provide emissions-related information that they do not currently collect and may lack the systems, expertise or resources to generate. There were also concerns that these requests could involve commercially sensitive information about their inputs, processes or products, and that sharing this information could be used by the larger business to improve aspects of their own products or operations that could then directly compete with businesses in their value chain.



Proposal 2: Improving consistency in the application of existing requirements

The ASBFEO considers that improving the clarity and consistency of existing requirements will improve the efficiency of the disclosure framework. Guidance developed by responsible agencies should clearly explain how reporting entities apply materiality, proportionality and the ‘undue cost or effort’ principle before requesting information from suppliers in their value-chain, and encourage reporting entities to consider whether:

- the information is material to the disclosure and the entity’s climate-related risks or opportunities
- the information is already held by the reporting entity or available through existing business records
- recognised estimates, proxies, industry averages or reputable emissions factors are sufficient
- the supplier ordinarily collects the requested information and can provide it without new systems or specialist advice
- the detail and frequency are proportionate to the supplier’s role, scale and risk
- the information can be provided once and reused across reporting periods or customers.

Guidance should include practical and sector-specific examples of reasonable and unreasonable requests, explain when supplier-specific information materially improves a disclosure, and clarify when secondary data are sufficient. It should also explain the purpose of a request, so suppliers understand how their information contributes to the disclosure.

Treasury should refer the consultation findings to ASIC, the Australian Accounting Standards Board (AASB) and the Australian Auditing and Assurance Standards Board (AAASB) to support coordinated guidance for reporting entities and assurance providers. Guidance should recognise the permitted use and limitations of estimates and reduce the risk that conservative assurance expectations drive unnecessary or overly granular supplier requests.

Proposal 3: set clearer boundaries on value-chain information requests

There needs to be clearer boundaries regarding value-chain information requests and the ASBFEO supports implementing Options 3a and 3b together. Practical guidance on reasonable supplier requests will be more effective if reporting entities also have access to reliable Australian emissions factors and other credible secondary data.

Clear boundaries should distinguish legitimate requests for material and entity-specific information, from requests that simply transfer reporting administration onto small suppliers. Supplier-specific information should be sought only where it is genuinely necessary, materially improves the disclosure and can be provided without disproportionate cost or effort. Where information is required, reporting entities should engage with their suppliers and explain why the information is needed, limit the request to what is necessary and allow substantially the same information to be reused across customers and reporting periods.

Improve access to credible secondary data

Several Australian emissions factors and sector-specific tools are currently available, but they are not brought together in a single, easily accessible resource that covers the range of activities and Scope 3 categories relevant to reporting entities. This can contribute to inconsistent approaches and unnecessary reliance on primary supplier data.

The ASBFEO recommends the government coordinate access to existing tools and resources. A central access point should include guidance on identifying reputable emissions factors and explaining their appropriate uses and limitations, and link to sector-specific calculation tools. This would assist reporting entities to use secondary data with greater confidence and reduce avoidable requests to small suppliers.

Provide practical and reusable tools

Where supplier-specific information is deemed necessary, practical tools should reduce duplication and make requests easier to understand. Tools should accept data commonly held through ordinary business operations, distinguish primary information from estimates, document the methodology used and produce outputs that can be reused.

The ASBFEO recommends supporting a government-endorsed calculator, or suite of sector-specific calculators, subject to appropriate governance, documentation and quality controls. Existing tools, including CSIRO's FarmPrint and sector calculators developed by Meat & Livestock Australia and Dairy Australia, provide a foundation that could be coordinated and expanded. The tools should use information small businesses commonly hold and generate transparent, reusable outputs.

Common minimum-data specifications or proportionate templates may also assist where primary information is required. However, they should not become default questionnaires issued to all suppliers. Guidance should make clear that a standard form does not remove the need to first assess materiality, proportionality and whether credible secondary data are sufficient.

The ASBFEO supports Proposals 2 and 3 being implemented together. This would provide a clearer and more consistent basis for applying materiality, proportionality and the undue-cost-or-effort principle to value-chain information requests. Guidance should encourage reporting entities to use reliable secondary data where appropriate and seek supplier-specific information only where it is material and genuinely necessary.

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

Yours sincerely



Lynda McAlary-Smith

Australian Small Business and Family Enterprise Ombudsman



Appendix – Case Study: Scope 3 climate-related financial disclosure obligations

A mid-tier agribusiness that is a Group 3 reporting entity indicated it expects to devote substantial administrative resources to preparing for its climate-related financial disclosure obligations, including establishing systems to collect emissions data across its operations and supply chain. The agribusiness also expects that the large grocery retailers it supplies may seek emissions-related information to support their own reporting obligations, which may require it to obtain information from businesses within its supply chain, many of whom are small businesses.

The agribusiness will stand up a new compliance team, likely led by an external consultant, to help meet its obligations. In the first year of compliance, it estimates spending 300-400 hours of staff resources to: understand how compliance will be achieved, complete a stocktake of emissions information already available, and implement systems and processes to measure and continuously capture emissions data.

The agribusiness anticipates it will need to request a substantial amount of information from farmers, transport operators and manufacturers to calculate emissions in its supply chain, and that every area of its business will be involved in facilitating compliance, including farm managers and the manufacturing, engineering and assurance teams. To obtain the required assurance, it may need to develop its own tools to calculate and assess the emissions data it receives as auditors may not consider uncertified third-party calculators to be reliable and will likely insist on auditing the tools it uses.

Estimated direct compliance costs for the first year are in excess of \$75,000, with costs likely to be higher once legal advice, consultant work and auditor's assurance are included.

The agribusiness supported implementing additional criteria to limit the businesses that are required to report or respond to information requests to higher risk businesses. They also argued for exclusions specifically for small businesses and non-public entities.