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Fostering convergence in SME sustainability reporting: A background study

This document contains the final report on "Fostering convergence in SME sustainability reporting: A background study" as part of the 2023-24 PWB of the Committee on SMEs and Entrepreneurship (CSMEE). The study provides an overview of selected existing and emerging reporting standards and frameworks for SME sustainability reporting, as well as available sustainability-related measurement tools that may help SMEs comply with these reporting demands. Its objective is to identify an initial set of core sustainability reporting indicators and metrics that could meet the operational and reporting needs of financial institutions, while taking account of SMEs' limited resources and capacities. This initial set of indicators and metrics serves as the basis for stakeholder and expert consultations and dialogue under the OECD Platform on Financing SMEs for Sustainability, with a view to further refining and eventual alignment and consensus building among a broad base of relevant stakeholders.

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Executive Summary

Small and medium-sized enterprises (SMEs) play a pivotal role in driving sustainable economic growth. Representing over 90% of businesses globally, SMEs collectively have a significant impact on resource use, emissions, and supply chains. According to recent OECD estimates, SMEs account for about 40% of business sector GHG emissions in EU countries, and about 50% globally according to the International Trade Centre (ITC) (OECD, 2023[1]; ITC, 2021[2]). Furthermore, their agility and innovative potential make them essential players in advancing green transitions. Effective sustainability reporting enables SMEs to measure, communicate, and enhance their contributions to environmental and social goals, while also building trust with stakeholders and accessing new opportunities in an increasingly sustainability-driven market.

Sustainability reporting is increasingly becoming a prerequisite for small and medium-sized enterprises (SMEs) to access finance, participate in supply chains, and meet growing regulatory demands. Financial institutions and investors are seeking consistent, reliable, and comparable sustainability data to inform decision-making and create tailored financing products tailored to SMEs' greening needs. Moreover, large enterprises, particularly those operating internationally, are being asked to report on the sustainability performance of their supply chains (Scope 3 emissions), which includes their SME suppliers.

For SMEs, sustainability reporting offers more than just compliance; it provides a clear opportunity for meaningful actions that lead to resource efficiencies, improved customer relationships, and better alignment with evolving regulatory standards. However, many SMEs, particularly micro and small businesses in emerging and developing economies (EMDEs), face significant barriers in measuring and reporting on their sustainability performance. These challenges include limited resources, lack of expertise, complexity of data collection, and the need to navigate multiple reporting frameworks across different jurisdictions.

Streamlining SME reporting requirements requires consideration of SMEs' limited resources and capacities, as well as of the operational and reporting needs of financing providers and large enterprises. This paper examines the frameworks of several standard setting bodies and international initiatives and identifies the most commonly used reporting indicators and metrics across the environmental, social and governance (ESG) dimensions.

These indicators include:

- **Environmental:** Scope 1 and 2 greenhouse gas emissions (GHG), energy consumption, water consumption, waste management, climate-related targets;
- **Social:** workforce characteristics and diversity (age, gender, type of contract), health and safety; and
- **Governance:** sustainability management, transition planning and business compliance.

The study also explores the ease with which SMEs can report on these indicators. While the majority of indicators can generally be directly sourced and reported on from operational documents of the reporting entities (e.g. utility bills, payment invoices, HR systems data), a few require considerable additional data collection and processing and may require skilled staff or external tools or services to navigate.

And while there has been a significant growth in the number and availability of reporting tools and other support services, this has not always simplified SMEs' reporting journey. With so many options in place, SMEs can face challenges in determining which tools and services are best suited for their needs. Awareness and accessibility can also be a challenge, including availability of tools in the local language and their adaption to the regulatory setting. Many tools are also complex, requiring considerable manual inputs, which can also lead to concerns over the accuracy and robustness of results produced. Furthermore, there is considerable untapped potential of these tools to go beyond simply providing estimates for SME reporting, to help guide actual SME actions towards greening.

Facilitating SMEs' sustainability reporting requires a range of actions, backed by a supportive ecosystem:

- Reducing the reporting burden through the development of simplified reporting frameworks for SME sustainability reporting that are proportionate to SMEs' resources and capacities.
- Providing affordable and easy-to-access tools and advisory support, accompanied by awareness raising and guidance.
- Leveraging digital technologies and tools to facilitate reporting and ease data collection and processing for SMEs.
- Ensuring that tools go beyond measurement and help identify actions needed for SMEs to advance their transition to sustainable business practices.
- Establishing training and skills-building programmes for SMEs and the broader ecosystem of service providers, to ensure they are well-equipped to navigate reporting, investment and greening actions.

This paper serves as a background study for a global multi-stakeholder dialogue on SME sustainability reporting that will be conducted under the OECD Platform on Financing SMEs for Sustainability. Activities under the dialogue include:

- Discussion and assessment of the indicators and metrics identified in this background study, weighing their importance in meeting the essential data needs of financial institutions and supply chain partners against the reporting costs that they hold for SMEs.
- Consideration of additional sustainability indicators and metrics - such as biodiversity impact, supply chain engagement on sustainability matters, and additional diversity and inclusion metrics - weighing their disclosure value against the resources SMEs need to deploy to cover them.
- Assessment of the relevance of tailoring specific indicators to the size, sector or geographic and development context of the enterprise.
- Development of guidance for a common approach to SME sustainability across entities and jurisdictions.

1 Introduction

1. Financing the net-zero and broader green transition of millions of SMEs globally is a key priority for meeting sustainability objectives, including the 2030 Agenda and the Paris Agreement. SMEs account for a significant share of the global greenhouse emissions: about 40% of business sector GHG emissions in EU countries, according to recent OECD estimates, and about 50% globally according to the International Trade Centre (ITC) (OECD, 2023[1]; ITC, 2021[2]). SMEs and entrepreneurs also have an important role to play in developing the innovative technologies, products and processes that advance the global net-zero agenda. For example, SMEs account for an estimated 70% and 90% of clean tech companies in the UK and Finland respectively (ETLA, 2015[3]) (Carbon Trust, 2013[4]).

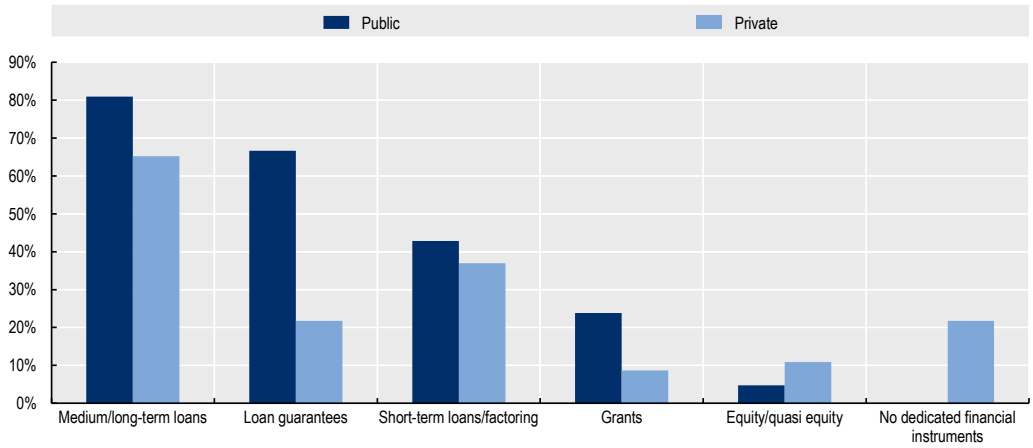
2. Ready access to and uptake of green and sustainable financing[1] solutions that are tailored to SME needs and link financing conditions with sustainability performance are key for accelerating SMEs' transition to sustainability. Indeed, the availability of sustainable financing solutions has grown considerably over the past decade. Sustainable investing assets now account for about USD 30 trillion globally, issuance of impact bonds (green, social, sustainability, sustainability-linked) totalled USD 939 billion in 2023, and financial institutions around the globe are increasingly pledging to integrate environmental, social and governance (ESG) factors into their operations as well as to align their portfolios with net zero, the Sustainable Development Goals and other sustainability metrics (GSIA, 2022[5]; Bloomberg, 2024[6]; UNEP FI, 2024[7]).

3. In a 2023 OECD survey of public development banks and private financial institutions (FIs), the majority of respondents stated that they are integrating climate considerations in their operations, including in developing institutional objectives and plans (68%), assessing some or all financing/investment opportunities (66%) and providing dedicated financing programmes or more advantageous conditions for investments focused on green objectives (72%) (OECD, 2023[8]).

4. Financial institutions are also starting to provide tailored financing solutions for SMEs' investments in net zero and greening, including through medium- and long-term loans (69%), short-term loans and factoring (38%), credit guarantees (67% of public development banks), and other financing instruments (Figure 1). The provision of sustainable finance is driven by regulatory requirements, consideration of the implications for the financial institution's long-term financial and operational performance, and demand from various internal and external stakeholders (OECD, 2023[8]).

[1] Sustainable finance takes into consideration environmental, social and governance factors (ESG) in financing decisions, with the "E" pillar including all financing that considers environmental performance as a criterion for the financing decision or for determining the financing conditions, regardless of the purpose of use of the funds. Sustainable finance therefore goes beyond the financing of greening or environmentally sustainable investments/projects as defined by relevant green and sustainable taxonomies.

Figure 1. Green and sustainable finance for SMEs is provided mainly in the form of debt instruments and guarantees (% of responding financial institutions)



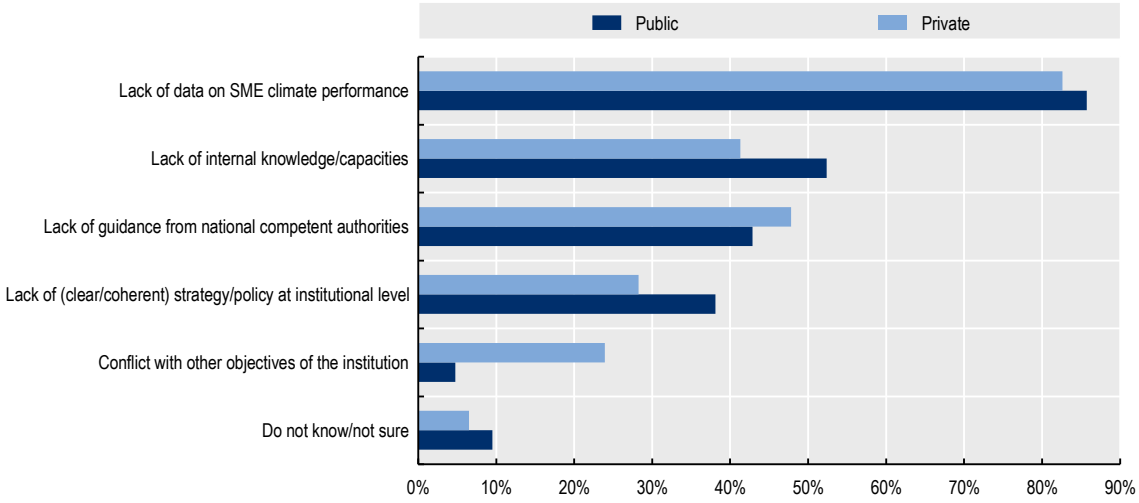
n = 67
Source: (OECD, 2023[8])

Lack of granular SME sustainability data is a challenge for financial institutions and large enterprises

5. To fully integrate sustainability considerations into financial decision making as well as to meet their own sustainability reporting needs, financing providers and investors need consistent, comparable and reliable sustainability-related information, including from SMEs (G20, 2021[9]). Yet SMEs, particularly micro and small enterprises and enterprises in emerging and developing economies (EMDEs), are not as well equipped to measure and provide data on their sustainability performance as large enterprises. While the use of proxies and estimates at portfolio level can provide relevant information, it carries risks of inaccuracies and has limited use for the provision of tailored financing products for SMEs. According to the 2023 OECD survey of financial institutions, limited availability and quality of granular data on SMEs' sustainability performance represents the most important barrier to financial institutions' integration of sustainability considerations in SME operations (Figure 2). These challenges can be further amplified for financial institutions that operate through intermediaries and may not have direct contact with SMEs, as is the case for some public development banks.

Figure 2. Lack of granular data on SME climate performance is a challenge for most banks

Public development banks and private financial institutions' challenges in integrating climate considerations in financing/investment decisions regarding SME clients (% of responding financial institutions)



n = 67
Source: (OECD, 2023[8])

6. As sustainability considerations become systematically integrated in financing decisions, SMEs will need to comply in order to maintain and expand access to finance. In the 2023 OECD survey of public development banks and private financial institutions, over 70% of financial institutions stated that they are already asking for sustainability-related data from their SME clients. Of those that currently do not ask for any data, the majority intend to introduce reporting requirements in the near to medium term (OECD, 2023[8]).

7. SME access to supply chains also depends on their ability to report on their sustainability performance. Large enterprises across different jurisdictions are increasingly required to report on their sustainability performance, including the performance of their supply chains (scope 3). Thus, despite technically being exempt from such reporting, SMEs are impacted by this "trickle-down" effect of reporting demands. The demands for data are also coming from partners who may not necessarily face regulatory obligations but may seek to address calls for greater transparency on sustainability performance by shareholders, customers and clients. These demands may be more widespread for enterprises operating or obtaining financing in different jurisdictions with varying reporting requirements in place.

Meeting sustainability reporting demands can lift barriers to SME green investments

8. Just as data is a challenge for financial institutions and large enterprises, sustainability reporting also currently acts as a constraint to SME demand for and uptake of sustainable finance. Indeed, there is evidence that SMEs currently resort to more expensive financing options rather than taking on the reporting requirements associated with sustainable financing instruments despite the favourable financing conditions these instruments offer. For example, in a 2023 survey among EU SMEs, out of 413 companies that have accessed external financing to invest in greening, only about a third accessed financing with some kind of promotional green or sustainable finance element (SMEunited and Eurochambres, 2023[10]). In the absence of frameworks for SME sustainability reporting that are proportionate to SMEs' resources

and capacities, SMEs face sustainability reporting demands that reflect the complexity and comprehensiveness of reporting frameworks designed for large entities.

9. The reporting burden is further exacerbated by multiple reporting demands coming from different stakeholders. Many financial institutions and large enterprises develop their own methodologies and sustainability questionnaires for SME clients and externalise the data collection process to ESG providers (OECD, 2023[8]). In the absence of standardised and interoperable frameworks for SME reporting, the demands for data and information from financial institutions and supply chains to SMEs will continue to pose a challenge both within and across jurisdictions.

10. The development of sustainability measurement tools, trackers and reporting solutions aim to help SMEs measure and report on their environmental footprint. In recent years there has been significant growth in the provision of free and affordable tools and measurement and reporting solutions that can help SMEs in the reporting process. A recent study of carbon reporting solutions for SMEs found that there are currently over 270 different solutions for carbon reporting alone (Icebreaker One, 2024[11]). Nevertheless, SMEs face challenges in being able to tap into these newly available resources. For instance, these tools are often developed without reference to a common framework, resulting in a diverse range of methodologies and hindering comparability. There is limited technical interoperability between tools, complicating the integration and standardisation of sustainability reporting processes. These issues can act as a barrier to streamlined and comparable data reporting.

11. In this context, it is also difficult for SMEs to identify the appropriate tools to use. Some may even choose to use tools that evaluate their sustainability performance most favourably, which raises questions about the credibility and consistency of data that are provided to financial institutions and reported to regulators and policy makers.

Study objectives and approach

12. This study seeks to contribute to global efforts to facilitate SMEs' sustainability reporting by proposing an initial set of core sustainability-related indicators and metrics that meet key operational and reporting needs of financial institutions while taking into account SMEs' limited resources and capacity to report.

13. It aims to do this by examining how international sustainability reporting standards and frameworks take account of SME's more limited capacities to measure and report on their sustainability performance and by identifying common reporting indicators and metrics among these different frameworks. It is important to note that the selected and analysed frameworks may vary in relevance and significance based on their geographic coverage, accreditation and use by different market players. The objective of this study is to examine the approaches they have taken to tailor sustainability reporting for SMEs along with their indicators and metrics, in order to identify commonalities and differences, noting that other frameworks or initiatives may also be relevant.

14. Based on desk research and initial informal consultations with relevant stakeholders, including members of the OECD Platform on Financing SMEs for Sustainability, the Montreal Group, private banking associations, SME representatives and others, the study further analyses how feasible they are for SMEs to report on based on available data, tools, resources and support. On this basis, the study identifies a preliminary set of core sustainability-related reporting indicators and metrics that are most common across the SME- tailored sustainability reporting frameworks analysed.

15. This set of indicators and metrics provides a starting point for discussion. It will be further refined through stakeholder and expert consultations under the global dialogue convened under the OECD Platform on Financing SMEs for Sustainability to foster convergence in the reporting demands from SMEs. Discussions under the dialogue will seek to take into account the needs of financial institutions and supply

chain partners and balance them against SMEs' reporting capacities. Discussions will also delve into questions related to the potential need to tailor certain reporting demands based on size, sector or country economic development. The dialogue is expected to result in guidance on a streamlined set of indicators and metrics for SME reporting that can be adopted across entities and jurisdictions.

16. This background study is aimed at a broad audience of stakeholders including policy makers and regulators, public and private financial institutions, large enterprises with SMEs in their supply chains, SME representatives, ESG service providers, particularly those offering tools and services for small business clients, academics working on topics pertaining to SME greening, sustainable finance and reporting, and others. These stakeholders will be actively engaged in the dialogue that will follow the publication of this background study.

17. This work contributes to several workstreams within the Committee on SMEs and Entrepreneurship (CSMEE) work programme. It is part of the workstream on SME finance, guided by the OECD Recommendation on SME Financing, whose overarching objectives are to build the evidence base and foster SME access to a diverse range of financing instruments (OECD, 2023[12]). It is also part of the work of the OECD Platform on Financing SMEs for Sustainability, which seeks to facilitate SME access to sustainable financing and accelerate their greening actions. Notably, it builds on the 2023 Platform survey "Financing SMEs for Sustainability – Financial Institutions Strategies and Approaches", which showed that an increasing number of financial institutions are seeking sustainability data from their SME clients (OECD, 2023[8]). It also builds on the thematic chapter of *Financing SMEs and Entrepreneurs 2024: An OECD Scoreboard* and the 2024 OECD report to the G20 Sustainable Finance Working Group, which underscored the need for implementing sustainability reporting requirements that work for SMEs (OECD, 2024[13]; OECD, 2024[14]).

18. The work also contributes to the CSMEE work on SME greening, by deepening the understanding of how SME demand for and access to sustainable finance affects their progress in the green transition. It supports the implementation of the OECD Recommendation on SME and Entrepreneurship Policy, in particular the dedicated principles related to finance and the green transition (OECD, 2022[15]). More broadly, this work adds to the OECD body of work in this area, including the OECD Green Growth Strategy, the horizontal project on Net Zero+, the Inclusive Forum on Carbon Mitigation Approaches, the work of the Centre for Green Finance and Investment, as well as the work developed by the Directorate for Financial and Enterprise Affairs related to corporate governance, sustainability reporting and responsible business conduct in SMEs (OECD, 2024[16]). It also ties in with work on the social economy and measuring social impact conducted under the OECD Local Economic and Employment Development Committee (LEED).

2 Sustainability reporting frameworks for SMEs: core indicators and metrics

19. Most existing sustainability reporting standards and frameworks were initially developed without a focus on the size of the reporting enterprise. In reality, they are more adapted to the capacities of large enterprises and are often too comprehensive and complex for smaller entities. The growing demand for sustainability-related data from SMEs has led standard setters and other international and national entities to take initiatives to develop more streamlined and simplified reporting frameworks for SMEs. Other streamlined frameworks were developed with the main objective of aiding SMEs' green transition. The aim is to help them understand, measure, and monitor their sustainability performance and thereby enable concrete actions towards sustainability. Another objective has been to facilitate SME access to resources for the green transition by, for instance, identifying key sustainability indicators that can be part of enterprise's digital identity.

20. All of these initiatives have been led by a similar underlying purpose: identifying core sustainability indicators and metrics for smaller businesses to monitor and report on their sustainability performance. As such, they are a useful starting point for analysing the extent to which the operational and reporting needs of larger entities and financing providers align with SMEs' more limited resources and capacities to measure and report.

Initiatives by standard setters

21. Several standard setters and non-governmental initiatives that have developed sustainability-related reporting standards for large enterprises, have in recent years also taken initiatives to develop SME-related questionnaires or frameworks. These frameworks are aligned with the standards set for large enterprises developed by the same body, but they are streamlined to a core set of indicators and metrics that are deemed to be proportionate to SMEs' reporting resources and capacities (see Box 2.1).

22. This study considers the following SME reporting frameworks:

- The **Voluntary Reporting Standard for SMEs** (VSME) which is currently being developed by the European Financial Reporting Advisory Group (EFRAG)'s. This standard is aligned with the European Sustainability Reporting Standard (ESRS) and the related Corporate Sustainability Reporting Directive (CSRD), which introduced mandatory sustainability reporting in the EU as of 2024.
- The **Carbon Disclosure Project's SME questionnaire** which is aligned with the homonymous reporting framework for carbon disclosure of large enterprises.

Box 2.1. Simplified reporting frameworks for SMEs by standard setters

Voluntary SME reporting standard (VSME)

The VSME has been developed by the European Financial Reporting Advisory Group (EFRAG) in response to the demonstrated need for a standard and simplified voluntary sustainability reporting framework for EU SMEs, who are facing increasing sustainability-related data demands from financial institutions and large corporations subject to mandatory sustainability reporting under the Corporate Sustainability Reporting Directive (CSRD).

The standard has been developed around all three sustainability pillars, Environmental, Social and Governance (ESG), and offers two sector-agnostic modules that seek to meet the needs of SMEs of different sizes, levels of supply chain integration, and others.

- The Basic Module, primarily aimed at microenterprises and entry-level users, covers eleven core sustainability reporting indicators such as GHG emissions, energy use, waste, and others.
- The Comprehensive Module contains nine disclosures covering specific data point requests which SMEs may additionally face from financial institutions or business partners.

Under the VSME, the basic module is the only module that is expected to be completed by all participating SMEs. The additional comprehensive module is optional, as it covers data demands which SMEs might receive from their key stakeholders. Both modules use simplified language and offer templates to guide SMEs on reporting.

The European Sustainability Reporting Standards, on which the VSME is based, requires a double materiality approach for reporting (large) entities i.e. considering both factors that are material to the operational and financial performance of enterprises and those that reflect the impact of the enterprises on the environment and society. The VSME does not require any materiality assessment, instead guiding SMEs with an ''if applicable'' principle for certain voluntary disclosures. (EFRAG, 2024[17]). The final version of this standard was published by EFRAG in December 2024. The European Commission is expected to issue the VSME as a recommendation by the summer of 2025.

Carbon Disclosure Project (CDP) SME Questionnaire

The Carbon Disclosure Project is an international not-for-profit charity which manages a global disclosure system to measure the environmental impact of investors, companies, cities, states and regions. It was established in 2000, with the initial objective of enabling companies to disclose their climate impact. This has since been extended to environmental disclosures, including dimensions such as water security, deforestation, plastics and biodiversity, as well as some governance-related indicators but only in the context of management of climate related risks and opportunities. The CDP framework considers risks and opportunities as material if they have a significant impact on both the company's financial position and performance and its environmental and societal impacts. The standard has strong international recognition and a wide geographical reach, with entities from over 90 countries utilising it (CDP, 2024[18]).

In 2024, CDP published its first SME-tailored questionnaire. It represents a simplified version of the CDP questionnaire for large entities with additional guidance for SMEs. As with the standard CDP questionnaire, entities can use the SME questionnaire on a voluntary basis. Based on the responses, the SME receives a score from the CDP, which shows its level of disclosure. The scores range from disclosure (D) to awareness (C) and management (B), whilst score A showcases leadership (CDP, 2024[19]).

23. Where no simplified frameworks for SMEs exist, the study considered key international sustainability reporting standards for large enterprises and financial institutions with the objective of assessing how SME frameworks align with these international standards, which apply to large entities and financial institutions. This can also shed light on the extent to which these SME frameworks are aligned with other standards that may also be used by large entities for their own reporting needs (see Box 2.2). The two main standards considered include:

- The **International Sustainability Standards Board (ISSB) S1 and S2 Standards** created by the International Financial Reporting Standards Foundation (IFRS).
- The sustainability reporting standard of the **Global Reporting Initiative (GRI).**

Box 2.2. Standards without a dedicated simplified SME framework

International Sustainability Standards Board S1 and S2 standards

The International Sustainability Standards Board (ISSB) is an independent standard-setting body, established by the International Financial Reporting Standards Foundation in 2021 with the objective of streamlining various sustainability reporting initiatives, namely the Climate Disclosure Standards Board, the Task Force for Climate-related Financial Disclosures, the Sustainability Accounting Standards Board Standards, and the Integrated Reporting Framework. Through its wide geographical scope, the framework aims to standardise sustainability reporting practices across jurisdictions by setting a global baseline of sustainability disclosure standards.

In 2023, the ISSB published its first two standards: the **S1 framework for sustainability-related financial disclosures**, and the **S2 framework for climate-related financial disclosures**, which is only intended to be applied in conjunction with S1. Companies are instructed to identify sustainability and climate-related risks and opportunities and determine which of these are material. Under the ISSB, materiality is determined using a financial materiality approach, meaning that only those metrics that are expected to affect the company's financial position and performance are considered relevant. After determining materiality, reporting of S1 and S2 is then structured around four pillars, including governance, strategy, risk management, and metrics and targets. For S1 metrics and targets, companies should refer to the industry-based SASB Standards, whilst for S2 the ISSB developed its own set of specific climate-related metrics and disclosures (IFRS, 2024[20]).

As of the date of this publication, the ISSB has not produced an SME tailored sustainability reporting framework. Therefore, this study looked at the ISSB S1 and S2 standards to understand what kind of data is demanded of large corporations and financial institutions for the purposes of meeting this standard and how the SME frameworks and final list of indicators and metrics defined by the study align with the ISSB data requirements.

Global Reporting Initiative: The GRI Standards

The Global Reporting Initiative (GRI) is an international not-for-profit entity which has been publishing voluntary sustainability reporting frameworks starting as guidelines in 2000 and encompassing all three ESG indicators (GRI, 2024[21]). The first set of standards were published in 2016. The GRI offers three sets of standards: universal, serving as the foundational reporting framework; sector standards, providing additional metrics for companies operating in specific sectors; and topic standards, which give detailed guidance on material economic, environmental, and social disclosure topics, such as water, labour relations, and waste. The GRI standards are guided by the principle of double materiality (GRI Standards, 2024[22]).

Initiatives by other entities

24. Streamlined reporting frameworks for SMEs have also been developed by other entities seeking to simplify SMEs' sustainability measurement, monitoring and reporting journey with the ultimate objective of accelerating SME action toward sustainability (see Box 2.3). Such initiatives covered in this study include:

- The International Finance Corporation (IFC) MSME Finance Reference Guide.
- Project Savannah's sustainability reporting framework.
- The SME Climate Hub reporting framework.

Box 2.3. Other initiatives for streamlined SME reporting

International Finance Corporation: The Sustainable MSME Finance Reference Guide

The Sustainable MSME Finance Reference Guide has been developed at the initiative of the International Finance Corporation (IFC) Green Bond Technical Assistance Program (GB-TAP), the State Secretariat for Economic Affairs of Switzerland (SECO), the Swedish International Development Cooperation Agency (SIDA), and the Ministry of Finance of Luxembourg. The program seeks to facilitate capital flows from responsible investors in developed countries into green projects in emerging economies and to grow markets by stimulating the demand for and supply of green bonds in emerging markets.

The Reference Guide proposes, amongst other things, relevant environmental and social projects and activities by MSMEs that financial institutions could finance. Related to these, the guide further proposes a set of metrics that MSMEs could report on, which would ensure that the financing provided continues to align with the use of proceeds.

The guide adopts a sectoral approach, recommending specific projects and activities, with corresponding indicators and metrics depending on the SME's sector. There is some overlap between indicators and metrics across different sectors. It covers five sectors, including the agribusiness, textile, tourism, other services, and other manufacturing sectors (IFC, 2023[23]).

Project Savannah

Project Savannah is a collaborative initiative launched in 2023 by the United Nations Development Programme (UNDP), the Global Legal Entity Identifier Foundation (GLEIF), and the Monetary Authority of Singapore (MAS). Project Savannah aims, amongst other objectives, to establish a set of basic Environmental, Social, and Governance (ESG) metrics for common adoption by MSMEs worldwide.

In its *White Paper on Project Savannah: Common ESG Metrics for Generating Digital Sustainability Credentials for MSMEs,* Project Savannah unveiled a framework to support MSMEs in their sustainability reporting through three main pillars: Metrics, Technology, and Opportunities. The Metrics pillar aims to establish a globally relevant and harmonized set of ESG metrics, enabling MSMEs to generate essential ESG credentials for key stakeholders such as regulators, financial institutions, and supply chain partners. The Technology pillar focuses on connecting MSMEs with innovative solutions that simplify ESG data collection and reporting, making the process cost-effective and user-friendly. Lastly, the Opportunities pillar leverages Legal Entity Identifiers (LEIs) to facilitate the transmission of verifiable ESG data to financial institutions and multinational corporations, promoting access to green procurement, financing, and supply chain opportunities for MSMEs (UNDP, 2024[24]).

SME Climate Hub: Climate Disclosure Framework for SMEs

The SME Climate Hub is a global initiative launched in 2020 that aims to mainstream climate action for SMEs, enabling them to build resilient businesses for the future. It is a joint initiative between the International Chamber of Commerce, the Exponential Roadmap Initiative, the We Mean Business Coalition, and the UNFCCC Race to Zero campaign.

In 2021, the SME Climate Hub published *The Climate Disclosure Framework for Small and Medium-Sized Enterprises (SMEs)* in partnership with the Carbon Disclosure Project (CDP). The framework is intended to increase awareness amongst SMEs, incentivise reporting of climate-related indicators and encourage them to take action. The framework was further updated in 2024. It contains a core section (consisting of three "core modules": Measure, Commit, and Action & Impact, related to emissions measuring and target-setting and monitoring), as well as four additional modules (Energy Reporting, Value Chain Emissions, Management & Resilience, Climate Solutions). The modular approach is intended to make climate actions more flexible for SMEs, allowing them to prioritise the modules that are most relevant for them and tailor their disclosure needs based on their maturity level and specific requirements (SME Climate Hub, 2024[25]).

Key features of SME reporting frameworks

25. In addition to seeking to narrow down the list of indicators and metrics that SMEs should report on compared to larger entities, most of these SME frameworks also seek to adjust the language used to elaborate the indicators, metrics and reporting requirements, providing detailed definitions and offering specific guidance on measurement and reporting methods, including identifying relevant data sources and tools that SMEs can consult, to make these more accessible for SMEs (see Detailed overview of reporting frameworks in Annex A for more information on the specific features of each framework).

26. Most frameworks cover all three key dimensions of sustainability reporting, including environment, social and governance aspects (ESG), albeit to varying degrees of detail and with different treatment of materiality (see Table 2.1). For instance, the environmental dimension usually covers a larger number of reporting indicators and metrics compared to the other two dimensions, and governance indicators also frequently relate to the existence and implementation of environment-related targets and transition plans. Likewise, the indicators can differ depending on whether the framework has adopted a financial materiality approach, which only considers indicators and metrics that are material to the financial performance of the enterprise, or a double materiality approach, which also takes into account how the operations of the enterprise affect the environment and society at large.

27. Most of these frameworks take a sector-agnostic approach in the reporting requirements for SMEs (see Table 2.1). In other words, most frameworks do not require distinct reporting indicators from SMEs depending on the sectors that they operate in. Some may have selected reporting requirements that require specification of sector or sector-dependent considerations, but those often tend to be in optional modules that are intended for - or more likely to be used by - larger SMEs.

Table 2.1. Key features of analysed sustainability reporting frameworks

Framework	SME-tailored framework	ESG framework	Sector-specific indicators
Voluntary Reporting Standard for SMEs (VSME)	X	X	
Carbon Disclosure Project (CDP)	X		
International Sustainability Standards Board (ISSB)		X	X
Global Reporting Initiative (GRI)		X	X
International Finance Corporation (IFC)	X	X	X
Project Savannah	X	X	
SME Climate Hub	X		

Source: Authors.

28. These frameworks emerged within or target different geographic and development contexts. They have also been developed in the context of projects with distinct objectives (e.g. seeking to identify relevant sustainability data for inclusion in SMEs' digital identity or providing financial institutions in developing countries with guidance on how to evaluate SMEs' sustainability performance and provide relevant financing). Nevertheless, they identify many common reporting indicators and metrics across all three sustainability dimensions. This provides a good baseline for analysis and a foundation for fostering convergence in the SME reporting requirements across frameworks and jurisdictions.

29. Table 2.2 shows that there are 10 reporting indicators and 22 reporting metrics that are required of SMEs across all or most of the SME-focused frameworks covering the environment, social and governance dimensions. These indicators are also well aligned with the relevant reporting requirements under the ISSB and GRI frameworks that do not have SME-specific reporting requirements and are currently mainly designed with large entities in mind.

30. An overview of the core common indicators and metrics identified in the researched frameworks as a starting point for the dialogue on fostering convergence in SME sustainability reporting demands is provided below. It outlines what the measurement and reporting on each indicator and metric imply for SMEs in terms of accessing input data and arriving at the desired reporting outputs. This information is considered alongside insights on the kind of tools, advisory services and other support that exist to help SMEs in the reporting of specific indicators and metrics. In this way, it is possible to shed light on the relative ease of reporting on these indicators and metrics by SMEs and to identify support gaps that need to be filled.

Common indicators, metrics and definitions

31. The common indicators for SME sustainability reporting identified in these diverse frameworks include indicators related to SMEs' GHG emissions and resource consumption, workforce diversity and inclusion, health and safety, as well as governance on sustainability, ethics and business compliance (see Table 2.2).

32. The table is not intended to provide a comprehensive list of all indicators and metrics, but centres on those which were found across the majority of frameworks and initiatives studied. Other indicators and metrics, including biodiversity, circular economy as well as the different indicators falling under scope 3 emissions may also be relevant, but are not currently covered by most frameworks under review.

Table 2.2. Most common indicators and metrics across SME frameworks[2]

ESG	Indicator	Metrics
Environmental	Gross Scope 1 and Scope 2 Greenhouse Gas Emissions[3]	**Scope 1:** Direct Emissions from company-owned sources, including stationary and mobile combustion (boilers, generators, furnaces, vehicles), fugitive emissions from sources like gas leaks in refrigeration units, and process emissions from industrial activities. **Scope 2:** Indirect emissions from the purchase of electricity, heat, steam, or cooling that are produced off-site but account for the greenhouse gas (GHG) emissions generated at their source of production. Location based mandatory, market-based if applicable[4]. **Emissions intensity:** Calculated as emissions share of revenue (only required by some frameworks but not all).
	Energy Consumption	**Total:** Final amount of energy that an SME consumes in MWh. **Share of renewable energy sources:** Share of renewable and non-renewable sources, which can be purchased or self-generated.
	Water consumption	**Water consumption:** Calculated as water withdrawal (the amount of water entering its boundaries) minus water discharge (water released back into the environment or to a third party).
	Waste management	**Total:** Annual amount of waste generated in metric tons. **Waste categories**: Often a specification of waste category types divided into hazardous and non-hazardous waste is also required.
	Climate-related targets	**Target types:** Targets are primarily found in the form of emission reduction targets, but can also be emission intensity reduction, lowering energy consumption or net zero targets (depending on framework). **Base and target year** Targets require disclosure of indicator at the base year and at the target year. **Monitoring Progress:** A description of how progress will be monitored. **Covered Scopes:** Often emission reduction targets require specification of the emission scopes covered by the target.
Social	Workforce headcount	**Type of contract:** Headcount specifying type of employment contract workers are on (i.e full-time or part-time). **Gender:** Headcount specifying the gender of employees. **Age:** Age group makeup of the workforce (only required by some frameworks).
	Health and safety	**Total:** Total number of workplace accidents which occurred during the reporting year. **Health and safety system:** An outline of its measures, training programs and risk assessment methods.

[2] The table summarises indicators and metrics most commonly found across the analysed streamlined frameworks for SME reporting, which have been developed by standard setters in line with the equivalent frameworks for reporting of large entities as well as other initiatives seeking to simplify SME sustainability reporting. All of the above indicators and metrics are also mandated by other reporting standards that apply only to large entities and do not yet have simplified frameworks for SMEs, such as the ISSB and GRI.

[3] Scope 3 GHG emissions encompass indirect emissions that occur throughout a reporting organisation's value chain, spanning across 15 categories upstream and downstream, as identified by the GHG Protocol's Corporate Value Chain (Scope 3) Standard. These categories cover various dimensions of business operations, including purchased goods and services, transport and distribution, business travel, processing of sold products, and more. In the case of financial institutions, Scope 3 also covers the emissions of financed entities. In most reporting standards and frameworks, large companies and financial institutions have to report their emissions for each category identified as significant. The calculation of Scope 3 emissions is complex and is, therefore, not mandated by SME reporting frameworks, with some frameworks offering it as an optional datapoint. In the context of SMEs, Scope 1 and 2 emission reporting is prioritised as that contributes relevant data for large enterprises' and financial institutions' own reporting and operational needs (including their Scope 3 calculation and reporting).

[4] The location-based method, required by all frameworks, is based on the average emissions intensity of the grid in the geography that the entity is located in. The market-based approach uses any energy contracts or energy certificates that the entity has purchased on the market as its reference point, such as renewable energy certificates. This is typically only required if it is applicable to the SME i.e. in the case of having purchased energy contracts or certificates on the market and being able to obtain the emission factor from their supplier.

Governance	Management of sustainability matters / Sustainability strategy & oversight	**Sustainability strategy:** Outline of the policies and actions to manage and mitigate sustainability-related risks. In the context of climate frameworks, this focuses on managing climate-related risks and opportunities only. **Sustainability oversight:** Designated individuals or committee in charge of overseeing sustainability and/or climate matters. **Transition planning**: Disclosure of a climate transition plan and showcasing its alignment with the Paris Agreement (only required by some frameworks).
	Business Compliance	**Business ethics:** disclosing code of conduct, managing fraud, corruption and bribery. **Anti-corruption and anti-bribery**: disclosing number of fines and penalties received for violating anti-corruption and anti-bribery laws.

Source: Authors, based on the analysed reporting frameworks

3 SME sustainability reporting: Tools, technologies and implementation

SME reporting and tools

33. As illustrated in the previous chapter, a group of core reporting metrics can be found across different standards and frameworks in different jurisdictions. The vast majority can be sourced directly from operational documents of the reporting entities. For example, in the context of environmental indicators, this includes metrics such as total energy consumption, share of renewable energy sources, total annual waste, waste categories, and recycled waste. Among social indicators, this concerns metrics on the workforce headcount by employment contract, gender, and age, as well as the total number of workplace accidents and the health and safety system. From amongst the governance indicators, such metrics include business ethics and anti-corruption and bribery instances. These metrics do not require further research or any additional processing of the data before it is reported (see Table 3.1).

34. Other metrics, however, build on data that are not directly accessible from existing operational documentation of enterprises and require the use of a specific calculation method. Many SME-tailored frameworks provide specific instructions on the required elements to execute these calculations (see Table 3.1).

35. In addition, an increasing range of tools and support services are becoming available for SMEs to report on more complex indicators and metrics (see Table 3.1). This includes calculator tools for measuring Scope 1 and 2 emissions, as well as target-setting tools and guides. These tools and support are often channelled through public development banks or government websites. External consulting services are also available to aid SMEs in developing sustainability strategies and transition planning.

Table 3.1. Data input sources, calculations and tools

ESG	Indicator	Input data sourcing, tools and support (if needed)
Environmental	Gross Scope 1 and Scope 2 Greenhouse Gas Emissions	Scope 1: fuel purchase receipts, meter readings + calculation method/calculator. Scope 2: utility bills, energy certificates + calculation method/calculator. Emission Factors: Emission Factor Databases (e.g. ADEME Bilan Carbone, IPCC) (for calculation). Emissions intensity: above inputs + income statements (for calculation).
	Energy Consumption	Utility bills.
	Water consumption	Water utility bills, water meter readings. Calculation method: Water consumption = water withdrawal – water discharge.
	Waste management	Waste management invoices.
	Climate-related targets	Scope 1 and 2 emissions data for base year. Guides and tools for setting science-aligned targets: e.g. Science Based Targets Initiative (SBTI) Getting Started Guide for Science-based Target Setting, SME Climate Hub's Setting 1.5°C Aligned Targets Action Guide, The Exponential Roadmap Initiative's 1.5°C Business Playbook.

Social	Workforce headcount	HR system data, payroll system data.
	Health and safety	HR system data.
Governance	Management of sustainability matters / Sustainability strategy & oversight	Guides and support tools for transition planning: The Exponential Roadmap Initiative's 1.5°C Business Playbook, CDP's Climate Transition Plan Technical note, Accelerate Climate Transition Pas à Pas, SME Climate Hub Climate Commitment, SBTI's SME Route.
	Business Compliance	Code of conduct, corporate policies.

Source: Authors, based on the analysed reporting frameworks

Calculation guidance

36. Many of the reporting frameworks covered in this study provide guidance on calculation methods. For some indicators, such as the level of water consumption, the calculation is relatively straightforward and the input data on water withdrawal and water discharge are available from water utility bills or water meter readings. However, for metrics such as Scope 1 and 2 emissions, the calculation is relatively more complex, requiring guidance (see VSME example in Box 3.1). While this guidance helps SMEs to provide information about their sustainability footprint, this method requires navigating additional databases, tools or other external sources of data and/or guidance and support, which can be challenging for SMEs. Some potential constraints, especially for micro and small enterprises, include:

- Databases/tools/guidance may not be available in the SME owners' local language.
- These resources may require a fee to access.
- SMEs may have a hard time discerning what methods or tools to use if there are too many options offered (see below on challenges for use of emissions calculators).
- Navigating these external reference guides and tools requires additional time and resources in addition to the time to collect the relevant input data and can pose a significant challenge, especially for smaller entities.

Box 3.1. Calculating SME Scope 1 and 2 emissions

The Scope 1 and Scope 2 emissions data are not directly accessible from SMEs' operational documents and requires the use of a specific calculation method or use of calculators or tools designed to process these data.

The GHG Protocol

The GHG Protocol is the leading global standard for measuring and reporting on GHG emissions and serves as a key reference for most sustainability reporting frameworks. The Protocol provides a comprehensive methodology for emissions reporting, in the form of standards, tools and guidance. The Corporate Standard is the most widely used, supporting companies in measuring their emissions across Scopes 1, 2 and 3. However, despite its wide global reach, it can nevertheless be challenging for SMEs to navigate, due to its technical nature, creating resource- and time-intensive demands from SMEs.

Calculation methods

In the case of Scope 1 emissions, SMEs would first have to identify all sources of emissions, including emissions generated by different sources onsite[5] and then calculate what are the total emissions generated from these sources. For Scope 2 data, SMEs need to report on emissions related to their purchased electricity, heat, and steam consumption. The relevant input data for these kinds of calculations can usually be obtained from purchase receipts, utility bills, and meter readings, but the calculations require the use of additional tools or the application of prescribed calculation methods.

Some frameworks, like the VSME, point to manual calculation methods that can be used to provide an estimate of these data without the need to use emissions calculators. For example, in the VSME, Scope 1 emissions can be calculated using data on the specific quantity of fuel consumed, referred to as the entity's activity data, and the emissions intensity of the fuel, referred to as its emission factor. Emission factors for each type of fuel can be obtained via publicly accessible databases, such as the French Ecological Transition Agency's (ADEME)'s Bilan Carbone or the Intergovernmental Panel on Climate Change's (IPCC)'s Emissions Factor Database (EFRAG, 2024[17]).

Calculating location-based Scope 2 emissions require activity data on the company's purchased electricity consumption, as well as the emission factors of the electricity grid in which the SME operates, which can be accessed through public databases such as the Association of Issuing Bodies for SMEs operating in Europe or the IEA's GHG Emission Factors for World Countries. For the market-based method, which, as mentioned above, is only relevant for SMEs who have entered energy contracts or purchased energy certificates, SME needs to consult their energy supplier to obtain their emissions factor (EFRAG, 2024[17]).

Calculator tools

37. An alternative option to reporting on some of the indicators and metrics is the use of relevant calculators or similar tools. Most existing calculators and tools are focused on helping SMEs report on their GHG emissions, relying on purchase/spend data (e.g. spending on different fuels and electricity), more granular operational data for more precise estimates, or a combination of both. Some have also emerged

[5] Including burning fuel used for boilers, furnaces, generators, vehicles and in cooling systems such as refrigerators or air conditioning units, and onsite generated energy.

to help with more complex indicators and metrics such as target setting and transition planning (see Box 3.2).

Box 3.2. Selected examples of calculators to aid SME sustainability reporting

Public sector initiatives

Denmark: The Danish Business Authority in collaboration with the Danish Energy Agency have launched a digital carbon footprint calculator (the Climate Compass), which is targeted at SMEs. With the Climate Compass, SMEs can access a free, authoritative tool to calculate their emissions in compliance with the GHG-protocol that is continuously updated by the Danish authorities with the newest available data. Additionally, the Climate Compass enables companies to forecast their emissions over a ten-year period and offers guidance in setting emission reduction targets that are in line with the Science Based Targets Initiative (SBTi) and the Paris Agreement.

France: Bpifrance and the French Agency for Ecological Transition (ADEME) provide a so-called "climatometer," a free tool which allows SMEs to calculate their environmental footprint. SMEs obtain an individual diagnosis assessing climate impacts and recommendations for climate actions they can take.

Private and non-governmental initiatives

Industry-led initiatives in venture capital, such as **I**nvest Europe, ESG_VC and VentureESG highlight an increasing trend of sustainable investing in venture capital. These programs provide advanced frameworks for investors to assess and manage financed emissions, helping to integrate environmental, social, and governance (ESG) considerations into investment decisions. For SMEs and start-ups, these initiatives offer critical access to capital for developing green technologies. ESG_VC, for example, assists start-ups in tracking and improving their ESG performance by providing a free benchmarking tool and hosting training sessions to share best practices. Invest Europe published an updated reporting template in 2024 for private equity and venture capital general and limited partners to incorporate ESG considerations into their operations. The template is aligned with regulatory reporting requirements in the EU and uses a proportional approach, adapting reporting across three stages (minimum, recommended and full reporting), depending on the maturity level of the portfolio companies.

Mastercard, in partnership with Swedish fintech Doconomy, has introduced a global Carbon Calculator that is available for banks to integrate into their services. This tool helps consumers and businesses track their carbon emissions from everyday spending and make more eco-conscious financial decisions. Banks can customize this feature for their customers and integrate it into their mobile app.

The SME Climate Hub offers practical tools for SMEs such as a Business Carbon Calculator as well as educational resources on creating credible transition plans and accessing sustainable finance. The SME Climate Hub recently launched a web-based reporting tool that facilitates climate-related data reporting by SMEs. The reporting tool is aligned with the Carbon Disclosure Project (CDP) and has three main components: reporting on annual GHG emissions, listing actions taken to reduce business and value chain emissions, and monitoring on progress achieved. The SME Climate Hub partners with governments to tailor its products to specific markets and organise awareness raising campaigns. It has done this in a few G20 countries including India, the UK and the US. It has also launched regional campaigns in the Latin America and Caribbean region as well as Middle East and North Africa.

Source: (State of Green, 2022[26]), (Bpifrance, 2020[27]), (ESG_VC, 2024[28]), (Mastercard, 2021[29]), (SME Climate Hub, 2023[30]).

38. Many of these tools have been developed by public actors such as public SME-focused development banks, public data portals, SME agencies or others, but the private sector has also responded to the data gap challenge with solutions provided by non-governmental initiatives, ESG data solution providers, fintech companies and others (see Box 3.2). The emergence of these tools has certainly significantly enhanced the landscape of SME support services and is aiding SMEs in meeting reporting demands. Nevertheless a number of issues persist which limit the usefulness and uptake of these tools by SMEs:

- Accessibility is a challenge in many countries as these kinds of tools need to be adapted to the local context in terms of language, regulatory context, etc. Moreover, even when available, tools can be underutilised due to limited SME awareness about their existence and utility or due to associated fees. Some entities, like the SME Climate Hub or I-Go, are working with governments to adapt their SME tools and support services to the local context and developing related awareness campaigns to onboard SMEs. In many countries however, especially in emerging and developing countries, the scarcity of tools and advice and limited awareness remain an important challenge.
- Ease of use also remains a challenge for those SMEs that can access relevant tools. Most carbon calculators and other reporting tools, for example, require considerable manual inputs even when they rely on automated solutions. A UK survey on the use of carbon reporting solutions found that eight out of twelve SMEs spent up to eight hours collecting data and using the carbon reporting tool (and this is just covering two to three reporting metrics in a sustainability report) (Icebreaker One, 2024[11]).
- Because of the need for manual inputs - often of very granular, activity-based data - some concerns have also been raised about the accuracy and robustness of the estimates/results generated by reporting tools, particularly for smaller enterprises that do not have dedicated sustainability staff to conduct the analysis and reporting.
- In some contexts, the proliferation of solutions has also led to complexity and confusion for SMEs about which tools to use, as different tools use different methodologies and can yield different estimates of the sustainability footprint of the same enterprise-. In this context, SMEs may choose to use tools that evaluate their sustainability performance most favourably, which raises questions about the credibility and consistency of data that are provided to financial institutions and reported to regulators and policy makers. Additionally, the increasing number of AI-powered tools, whose underlying methodology may not be publicly disclosed, may further undermine the trustworthiness of the data outputs they generate.

39. There is also significant untapped potential of such tools to help guide SME greening actions, rather than just providing relevant estimates for SME reporting. For instance, many calculators lack any further information on how SMEs can bridge the gap between sustainability performance measurement and management. More transparency around the methodology and data sources used by different calculators would also generate more clarity for SMEs and large entities, as well as policy makers.

Leveraging digital tools to facilitate SME reporting

40. In addition to developing digital calculators and other electronically available solutions to the reporting challenges outline above, public and private entities have launched initiatives focused on leveraging further digital technologies to facilitate SME reporting by, for example, simplifying data collection through enabling automatic collection and transmission of sustainability data. This method limits the number of manual inputs required by SMEs and aggregates relevant data for easy transmission to different requesting entities. The objective of such solutions is to reduce SMEs' reporting burden, as well as enhancing the quality and credibility of data that financial institutions will subsequently use to make

financing and other operational decisions. Some of these solutions also seek to transfer the data processing burden from SMEs to larger entities who have greater resources and capacities, which is another way to simplify SMEs' reporting journey (see Box 3.3). The use of AI technologies for these purposes holds promise but is still relatively nascent.

Box 3.3. Reporting solutions leveraging digital technologies

Digital technologies can play an important role in facilitating SME sustainability reporting. Data collection and processing are currently regarded by most companies as the main barrier for reporting. This is mostly due to lack of data, poor data quality and high cost of data collection **(Transition ApS and the Danish Business Authority, 2023[31])**. Digital tools, including emerging AI-powered tools, can be used to automate data collection and processing, including sustainability-related data from various internal systems and external sources. Digital tools can also help aggregate that data for reporting purposes or even generate automatic sustainability reports by compiling and analysing the required data based on standardized frameworks such as GRI, CDP or others. More broadly, access to digital portals dedicated to sustainability reporting can help facilitate SMEs' reporting journey by providing a one-stop-shop for data, information, resources and tools needed by SMEs to meet the reporting demands. Below are some select examples of digital reporting solutions that have been put in place:

Automating data reporting

Denmark: The Danish Business Authority is currently implementing a project on Automated Sustainability Reporting that aims to automate key company processes related to data collection and management, sharing of sustainability-related information, as well as the digitalisation of businesses' sustainability reporting. This initiative is piloting several key components, including the establishment of a common infrastructure for open data exchange, the development of standardised digital data formats (such as those for the VSME and GHG emissions), and the creation of a standardised data model. This model will be tested and used by private sector actors to streamline sustainability accounting processes. Additionally, Denmark has begun collaborating with other Nordic countries to advance the adoption of automated sustainability reporting across the region.

Germany: The German Sustainability Code was developed as a digital tool in 2011, providing companies with a standard to report their sustainability performance. It acts as a management tool, enabling companies to identify material matters as well as developing sustainability strategies and actions. Its digital dimension enables companies to communicate their sustainability performance to their key stakeholders in an accessible way. The tool is free of charge and currently in the process of being updated by the Federal Ministry for Economic Affairs and Climate Action to align itself with CSRD. A modular approach will be adopted, providing reporting support to both entities who are required to report under the CSRD and those voluntarily reporting. This will include translating CSRD requirements into simple language and offering free training courses and information services on CSRD reporting to companies, including SMEs.

Singapore: The Monetary Authority of Singapore (MAS) developed Project Greenprint, a public/private partnership to develop a technology platform that streamlines the collection, access, and use of climate and sustainability data. MAS has also partnered with the United Nations Development Programme (UNDP) and the Global Legal Entity Identifier Foundation (GLEIF) to develop digital sustainability credentials for SMEs and to simplify the ESG reporting process for MSMEs to generate ESG data credentials that can be housed in MSMEs' Legal Entity Identifier (LEI) records. The initiative is currently piloting the inclusion of Scope 1 and Scope 2 emissions data in LEIs.

The Nordics: The Nordic Accountant Federation (NAF) created in 2021 a simplified sustainability reporting framework tailored to SMEs, the Nordic Sustainability Reporting Standard. The framework was a streamlined version of the GRI reporting standards for large entities (see Box 2.2), covering all three ESG dimensions (NSRS, 2021[32]). The initiative has since evolved to fully align itself with the previous VSME exposure draft framework of January 2024. With this alignment, the NSRS has transitioned from being a standalone reporting standard to a tool and guidance framework, aligning with

its objective of supporting the development of one common European standard. The tool consists of a streamlined reporting template that SMEs can use to comply with the VSME.

UK: Alongside a coalition of public and private stakeholders, the British Business Bank is supporting the implementation of Project Perseus, an initiative that is piloting a solution enabling the direct provision of data on SMEs' electricity consumption from utilities to financial institutions with SMEs' consent. The pilot architecture developed by this project uses smart meter data to simplify Scope 2 reporting for enterprises by enabling the sharing of these data from energy providers to financial institutions and other relevant stakeholders, with the consent of the enterprise. The solution will be piloted with several financial institutions within a sandbox setting in the early part of 2025.

Aggregating data for easier reporting

France: The Ministry of the Economy and Finance of France and the digital services incubator (beta.gouv) developed the RSE Portal, which provides businesses with a streamlined process to understand and comply with their Corporate Social Responsibility (CSR) and ESG obligations. Upon registration, businesses gain access to a personalised dashboard where they can further refine their criteria and manage their obligations effectively. Businesses can also use the Portal to conduct the so called BDESE (Economic, Social and Environmental Database) reporting, whereby they can fill out relevant forms and be directed to appropriate reporting platforms (e.g. Egapro index, transition plans, etc.).

Greece: The Hellenic Development Bank has recently launched their ESG Tracker, an online platform that captures the progress of businesses in meeting ESG criteria. The program is freely accessible and provides firms with a real-time self-assessment and a tool to report on their sustainability progress. The platform aligns itself with international indicators from the Global Reporting Initiative, the Sustainability Accounting Standards Board, the Task Force on Climate Related Disclosures, and the Carbon Disclosure Project as well as national standards used by the Athens Stock Exchange.

Malaysia: Capital Markets Malaysia, an affiliate of the Securities Commission Malaysia, has developed a simplified ESG reporting guide, the Simplified ESG Disclosure Guide, for SMEs who are part of supply chains. The guide offers SMEs a streamlined reporting template in the form of an Excel sheet, which is user-friendly and enables easy data entry that can then be passed onto relevant partners. It provides further sector-specific reporting guidance with additional datapoints. The support tools are available in multiple languages to increase accessibility.

Source: (Icebreaker One, 2024[33]), (GLEIF, 2023[34]) (Bpifrance, 2024[35]), (Hellenic Development Bank, 2023[36]), (Deutscher Nachhaltigkeitskodex, 2024[37]), (Nordic Sustainability Reporting Standard, 2024[38]), (Capital Markets Malaysia, 2024[39]), (Danish Business Authority, 2024[40]).

Guidance and advisory support

41. More elaborate support is needed for reporting on some indicators and metrics, such as the development of climate targets, sustainability strategies and transition plans. For example, to set emission reduction targets, SMEs first need to calculate their current/base year level of emissions and then develop relevant targets. Emission reduction targets would ideally be set in line with science-based criteria, which means that they align with the scale of reductions required to keep global temperature increases well-below 2°C compared to pre-industrial temperatures. This may require consulting sources like the SME route offered by SBTI, which provides a list of pre-defined, science-based target options that SMEs can choose from and adopt, subject to the payment of a fee (Science Based Targets Initiative, 2024[41]). Developing sustainability strategies and transition planning requires further information on the risk

assessment procedures in place, for example, in the form of scenario analysis, as well as on specific actions to be taken toward the achievement of those targets, including for example, integrating the targets into the entity's financial planning and value chain engagements.

42. Some tools have been put in place to help SMEs in this endeavour. The Industrial Bank of Korea, for example, provides general guidance and support tools for SMEs who wish to develop emission reduction targets and a transition plan, in addition to providing, through its consulting centre, tailored and more in-depth guidance for select SME clients (see Box 3.4). Another example is the I-GO Assistant, developed by the Green Industry Platform, which provides a self-assessment tool for SMEs to evaluate their current resource efficiency status, based on which it provides a customised set of actionable steps to take (See Box 2.4).

43. In many countries there are also tailored support initiatives to help SMEs develop a transition plan. Bpifrance has developed the Decarbonisation Accelerator in collaboration with the French Agency for Ecological Transition ADEME. This two-year programme provides customised solutions to SMEs, supporting them in the development of a low-carbon strategy and climate transition plan (see Box 3.4).

Box 3.4. Support for transition planning

General guides and tools for transition planning

Canada: The Business Development Bank of Canada (BDC)'s Climate Action Centre provides guidance on decarbonisation for SMEs based on data provided on their industry, size and operations. The Centre hosts and actively updates a list of active government grants, tax credits and loan programs to support the environmental initiatives of Canadian SMEs. BDC also offers technical assistance to help SMEs obtain B-Corp certification, with a benchmark tool on B-Corp eligibility that firms can use to gauge their alignment to social/environmental objectives. BDC is in the process of developing a carbon calculator which will help SMEs monitor and report on their environmental impact.

The Green Industry Platform's I-GO Assistant helps SMEs enhance their resource efficiency through a self-assessment tool which provides them with scores on their current sustainability status and actionable steps for improvement. It covers key sustainability areas such as energy, water, waste, and resource management, providing SMEs with insights into their current performance and benchmarking these against SMEs who are operating in the same industry. It further provides a customised list of guidance and support services for additional improvement.

The International Trade Centre's Green Performance Toolkit helps SMEs from the textile apparel and agri-food sectors to assess and monitor their sustainability performance by providing a qualitative and quantitative assessment across areas such as energy use, water and waste management. The tool helps SMEs identify gaps in their current sustainability strategy and provides actionable recommendations on enhancing resource efficiency.

The Science Based Targets Initiative has created the SME Route, which offers a set of streamlined science-based emission reduction targets that SMEs can adopt. These can either be in the form of near-term, near-term maintenance, or net-zero targets. A onetime fee has to be paid, which is reduced for SME clients.

The Exponential Roadmap Initiative's 1.5°C Business Playbook provides guidance to companies on how to set climate-related targets, transition plans and how to monitor their progress.

Tailored support for individual SMEs

France: Bpifrance and the French Agency for Ecological Transition, ADEME have jointly implemented the Decarbonisation Accelerator, aimed at supporting French SMEs and midcaps in their green transition, subject to a fee. The programme, spanning 2 years, involves an intensive 30-day individual support phase in which a firm-specific diagnosis, decarbonisation strategy and deployment plan are developed. The initiative provides 8 days of seminars offering key insights into low-carbon transitions, toolkits and case studies. Knowledge exchange is fostered through meetings with experts, peer-to-peer interactions and preferential access to Bpifrance and ADEME services.

Korea: The Industrial Bank of Korea (IBK) provides a range of different support solutions to SMEs to help them to measure their sustainability performance as well as to take steps toward its improvement. These include awareness raising on sustainability management, self-assessment tools on sustainability performance, and free and tailored consulting advice provided by the IBK Consulting Centre, including on regulatory compliance challenges. The IBK uses an external service provider for the development of the ESG assessments and ratings of its SME clients and provides tailored advice on how SMEs can improve their ESG performance and ratings.

Source: (BDC, 2024[42]), (Green Industry Platform, 2024[43]), (International Trade Centre, 2024[44]), (Science Based Targets Initiative, 2024[41]), (Exponential Roadmap Initiative, 2023[45]), (Bpifrance, 2020[27]), (IBK, 2023[46]).

44. Nevertheless, transition planning is a complex process, particularly for micro and small businesses, and is one of the most challenging areas for SME reporting under existing reporting frameworks. While targeted and tailored support is most relevant and useful in this case, it is currently only available to a small share of SMEs – e.g. selected clients of public development banks offering such support – and achieving scale for these kinds of solutions appears especially challenging.

Considerations for an OECD global dialogue on convergence in SME reporting

45. Overall, most metrics identified from the analysis can be considered reasonable for SMEs to report on, as they primarily rely on easily accessible input data with limited need for additional data processing and manipulation. The most challenging metrics remain those related to emissions reporting, target setting and transition planning as they can be quite complex and time consuming and may require access to additional -often external - resources (tools, advisory support), which may be scarce, costly or difficult to use depending on the country context.

46. To foster convergence across entities and jurisdictions, further discussion and evaluation of these metrics should centre around these more complex reporting indicators and metrics, weighing their importance in meeting the essential data needs of financial institutions and supply chain partners against the reporting costs that they impose on SMEs. Where indicators and metrics are deemed critical, implementation solutions need to be discussed and good practices disseminated to reduce the reporting burden on SMEs (see Chapter 4).

47. Similarly, the dialogue should also assess the desirability and feasibility of including additional sustainability indicators and metrics, such as biodiversity impact, disclosure of sustainability labels and certificates, supply chain engagement on sustainability matters, weighing their disclosure value against the cost for SMEs. Further consideration is also needed around potential additional diversity and inclusion metrics to better capture these dimensions, along with potential consideration of differentiated approaches according to level of economic development of countries). The assessment will also consider associated support tools and guidance which would enable SMEs to meet these additional reporting needs.

48. Finally, the dialogue should explore the costs and benefits of pursuing a sector-agnostic approach to the development of an SME reporting framework as opposed to having some sector specific reporting sections, with perhaps an initial selection of key sectors to be covered.

4 Conclusions and next steps

49. In light of the pressing need to achieve greater sustainability at the global level, SMEs must be enabled to play their part in adopting more sustainable business practices and deliver innovative solutions to markets and societies. Unlocking sustainable finance for SMEs is a critical prerequisite for success. Sustainability reporting provides SMEs with opportunities to enhance transparency, attract sustainability-oriented customers and investors, access finance at more favourable conditions, improve operational efficiencies, and strengthen their competitive advantage in the market. However, it poses an important challenge for SMEs, for financial institutions serving small business clients, as well as for large enterprises with SMEs in their supply chains.

50. Important progress has been made in recent years to facilitate sustainability reporting for SMEs. Despite the emergence of many different reporting frameworks, efforts are advancing to foster greater interoperability between these frameworks. Furthermore, many tools and other support solutions have emerged to help SMEs measure and report on metrics that are not easily accessible or measurable, particularly for businesses that do not have specialised staff on sustainability-related matters.

51. This paper seeks to contribute to these efforts. The stakeholder dialogue hosted by the OECD will build on the findings of this report, bringing together a diverse range of stakeholders with the aim of aligning financial institutions' operational and reporting needs with SME reporting demands. The OECD, the CSMEE and its Platform on Financing SMEs for Sustainability already bring together a wide group of stakeholders, including policy makers, public development banks, private financial institutions and associations, SME associations, standard setters, ESG intermediaries and other stakeholders to address challenges and opportunities related to the provision and uptake of SME sustainable finance and greening. As such, the OECD is well-placed to host an in-depth, global, multistakeholder dialogue on SME sustainability reporting.

52. This study provides an important first step in this process. It has analysed the reporting indicators and metrics from a wide range of SME-tailored sustainability reporting frameworks and identified key common indicators and metrics that are present across most or all of these frameworks. This process implicitly takes account of some of the considerations needed to balance operational and reporting needs of financial institutions and large entities with SME capacities for reporting. The analysis was further informed by considerations of alignment with other frameworks that are aimed at large entities, such as the ISSB and GRI, and through analysis of the data, information, tools and advisory support that SMEs would need to meet these reporting requirements.

53. As such, the study provides a strong foundation to advance further dialogue and expert and stakeholder consultations to i) refine the list of core SME reporting indicators and metrics and ii) subsequently build broad-based consensus on the adoption and use of such metrics by financing providers. Including measurement methods, assumptions and tools that are appropriate and replicable for SMEs.

Next steps

54. Since Q4 2024 and through the first half of 2025, the OECD is convening several expert and stakeholder consultations with the aim of developing guidance on the core indicators that financial institutions can request SMEs to report on across jurisdictions. Building on the background study, the OECD Platform on Financing SMEs for Sustainability will also engage a broader dialogue on streamlining SME data requirements from financial institutions.

55. Key next steps in this process include:

- Identifying different experts and stakeholders from the SME sustainable finance ecosystem, including public and private financial institutions, policy makers, SME associations, providers of sustainability-related tools and support, accounting bodies and others, to take part in the consultations and dialogue.
- Organising a series of bilateral and multilateral consultations and expert meetings to discuss some of the challenges and questions outlined in this report.
- Organising a series of multi-stakeholder dialogue events to discuss and build consensus on a set of proposed core indicators and metrics that SMEs should be asked to report on by financial institutions as well as relevant measurement methodologies, assumptions and tools for these metrics that are appropriate for SMEs.

56. Alongside this dialogue, a number of additional issues require further reflection and assessment.

Further assessment of the data needs of financial institutions and supply chain partners and their alignment with the core SME reporting indicators

57. Fostering convergence in reporting requirements for SMEs will also demand careful consideration of the essential data needs of both financial institutions and supply chain partners, as well as SMEs' capacities to source, measure and provide these data. Financial institutions have several sustainability-related data needs in relation to their SME clients:

- granular (i.e. client) level data for risk assessment and credit evaluation. Understanding clients' carbon emissions, energy and water consumption and other sustainability indicators can help financial institutions assess their financial health and operation risks. High emissions, energy costs, or levels of water consumption, may for example, indicate potential inefficiencies or potential financial strain. Likewise, companies with diverse workforces may be more resilient and innovative, and those lacking diversity may face reputational and operational risks.
- granular (i.e. client) level data to provide tailored financing solutions and advisory services. Understanding and monitoring client's sustainability performance can help financial institutions design tailored financing products as well as non-financial support in terms of advice on relevant actions (including investments) SMEs can take to improve their sustainability performance and meet set performance targets.
- granular (i.e. client) level information for monitoring the impact of sustainable financing instruments that link financing conditions with the sustainability performance of a client (e.g. monitoring the level of decrease of GHG emissions, energy and water consumption over time).
- granular (i.e. client) level data to determine eligibility for the provision of more favourable financing conditions for decarbonisation and other green financing programmes and instruments, where financing is supposed to be directed at investments that improve the client's sustainability footprint. At the aggregate level, such data also helps boost financial institutions' transparency and credibility on greening claims and helps avoid "greenwashing".

- aggregate (i.e. portfolio) level data for monitoring the sustainability performance of the financed portfolio and managing portfolio risks and diversification strategies.
- aggregate (i.e. portfolio) level data for reporting on the sustainability performance and risk management activities related to the financed portfolio.

58. Since data is needed at both granular at aggregate level, further dialogue needs to assess which indicators are needed at granular level, or if portfolio-level estimates (e.g. based on sector level aggregates) can suffice for some indicators. This can also help in the narrowing down of the core reporting indicators for SMEs. The needs of financial institutions working directly with SMEs, as well as those operating through intermediaries, will be taken into account, noting that the latter face unique and, in some cases, more amplified challenges in obtaining relevant data for their own reporting and operational needs.

Better understanding SMEs' reporting needs and capacities

59. To better understand SME reporting needs, further analyses and consultations will include the following activities:

- analysing the relevance of selected indicators and metrics for SMEs of different sizes and sectors and considering if the final reporting framework should take into account size- and sector-specific dimensions.
- analysing how geography, levels of economic development and related considerations of access to infrastructure and support services can impact SME ability to report on sustainability performance and how this may influence the list of core indicators and metrics.
- soliciting in-depth feedback from SME representatives on the practical challenges of gathering and processing relevant input data to meet reporting requirements across the identified reporting indicators and metrics, and assessing how existing tools and solutions can address these challenges.
- identifying key gaps in solutions and support that need to be filled to facilitate SME reporting.

Continuing to build a supportive ecosystem for SME sustainability reporting to unlock finance and investment

60. Identifying a simplified core set of reporting indicators and metrics that are proportionate to the reporting capacities and resources of SMEs is just the first step in the process of facilitating SMEs' reporting journey as a way to unlock finance for sustainability investments. A supportive ecosystem bringing together different actors will be key to ensure that any agreed upon framework can be implemented by SMEs. Key considerations here include:

- The ability to leverage digital technologies and tools to facilitate reporting and alleviate some of the data processing burden for SMEs will be critical for implementing any reporting solution.
- Additional tools and advisory support will need to be scaled up and good practices disseminated across geographic regions and jurisdictions. SMEs need to have free/affordable and easy access to data, information, tools and advisory support, which are transparent and consistent with agreed measurement approaches and methodologies, made available in local languages and are accompanied by appropriate guidance.
- Awareness campaigns and guidance will also be critical to ensure SMEs are aware of and make use of the available tools. Sharing of good practices on centralised portals and information sources that link reporting requirements with related tools or that aggregate reporting information to be shared easily across different entities will also be key.

- Tools and support need to go beyond just meeting the reporting needs of SMEs. To the extent possible, they should link SMEs' sustainability measurement with sustainability management and action so that they can have broader operational use for SMEs and help advance their transition to sustainable business practices.
- Trainings and skills-building programmes will be critical not only for SMEs but the broader ecosystem of service providers, where ESG-related skills are deficient, to ensure that adequate support can be extended to SMEs.
- A simplified framework for transition planning could help SMEs in formulating and communicating decarbonisation strategies and plans in a manner that is proportionate to their resources and capacities.
- All of the above actions will require mobilising different actors in the ecosystem and ensuring they are equipped with the relevant skills to address these needs.

61. The OECD Committee on SME and Entrepreneurship and the OECD Platform on Financing SMEs for Sustainability will continue to advance this work and the broader sustainability agenda through analytical research, policy dialogue and knowledge sharing.

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Annex A. Detailed overview of reporting frameworks

EFRAG Voluntary Standard for SME Reporting (VSME):

1. The Voluntary Standard for SME Reporting (VSME) is currently being developed by the European Financial Reporting Advisory Group (EFRAG) in response to the demonstrated need for a standard and simplified voluntary sustainability reporting framework for EU SMEs, who are increasingly facing sustainability-related data demands from financial institutions and large corporations subject to mandatory sustainability reporting under the Corporate Sustainability Reporting Directive (CSRD).

2. The standard has been developed around all three sustainability pillars, Environmental, Social and Business Conduct/Governance (ESG) and offers two sector-agnostic modules that seek to meet the needs of SMEs of different sizes and levels of supply chain integration.

3. The draft VSME includes a Basic Module, which targets entry level users and micro enterprises and covers eleven key ESG indicators and metrics. It also offers an optional Comprehensive Module designed to help SMEs address additional data requests from key stakeholders, including investors, lenders, and business partners. The Basic module is a prerequisite for completing the Comprehensive Module, which offers seven additional data points that SMEs can choose to report on. No materiality assessment is required, with reporting guided by the principle of applicability (if the entity is already legally required to report on this datapoint or it already voluntarily chooses to do so).

Table A A.1. VSME reporting indicators and metrics

Environmental	Social	Governance
Estimated gross GHG emissions - In tCO2eq - According to GHG Protocol - Scope 1 and Scope 2 (location based only) GHG emissions intensity measures (GHG emissions/turnover)	Workforce: General Characteristics Number of employees by headcount or full-time equivalent, by: - Type of employment contract (permanent, temporary) - Gender - Country (if entity operates in more than one country) Employee turnover rate (for entities with over 50 employees)	Convictions and fines for corruption and bribery - Number of convictions and fines in the reporting period
Total Energy Consumption - In MWh - If available, broken down into: electricity and fuels, specified by renewables and non-renewables	Workforce: Health and safety - Number and rate of recordable work-related accidents - Number of fatalities related to work-related injuries or work-related ill health	Business Model / Sustainability strategy - Products and services offered - Markets entity operates in - Key business relationships - If key elements of business strategy relates to/affects sustainability, outline these Disclose if entity has set any sustainability-related: - Practices - Policies - Initiatives - Targets Briefly outline these**

Air, water and soil pollution - Disclose types of pollutants & quantity in kg of own operations (if applicable)	Workforce: remuneration, collective bargaining and training - Whether employees receive pay that's at least minimum wage in country entity reports on - Gender pay gap (in %) (for entities with at least 150 employees/100 employees from 2031 onwards) - % of employees covered by collective bargaining agreements - Average annual training hours per employee	Revenues from certain sectors & exclusion from EU reference benchmarks** If entity is active in at least one of specific sectors, report on related revenues of: - Controversial weapons (anti-personnel mines, cluster munitions, chemical & biological weapons) - Cultivation/ production of tobacco - Fossil fuels (coal, oil & gas) - Chemicals production (if entity is manufacturer of pesticides/agrochemical products) Whether entity is excluded from any EU reference benchmarks which are aligned with Paris agreement
Biodiversity - Number and area (in hectares) of sites that are owned, leased, or managed in or near biodiversity sensitive area	Additional characteristics for general workforce** - Female to male ratio at management level (if entity has more than 50 employees) - Number of self-employed personnel & temporary workers primarily engaged in ''employment activities'' (if entity has more than 50 employees)	Gender diversity ratio in governance body** If entity has governance body: - Disclose its gender ratio
Water - Total water withdrawal - Amount of water withdrawn at sites of high-water stress - Water consumption (water withdrawal – water discharge) (if applicable)	Human rights policies and processes** Whether entity has code of conduct / human rights policy for own workforce (yes/no answer) If yes, whether it covers: - Child labour (yes/no) - Forced labour (yes/no) - Human trafficking (yes/no) - Discrimination (yes/no) - Accident prevention (yes/no) - Other (yes/no, if yes specify) Whether entity has complaints handling mechanism for own workforce (yes/no)	
Resource use, circular economy and waste management - Whether entity applies circular economy principles (if yes: how) Waste (in tonnes) - Total annual waste generated, broken down by: o type o hazardous & non-hazardous - Total annual waste diverted to recycling/reuse - Material flow sectors (e.g manufacturing, construction, packaging): annual mass-flow of relevant materials used (material types & quantity)	Severe negative human rights incidents ** Whether entity has confirmed incidents related to: - Child labour (yes/no) - Forced labour (yes/no) - Human trafficking (yes/no) - Discrimination (yes/no) - Other (yes/no, if yes specify) - If yes, can additionally describe actions taken to address incidents - Whether entity is aware of any confirmed incidents of workers in value chain, affected communities, consumers & end users -> if yes, explain	
GHG reduction targets** - reduction targets in absolute value for Scope 1, scope 2, and scope 3 (if applicable) o Target year & target year value o Base year & base year value o Units used for targets o Share of scope 1, 2 (and 3 if applicable) o Main actions to achieve target		

- Transition plan for climate change mitigation (if entity operates in high climate impact sectors and has one in place) o Explanation: how it contributes to reducing GHG emissions o If no transition plan in place: when it will adopt one		
Climate risks** - For climate-related hazards and transition events: o Brief description o Assessment process to: exposure & sensitivity of assets, activities and value chain to risks o Time horizon o Whether climate change adaptation actions in place		

Note:
**Comprehensive Module

The Carbon Disclosure Project

4. The Carbon Disclosure Project is an international not-for-profit charity which manages a global disclosure system to measure the environmental impact of investors, companies, cities, states, and regions. It was established in 2000, with the initial objective of enabling companies to disclose their climate change impact. This has since been extended to environmental disclosures, including dimensions such as water security, forests, plastics and biodiversity. Entities can use the CDP's annual corporate questionnaire, which includes reporting indicators and metrics, to measure their environmental footprint on a voluntary basis. The full corporate questionnaire is intended for large companies and includes some sector specific metrics. The framework includes environmental indicators only, as well as governance indicators, in the context of management of climate related risks and opportunities. Environmental indicators cover climate change considerations, as well as forests, water security, biodiversity and plastics. CDP adopts a double materiality approach, including indicators and metrics that reflect environmental implications for firms' financial performance and position, as well as indicators and metrics reflecting the firm's environmental impacts. Based on the responses, the entity receives a score from the CDP, for which CDP charges a fee. The scores range from the best score A, showcasing leadership, to D, for companies that are completing the CDP questionnaire. The standard has a wide geographical reach, with entities from over 90 countries utilising it.

5. Recognising the challenges that SMEs face in sustainability reporting, CDP published its first SME tailored questionnaire in 2024. This is a more simplified framework to the full corporate questionnaire, with fewer metrics, no sector-specific datapoints and reduced to no fees charged. The questionnaire primarily focuses on climate change metrics but encourages SMEs to also measure their impact on forests and/or water. There is an additional voluntary module SMEs can complete, covering additional datapoints related to supply chain requests. To use the SME questionnaire, entities need to have a headcount of less than 500 employees and annual revenues below $50 million. Organisations who have less than 500 employees but annual revenues up to $250 million are also eligible to utilise the SME questionnaire but recommended to use the full corporate questionnaire. Most questions in the questionnaire offer varying levels of detail, making it adaptable to the specific context of each SME. Each section includes guidance on how to answer, with references to support documents and tools that SMEs can use. Additionally, it provides recommendations on which sections are most relevant for the type of SME.

Table A A.2. CDP SME Questionnaire: indicators and metrics

Environment	Governance
GHG emissions - Scope 1, 2, and 3 ; broken down by business activity if applicable - In gross metric tons CO2e - Scope 2: location based required, market based if applicable (if entity can access emission factors from energy supplier) - Specify standard/protocol/methodology used for calculation	Environmental risk management - Process for identifying, assessing and managing environmental related risks and opportunities - Frequency of assessment - Scope (direct operations; value chain) - Type of risk (physical, transitional) - Fines/penalties for water-related regulations - Substantiveness of risk - Time horizon - Risk mitigation strategy
Energy consumption - In MWh - Total & broken down into renewable and non-renewable sources	Water-related regulatory violations - Fines, enforcements orders and/or penalties for water related regulatory violations
Emission reduction initiatives & targets - Absolute emissions targets vs emission intensity target - base & target year, progress, GHG scopes covered, target coverage (organisation-wide, business activity/division etc)	Environmental risks oversight - Individuals responsible for assessment & management of environmental risks & opportunities - Senior management / highest body responsibility for oversight
Climate related targets - Low carbon energy production, reducing methane emissions, net zero targets, other climate related targets - Base & target year, target coverage,	Environmental policies - Type of Environmental issue covered - scope (direct operations; value chain) - environmental policy content
Emission reduction initiatives - Categories: energy efficiency, low-carbon energy consumption/generation, waste reduction & circularity, transportation - GHG scopes covered - Estimated CO2e savings - Required investments, monetary savings, payback period - Timeline	Environmental strategy - Effects of & integration of environmental risks & opportunities on & into business strategy & financial planning - Climate transition plan - Value/supply chain engagement on environmental issues

International Sustainability Standards Board S1 and S2 (for large entities only)

6. The International Sustainability Standards Board (ISSB) was established by the International Financial Reporting Standards Foundation in 2021, with the aim of streamlining various existing sustainability reporting frameworks, namely the Climate Disclosure Standards Board, the Task Force for Climate-related Financial Disclosures, the Sustainability Accounting Standards Board Standards, and the Integrated Reporting Framework. The ISSB aims to set a global baseline for a reporting standard, trying to harmonise reporting procedures across various jurisdictions.

7. In 2023, ISSB published its first two standards: S1 and S2. S1 represents the framework for sustainability-related financial disclosures, for which entities are required to consider whether the industry-specific Sustainable Account Standards Board (SASB) standards are applicable for reporting on metrics and targets (IFRS, 2023[47]), whereas S2 is a framework centred around climate related financial disclosures, for which the ISSB has provided its own cross-industry metrics (IFRS, 2023[48]). S1 thus encompasses all three ESG dimensions, whereas S2 solely considers the environmental element. S2 is intended to be used exclusively with S1 and is not comprehensive when used on its own. Both S1 and S2 are centred around four dimensions: governance, strategy, risk management, and metrics and targets. S1

and S2 require an entity to understand the resources that it relies on, and its relationships along its value chain, which are judged to be crucial in creating value for the entity. The ISSB adopts a financial materiality approach, focusing on sustainability-related risks and opportunities that are deemed material if they are expected to affect the firm's financial performance or position. Additionally, the ISSB states that entities can also consult other relevant sources for identification of material sustainability matters, namely The Climate Disclosure Standards Board (CDSB) framework application guidance for water- and biodiversity-related disclosures; the most recent standard setting bodies' frameworks; as well as sustainability-related risks and opportunities identified by entities which operate in the same industries or geographies.

Table A A.3. ISSB S1 indicators and metrics including industry tailored SASB Standards

Environment	Social	Governance
GHG Emissions - Scope 1: from stationary & mobile sources - Management of regulatory risks, environmental compliance, reputational risks & opportunities	Human Rights & Community relations - Direct & indirect impacts on human rights; treatment of indigenous people - Socio-economic community impacts, community engagement, cultivation of local workforce, impact on local business, license to operate	Sustainability strategy** - Monitoring, measurement & management of sustainability related risks & opportunities - Time horizon of risks & opportunities - Effects on business model; value chain; decision making; financial position & performance - Resilience assessment
Air quality - Management of air quality impacts from stationary & mobile sources & industrial emissions	Customer Privacy - Management & use of customer/user data for secondary purposes - Data collection, obtaining consent, managing user & customer expectations on data use	Sustainability governance** - Appointed individual/body responsible for overseeing sustainability linked risks & opportunities - How oversight is chosen, how progress is monitored
Energy management - Management of energy efficiency & intensity - Energy mix - Grid reliance	Access & Affordability - Access & affordability of health care, financial services, utilities, education & telecommunications	Risk management** - Process used to identify, assess, prioritise & monitor sustainability related risks and opportunities - Whether entity uses scenario analysis
Water and Wastewater management - Water use, consumption & wastewater generation - Water efficiency, intensity, recycling	Product quality & safety - Ensuring health & safety of goods & services offered - Liability, management of recalls & market withdrawals, product testing, chemical/ingredient management	Data security - Security of customer/user data - Strategy, policies & practices on IT infrastructure, staff training, record keeping, cooperation with law enforcement
Waste management - Hazardous vs non-hazardous waste - Treatment, handling, storage, disposal, regulatory compliance	Customer welfare - health & nutrition of foods & beverages; antibiotic use in animal production; management of controlled substances	Selling practices & product labelling - Transparency & accuracy of marketing, advertising & labelling
Ecological impacts - Land use for exploration, natural resource extraction & cultivation, project development, construction, siting - Impacts including: biodiversity loss, habitat destruction, deforestation	Labour practices - Compliance with labour laws - Minimum wage policies & benefits - Ensuring basic human rights including: child labour, forced labour, exploitative labour, fair wages & overtime pay	Product Design & Lifecycle management - Incorporation of ESG considerations in products & services sold by company
	Employee health & safety - Safety management plans; training requirements; regular audit - Ensuring physical & mental health through technology, training, corporate culture, regulatory compliance	Business model resilience - Incorporation of social, environmental & political transitions in long term business planning

	Engagement, Diversity, Inclusion - Addressing discriminatory practices on basis of race, gender, ethnicity, religion, sexual orientation	Supply chain management - Managing ESG risks in supply chain - Screening, selection, monitoring & engagement with suppliers on sustainability issues
		Materials sourcing & efficiency - Resilience of materials supply chains, incorporation of ESG considerations
		Physical impacts of climate change - Management of risks & opportunities associated with exposure of assets to actual or potential physical impacts of climate change
		Business ethics - Managing fraud, corruption, bribery - ensuring ethical conduct of business
		Competitive Behaviour - management of monopolistic and anti-competitive practices
		Management of legal & regulatory environment - reliance on regulatory policy or monetary incentives, actions to influence industry policy - ability to comply with regulations
		Critical Incident Risk Management - scenario planning to identify, understand, & prevent/ minimise occurrence of low-probability, high-impact accidents and emergencies with significant potential environmental and social externalities. - culture of safety at a company, relevant safety management systems & technological controls
		Systemic risk management - measures to reduce its contributions to systemic risks and to improve safeguards that may mitigate the impacts of systemic failure

Note:
**ISSB S1

Table A A.4. ISSB S2 cross industry indicators and metrics

Environment	Governance
GHG Emissions - Scope 1, 2, and 3 - According to GHG protocol - Scope 2: location based, market based if applicable	Climate strategy - Management of climate related risks & opportunities - Time horizon of risks & opportunities - Physical vs transitional climate risk - Climate transition plan - Mitigation & adaption measures - Climate related scenario analysis - Effects on business model; value chain; decision making; financial position & performance
Transitional & physical risks	Sustainability oversight

- Vulnerability of assets & business activities to climate-related risks in absolute and % terms	- Appointed governance body/individual; description of their role - Whether this is linked to management position
Climate opportunities - Assets & business activities which represent climate related opportunities in absolute and % terms	Risk management - Process used to identify, assess, prioritise & monitor climate related risks and opportunities - Whether entity uses scenario analysis
Capital deployment - Investments and financing of climate related risks and opportunities	
Internal carbon price - Whether carbon price is included in emissions costing & decision making; price that entity uses	
Renumeration - How executive renumeration has integrated climate considerations - % of executive renumeration linked to climate related considerations	
Climate related targets - Objective; base & target year; absolute or intensity target; how progress is monitored; alignment with international agreements	
GHG emission reduction target - Which GHG is covered; which scope (1, 2, or 3); gross or net target; planned use of carbon credits	

Global Reporting Initiative (for large entities only)

8. The Global Reporting Initiative (GRI) published its first set of standards in 2016. It adopts an impact-focused approach, underlining the importance of an entity's impacts on the economy, environment, and society. It thus encompasses all three ESG dimensions. The GRI standards are guided by the principle of double materiality, considering both anticipated effects of sustainability-related risks and opportunities on the company's financial performance and position, as well as the impacts of these risks and opportunities on the environment and society. The GRI offers three sets of standards: universal, consisting of three foundational standards, including requirements and principles for using GRI standards, disclosures on the organisation, as well as on the entity's material topics. These apply to all companies regardless of their sector, size and industry. Sector standards provide additional indicators and metrics for companies operating in specific sectors, such as the oil and gas and coal sector. Topic standards represent the reporting indicators which give detailed metrics and guidance on how the entity should report on its material disclosure topics, such as greenhouse gas emissions, labour relations, waste, and anti-corruption.

Table A A.5. GRI Standards: indicators and metrics

Environment	Social	Governance
GHG emissions - Scope 1, 2, and 3 in gross metric tons of CO2 equivalent - Scope 2: location based; market-based if applicable - Emission reductions - GHG emissions intensity = absolute GHG emissions / organisation-specific metric	Employees/General workforce - Total number of employees by gender & region - Permanent & temporary employees by gender & region - Non-guaranteed hours employees by gender & region	Governance body - Gender ratio, under-represented social groups - Governance body responsible for sustainability oversight - Conflict of interest remediation - Renumeration policies

Intensity ratios: - products (such as metric tons of CO2 emissions per unit produced); - services (such as metric tons of CO2 emissions per function or per service); - sales (such as metric tons of CO2 emissions per sales). Organisation-specific metrics: - units of product; - production volume (such as metric tons, liters, or MWh); - size (such as m floor space); - number of full-time employees; - monetary units (such as revenue or sales).	- Full-time & part-time employees by gender & region - Full time equivalents - Workers who are not employees - Employees covered by collective bargaining agreements - New hires by age, gender and region - Total number and rate of employee turnover by age, gender and region - Total number of employees entitled to parental leave by gender - Benefits provided to full time employees vs part-time/temporary employees	- Annual total compensation ratio
Energy - Total energy consumption in joules or multiples; specification from renewables + non renewables - Energy consumption outside of organisation (along value chain) - Reporting energy reductions/savings	**Market presence** - Standard entry level wage to minimum wage ratio by gender - % of senior management hired from local community	**Sustainability strategy** - Policy commitments; how these are implemented - Remediation of negative impacts
Energy intensity ratio - Energy type specification intensity ratios: • products (such as energy consumed per unit produced); • services (such as energy consumed per function or per service); • sales (such as energy consumed per monetary unit of sales). Organisation specific metrics (denominators) eg: • units of product; • production volume (such as metric tons, liters, or MWh); size (such as m floor space); 2 • number of full-time employees; • monetary units (such as revenue or sales)	**Labour / Management relations** - Minimum number of weeks notice to employees on operational changes - Whether notice period & provisions are specified in collective agreements	**Business compliance** - Number of fines & non-monetary sanctions - Legal actions related to anti-competitive, anti-trust and monopoly practices
Biodiversity impact - Disclosing policies to counter biodiversity loss & in how far these are applied along value chain - goals & targets to reverse biodiversity loss - actions taken to avoid negative impacts on biodiversity - Number and area (in hectares) of sites that	**Occupational Health & safety** - Number & % of workers covered by health management system - Number & rate of work-related injuries & fatalities - Hazard identification & risk assessment system	**Value chain & stakeholder engagement** - value chain overview; key business relationships - approach to stakeholder engagement

are owned, leased, or managed in or near biodiversity sensitive area - Biodiversity restoration measures	- training and health promotion programmes - manging health & safety risks in supply chain	
Materials - total weight of materials by: renewable & non-renewable materials - % of recycled input materials	Training and Education - Average training hours for employees by gender and employee category - Programmes offered for skill upgrading - % of security personnel trained in human rights policies	Economic Performance - direct economic value generated & distributed - climate related risks (physical/regulatory) and opportunities - retirement plans - financial assistance received from government
Water - water withdrawal, consumption and discharge megalitres - specification of type of water - water consumption = water withdrawal – water discharge - management of water discharge - water management & initiatives along supply chain - water related goals & targets	Diversity & Equal opportunity - % breakdown of governance bodies & employees by gender & age group - Gender pay gap	Supply chain management - % of procurement spent on local suppliers - Environmental screening: number of suppliers assessed using environmental screening ; % of identified & potential negative environmental impacts in supply chain - Number of suppliers assessed for social impacts; number % of suppliers having negative social impact
Waste - Total weight of waste generated in metric tons - Waste diverted from disposal: hazardous vs non hazardous waste & breakdown of this of which goes to recycling - waste directed to disposal: hazardous vs non hazardous & breakdown of disposal operation - Disclosing waste from company & in value chain - measures to reduce waste e.g circularity measures - Whether third party takes care of waste; processes used to collect & monitor waste related data	Non-discrimination - Total number of incidents of discrimination - Remediation plans	Anti-corruption - Total number of corruption incidents - Total number and % of operations assessed for corruption - Training courses in anti-corruption
	Freedom of association & collective bargaining - How freedom of association and collective bargaining within company & in supply chain is managed	Child labour - Supply chain screening: risk identification by type of operation, supplier type and geographic region - Measures taken to eliminate child labour in supply chain
	Rights of indigenous people - Total number of identified incidents of indigenous peoples' rights violations - Remediation plans	Forced/compulsory labour - Supply chain screening: risk identification by type of operation, supplier type and geographic region

		- Measures taken to eliminate forced labour in supply chain
		Local communities - % of operations with local community engagement & development programmes - Operations with negative effects on local community
		Public Policy - Total monetary value of political contributions made directly or indirectly by country and by recipient
		Marketing and Labelling - Sourcing & content, guidelines on safe use; disposal & environmental and social impact - Compliance coverage - Incidents of non-compliance
		Customer health & safety - Health & safety impact assessment - Non-compliance incidents
		Customer privacy - Total number of complaints on customer privacy breaches - Total number of data leaks, thefts or losses

International Financial Corporation MSME Reference Guide

9. The Sustainable MSME Finance Reference Guide has been developed at the initiative of the International Finance Corporation (IFC) Green Bond Technical Assistance Program (GB-TAP), the State Secretariat for Economic Affairs of Switzerland SECO, the Swedish International Development Cooperation Agency, SIDA, and the Ministry of Finance of Luxembourg. The program seeks to facilitate capital flows from responsible investors in developed countries into green projects in emerging economies and to grow markets by stimulating the demand for and supply of green bonds in emerging markets.

10. The Reference Guide proposes, amongst other things, relevant environmental and social projects and activities by MSMEs that financial institutions could provide financing for. Related to these, the guide further proposes a set of metrics that MSMEs could report on, which would ensure that the provided financing continuously aligns with the use of proceeds.

11. The guide adopts a sectoral approach, recommending specific projects and activities, with corresponding indicators and metrics depending on the SME's sector. There is however some overlap between indicators and metrics across different sectors. It covers five sectors, including the agribusiness, textile, tourism, other services, and other manufacturing sectors.

Table A A.6. IFC MSME Reference Guide indicators and metrics

Environment	Social	Governance
GHG emissions - Avoided GHG emissions (tCO2eq/y) (most)	Diversity & inclusion - Number of women in workforce* - % of women in leadership positions (all) - Initiative to improve women participation in workforce & gender parity in leadership positions (all) - number of women-led entrepreneurship* - number of disabled people, initiatives to enhance their access to employment**/***/****/*****	Sustainability certification - Disclosure of sustainability certification documents for both environmental (e.g biodiversity) & social dimensions (e.g Fairtrade) (all) - Ecotourism standard***
Energy consumption - Biomethane collected and used (ton/y or MMBTU/y)* - Annual Renewable Energy Consumed or Generated (MWh/y)*/***** - Energy savings (MWh/y)***** - Energy efficiency label*****	Health and safety - Safety protocols, number of employees reached*/**/****/*****	Managing sustainability matters - Climate adaptation & resilience measures; conservation and restoration of ecoystems measures (e.g land rehabilitation) * - Reducing GHG emissions along value chain*****
Material input - Avoided plastic food packaging* - Units of production of sustainable hemp, wool, cotton, soy silk, bamboo fabrics etc (ton/y)** - Application of green enzymes along the stages of textile processing, avoided chemicals (ton/y per type of chemical)**	Labour practices - Initiatives to promote decent work conditions*/**	Local community impact - positive social impacts in underserved areas in value chain (e.g providing affordable sanitation, clean drinking water etc.)****
Waste management - Avoided food losses based on annual capacity/use of equipment (ton/y)*/**** - Recycled waste (ton/y)*****	Training and skills - Skill development in undereducated segments of society – total number of people trained by gender****	
Water consumption - Annual water savings (m3/y and % of the total water consumption)* - avoided discharge of untreated water (m3/y)***** - Wastewater collected or treated (m3/y)*****		
Emissions reduction initiative - Avoided fuel consumption (m3/y)*/***/****/***** - avoided GHG emissions (tCO2eq/y)*/***/****/***** - GHG emissions savings (tCO2eq/y)*		
Biodiversity impact - Adoption of practices/technologies for positive effects on biodiversity* - Avoided deforestation (ha/y)*		
Climate-related initiatives/Resource efficiency - Annual fertiliser savings (ton/y and % of the total fertilizer used) * - Annual pesticide reduced (ton/y and % of the total pesticide used)* - Hectares under no tillage (ha/y)* - Charging stations/infrastructure for EVs, sustainable biofuel fueling*****		

Note:

Agribusiness sector*
Textile sector**
Tourism sector***
Other services****
Other manufacturing*****

Project Savannah

12. Project Savannah is a collaborative initiative launched in 2023 by the United Nations Development Programme (UNDP), the Global Legal Entity Identifier Foundation (GLEIF), and the Monetary Authority of Singapore (MAS). Project Savannah aims, amongst other objectives, to establish a set of basic Environmental, Social, and Governance (ESG) metrics for common adoption by MSMEs worldwide.

13. In its *White Paper on Project Savannah: Common ESG Metrics for Generating Digital Sustainability Credentials for MSMEs,* Project Savannah unveiled a framework to support MSMEs in their sustainability reporting through three main pillars: Metrics, Technology, and Opportunities. The Metrics pillar aims to establish a globally relevant and harmonized set of ESG metrics, enabling MSMEs to generate essential ESG credentials for key stakeholders such as regulators, financial institutions, and supply chain partners. The Technology pillar focuses on connecting MSMEs with innovative solutions that simplify ESG data collection and reporting, making the process cost-effective and user-friendly. Lastly, the Opportunities pillar leverages Legal Entity Identifiers (LEIs) to facilitate the transmission of verifiable ESG data to financial institutions and multinational corporations, promoting access to green procurement, financing, and supply chain opportunities for MSMEs.

Table A A.7. Project Savannah indicators and metrics

Environment	Social	Governance
GHG emissions - Scope 1, 2 - In gross metric tons CO2e - Scope 2: location based and market-based - Emission intensity measure: - Emissions / (revenue, manpower, gross floor area)	Headcount - Headcount and full time equivalents - Contract type specification: full-time, part-time, seasonal	Business registration - Registration of business with local authorities according to applicable regulations - Universal Trusted Credentials - Company values & principles - Responsible business conduct
Energy consumption - In MWh - Purchased and self-generated - Total energy consumption - Categories: electricity, heating, cooling and/or steam - Proportion of renewable energy sources - Energy intensity ratio - Energy consumption / (revenue, manpower, gross floor area)	Youth hires - Number and % of employees in different age groups	Business compliance - Compliance with local regulations: taxation, safety zoning
Water consumption - Total water consumption = water withdrawal – water discharge - Water type classification - Whether entity operates in water-stressed or water-scarce - Water intensity ratio: - Water consumption / (revenue, manpower, gross floor area)	Women hires - Number and % of women in workforce	Accurate financial records - External verification of financial records - Usage of accounting, bookkeeping, inventory for financial management
Waste generation - Total waste generated in metric tons	Health and safety	Transparency in financial transactions - Fair and visible pricing

- Waste categories - Hazardous vs non hazardous waste	- Total number of work related accidents	- Transaction documentation
Emission reduction initiatives - Type: operational efficiency, process efficiency, low carbon energy consumption - Start date - Estimated annual emissions savings as result of actions - Scopes covered by initiative	Financial inclusion - Payment options available to employees	

The SME Climate Hub

14. The SME Climate Hub was launched in 2020 by a collaboration between the International Chamber of Commerce, the Exponential Roadmap Initiative, the We Mean Business Coalition, and the UNFCCC Race to Zero campaign. The SME Climate Hub provides various tools and resources to support SMEs in taking effective climate action, such as carbon calculators, and target setting tools. Amongst these is the SME tailored reporting framework *Climate Disclosure Framework for SMEs*, published in 2021 in collaboration with the Carbon Disclosure Project (CDP).

15. The framework includes a core section with three modules: Measure, Commit, and Action & Impact, along with four additional modules: Energy Reporting, Value Chain Emissions, Management & Resilience, and Climate Solutions). Each module provides indicators and metrics that are considered important for SMEs to report on in their climate disclosures. The Climate Disclosure Framework focuses primarily on the environmental component of ESG reporting, though it also includes some governance indicators which centre around environmental considerations in the additional modules section.

Table A A.8. SME Climate Hub: indicators and metrics

Environment	Governance
GHG emissions - Scope 1, 2 - In gross metric tons CO2e - Scope 2: location based required, market based if applicable (if entity is operating in area where market-based instruments are available)	Value chain emissions - Gross global Scope 3 emissions upstream and downstream
Energy consumption - In MWh - Purchased and self-generated - Proportion of renewable energy sources	Management and risk-assessment of climate matters - Individual/body responsible for overseeing climate matters - Risk assessment procedure: how company identifies, assesses and manages climate risk - Specification of transition vs physical climate risks - Climate strategy and how it aligns with science
Climate related targets - Target type (emissions reduction, emissions intensity, net-zero) - Base & target year - % of target achieved in reporting year - Whether target is set in line with recognised target setting standard/initiative - Emissions reduction target: scopes covered, % target reduction from base year, whether target is science-based or net-zero aligned - Net zero target: include a near-term emissions reduction target aligned with science, to what extent target is dependent on carbon removal activities	

Low- carbon products - % of total revenue from low-carbon products - Description of product/service - Type: low carbon product or enables third parties to avoid emissions - Methodology/taxonomy used for low-carbon classification	
Emission reduction initiatives - Type: operational efficiency, process efficiency, low carbon energy consumption - Start date - Estimated annual emissions savings as result of action - Scopes covered by initiative	