

Climate-related financial disclosures in Australia

What it means for small to medium enterprise

Do you supply goods or services to a large business or are you interested in sustainability?

If you supply to a large business or government, you may be asked to provide information relating to your greenhouse gas (GHG) emissions.

There may be competitive advantages for small businesses that provide climate-related financial disclosures, or climate-related information, as part of potential tenders or to communicate to customers your sustainability strategy.

What are climate-related financial disclosures in Australia

Mandatory climate-related financial disclosures commenced on 1 January 2025 for large businesses and financial institutions in Australia.

From 1 July 2027, businesses that meet two of the three following criteria:

- for the financial year ending on 30 June 2028 the company has earned revenue of \$50 million or more
- as of 30 June 2028, the company has gross assets of \$25 million or more
- as of 30 June 2028, the company has 100 employees or more

will be required to report their climate-related financial disclosures.

These disclosures include information relating to GHG emissions that a large business produces (known as scope 1 and 2) and from those businesses that are part of their value chain (known as scope 3 and not required until the second year of reporting). Reporting entities may have small businesses who are their customers or suppliers, and so form part of their value chain.

What are GHG emissions and where do they come from

GHG emissions can come from:

- Vehicles
- Chemical processing
- Agriculture
- Electricity consumption

Scope 1 GHG emissions are direct emissions from the entity's operations into the atmosphere.

Scope 2 GHG emissions are emissions from the generation of electricity (does not include renewable sources) used by the entity.

Scope 3 GHG emissions are indirect emissions that occur in a company's value chain, including both upstream and downstream activities.

Example 1:

Small Logistics firm providing services to a large retailer

National Retailer Pty Ltd has requested their supplier GreenFleet Logistics, provide detailed GHG emissions data as part of their annual sustainability reporting.

GreenFleet Logistics Scope 1 Direct Emissions:

Fuel Consumption: Diesel used in owned delivery trucks and forklifts.

Refrigerant Leaks: Emissions from refrigeration units in warehouse operations

GreenFleet Logistics Scope 2: Indirect Emissions from Purchased Energy

Electricity Use: Energy consumed in warehouse facilities and office space



Example 2:

Small agriculture producer selling to a large grocery retailer

FreshFoods Supermarket Chain has requested that GreenSprout Farms provide GHG emissions data.

Scope 1: Direct Emissions

Fuel Consumption: Diesel used in tractors and irrigation pumps.

On-farm Energy Use: Emissions from on-farm energy generation (e.g., diesel generators)

Agricultural activity: livestock, manure management, land use and fertiliser application

Scope 2: Indirect emissions from Purchased energy

Electricity Use: Emissions from electricity consumed in packing sheds and office facilities.

What to do

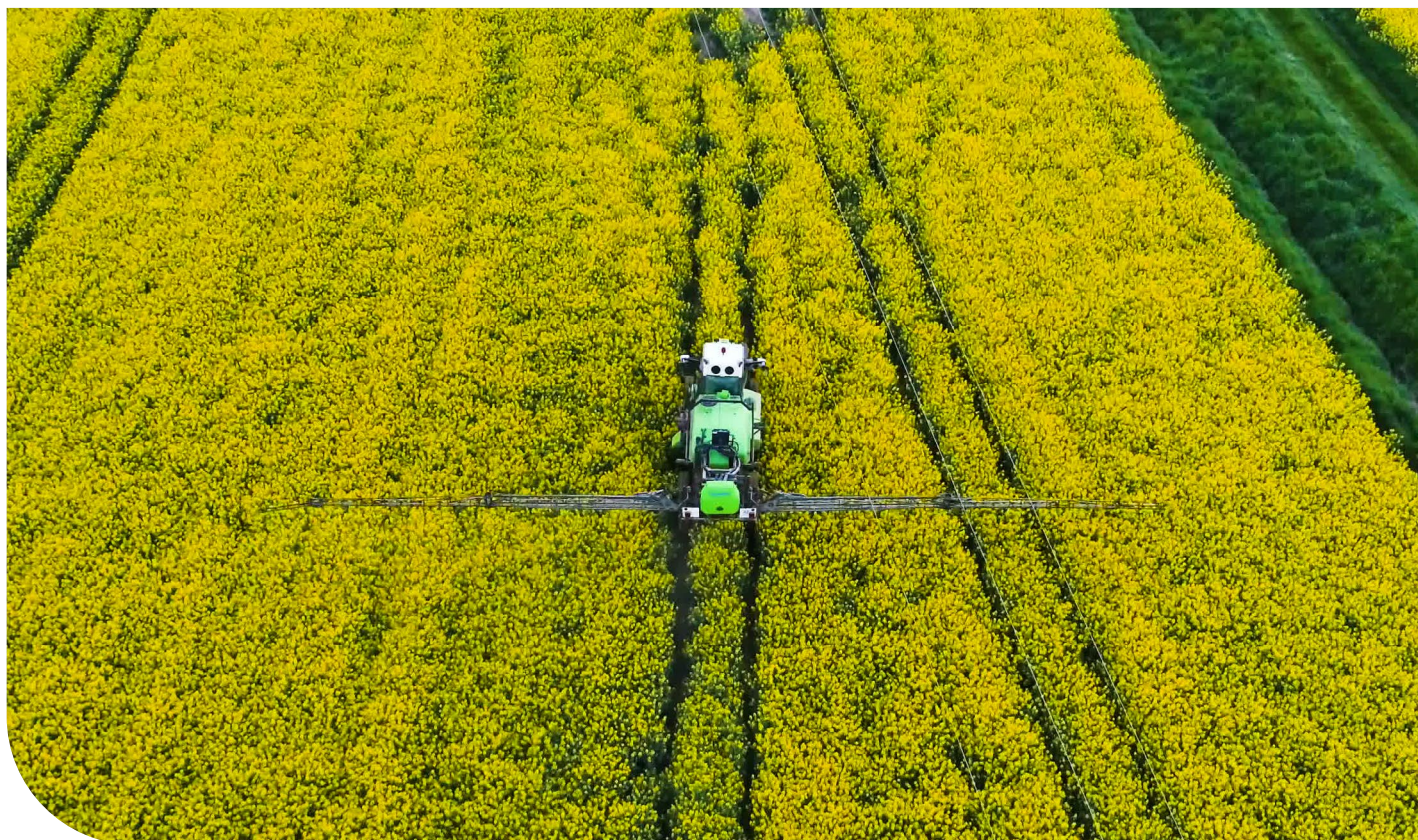
There is currently no obligation for small businesses to provide information relating to GHG emissions to reporting entities. It is expected that reporting entities, in their second year of reporting, will use estimates and industry averages to report their scope 3 GHG emissions, especially at the beginning of the reporting regime, rather than sourcing the information directly from entities in their value chain.

However, if your business has high scope 1 GHG emissions and/or operates in high emitting sectors (for example, transportation and logistics or agriculture), it is anticipated that over time reporting entities may start to request this information directly from entities in their value chain.

SMEs can start taking steps to understand the value chain in which they operate in and the GHG emissions they produce in their business. There are organisations that provide free resources for business to calculate their GHG emissions. Some GHG emissions calculators available also integrate directly with accounting software packages.

Where to get more information and help:

- CA ANZ SME guides
 - [Sustainability Playbook for SMEs](#)
 - [Insights series: How SMEs can create a more sustainable world](#)
 - [Carbon accounting software guide | Acuity](#)
- [Sustainability reporting for small business | ASIC](#)
- [SME Climate Hub](#)
- [Better business planning for a changing climate](#)
- [Climate reporting and greenwashing: What small businesses need to know](#)
- [Carbon positive Australia](#)
- [Carbon Footprint Guide - Chartered Accountants Worldwide](#)
- business.gov.au



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Australian Small Business and Family Enterprise Ombudsman (ASBFEO)

The Australian Small Business and Family Enterprise Ombudsman (ASBFEO) was established 11 March 2016 to contribute to Australia being the best place to start, grow and transform a business. We do this by assisting and advocating for small businesses and family enterprises.

ASBFEO understands the challenges facing small and family businesses and provides advice and research to improve policies, access to dispute resolution information and services and mental health support should the need arise.

We celebrate the vital and deeply personal contribution made by the more than 2.5 million small and family businesses to Australia's prosperity, wellbeing, and community.

We recognise that how we pursue our mission is equally as important as our mission. Our guiding principles are the overarching values and behaviours that our people bring to their work. They are the foundation of how we deliver the ASBFEO services.

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