

OECD SME and Entrepreneurship Papers

OECD Guidance Note on fostering convergence in SME sustainability reporting

By Marija Kuzmanovic, Miriam Koreen and Giulia Honegger



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SMEs play a pivotal role in driving the transition towards sustainability. SME sustainability-related data is increasingly required to access green finance and participate in global value chains. However, many SMEs face reporting challenges, stemming from a lack of resources and expertise, difficulties in data collection and complexity and insufficient interoperability among sustainability reporting frameworks and standards across jurisdictions. This guidance note supports public authorities in designing SME sustainability reporting frameworks for financial institutions. It proposes a core set of indicators and metrics that balance financial institutions' data needs with SMEs' reporting capacity. It also offers practical guidance for implementation. By fostering convergence in reporting, it contributes to reducing the administrative burden and unlocking sustainable finance for SMEs.

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Glossary

Base year	In the context of climate targets, this refers to the year that the target was set
Emission factor	Predefined values that estimate the amount of GHG emissions produced per unit of activity (e.g. kg of CO ₂ per liter of fuel burned).
Emission intensity	The amount of emissions generated per unit of economic revenue
ESG rating product	A tool which evaluates a company's environmental, social, and governance performance based on specific criteria and methodologies.
Gender pay gap	The percentage difference in average earnings by gender as a share of men's earnings.
Hazardous waste	Waste which has chemical, physical or biological properties which can have a harmful effect on human health or the environment
Scope 1 Emissions	Direct GHG emissions from sources owned or controlled by an organisation, such as fuel combustion in company-owned vehicles, boilers, and industrial processes.
Scope 2 Emissions	Indirect emissions from purchased electricity, steam, heating, or cooling consumed by an organisation
Scope 3 Emissions	Indirect emissions occurring in an organisation's value chain, including those from suppliers, business travel, employee commuting, product use, and waste disposal.
Target year	In the context of climate targets, this refers to the year by which an organisation aims to achieve its set goal
The Greenhouse Gas Protocol	Globally recognised standard for measuring and reporting greenhouse gas emissions
Water consumption	The difference between water withdrawn and water discharged
Water discharge	Water released back into the environment after use or sold to a third party
Water withdrawal	Water drawn from any source for operational use
Workplace accident	An occurrence arising out of or during work which results in a fatal or non-fatal injury

1 Introduction

Why focus on SME sustainability reporting?

Small and medium-sized enterprises (SMEs) play a pivotal role in driving sustainable economic growth. Representing around 99% of businesses globally, SMEs have a significant collective impact on resource use, emissions and supply chains, accounting for between 40-50% of business sector GHG emissions globally (OECD, 2023^[1]; ITC, 2021^[2]; OECD, 2025^[3]). Furthermore, their agility and innovative potential make them essential players in advancing the green transition. For instance, SMEs represent more than 70% and 90% of clean-tech enterprises in the UK and Finland respectively (Koirala, 2019^[4]).

Many SMEs are voluntarily adopting sustainability reporting to measure and communicate their contributions to environmental and social goals. According to one survey, 78% of SMEs reported that they are measuring their GHG emissions, with over half indicating that they have also begun to implement emissions reduction initiatives (SME Climate Hub, 2025^[5]). In measuring and reporting on their sustainability progress, SMEs are seeking to build trust with stakeholders, improve their risk management, boost competitiveness and productivity and access new opportunities in an increasingly sustainability-driven market.

At the same time, sustainability reporting is becoming a prerequisite for SMEs, not just to meet growing regulatory pressures in many jurisdictions, which often trickle down to SMEs, but also in response to operational demands from financial institutions and supply chain partners. There is also growing consumer demand for sustainable products, with trends showing that consumers are increasingly factoring in sustainability impacts when making purchasing decisions (Accountancy Europe, 2023^[6]).

Financial institutions (FIs), which are the focus of this paper, are increasingly seeking sustainability data from their SME clients, with 60% doing so either directly or indirectly (OECD, 2023^[7]). This demand is partially driven by regulatory and investor pressures for information on the sustainability of their lending and investment portfolios. Sustainability data is also used to inform FI decision-making and to develop financing products tailored to SMEs' sustainability needs. According to a new OECD study, the provision of relevant environmental data by SMEs is often a prerequisite for determining eligibility for public support for SME sustainability investments, including for financing products provided through private financial intermediaries, as well as for evaluating the effectiveness and use of these public funds (OECD, forthcoming^[8]).

However, SMEs, particularly micro and small businesses as well as those in emerging and developing economies (EMDEs), face significant barriers in measuring and reporting on their sustainability performance and meeting these data demands from financing providers. Challenges include limited resources, lack of expertise and difficulties in identifying and accessing potential sources for data collection. Of over 470 SMEs surveyed on the main barriers to sustainability reporting, 42% cited lack of time, 41% reported the process as being too complex and 41% pointed to high reporting costs (SME Climate Hub, 2025^[5]).

Furthermore, SMEs must often navigate multiple complex reporting frameworks across, and sometimes within, jurisdictions. A survey conducted by the OECD highlights the absence of a common approach amongst financial institutions in their sustainability-related data requests from their SME clients, with approaches varying from the provision of questionnaires to externally validated assessments. The data requests also often differ depending on the size and sector of the SME. As a result, SMEs are frequently confronted with a multitude of data requirements from different institutions (OECD, 2023^[7]). Similarly, ESG rating products, widely used by investors and financial institutions, also demonstrate significant divergence in methodologies and metrics used to assess companies' sustainability performance, with over 2000 individual ESG metrics identified across eight ESG rating products (OECD, 2025^[9]).

In order to continue advancing towards sustainability goals, it is becoming more urgent to ensure that sustainability reporting does not pose an undue burden on different economic actors, including financial institutions and small businesses, and to reduce potential trade-offs between sustainability compliance and industrial and economic objectives.

As part of its efforts to enhance SME access to sustainable finance, the OECD Platform on Financing SMEs for Sustainability has developed work to foster convergence in sustainability data demands for SMEs. This Guidance Note builds on a review of key sustainability reporting standards and frameworks for SMEs in the OECD policy paper on [Fostering convergence in SME sustainability reporting](#); input from the stakeholder consultations under the OECD global dialogue on SME sustainability reporting; as well as broader insights from the sustainability reporting workstream of the OECD Platform on Financing SMEs for Sustainability (see Box 1.1).

Box 1.1. OECD Platform on Financing SMEs for Sustainability: Background for the development of the Guidance Note

The OECD paper on Fostering Convergence in SME Sustainability Reporting reviewed a diverse set of international sustainability reporting frameworks, both from standard setters and international initiatives from different regions of the world, with a focus on SME-specific frameworks (see Table 1.1).

Most of the frameworks examined covered all three dimensions of sustainability reporting, namely environmental, social and governance aspects (ESG), although with varying levels of detail. The environmental dimension was often most prominent, comprising the largest number of reporting indicators and metrics, with some frameworks solely focusing on environmental/climate-related indicators.

The selection of indicators also reflected differences in materiality approaches. For instance, some frameworks adopted a financial materiality approach, which only considers indicators and metrics that are material to the financial performance of the enterprise, while others utilised a double materiality approach, also taking into account how the operations of the enterprise affect the environment and society at large.

The majority of frameworks adopted a sector-agnostic approach in the reporting requirements for SMEs. The frameworks also reflected different geographic and development contexts and different objectives.

Table 1.1. Key features of sustainability reporting frameworks analysed

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		

Note: The VSME has been developed for application in EU countries.

Source: (OECD, 2025^[10]).

Despite differences in structure and scope, many common indicators and metrics were identified across the frameworks, contributing to the identification of a core set of indicators and metrics. The paper also outlined the reporting needs of SMEs for each indicator and metric, including the type of data input sources required, as well as available support tools and advisory services.

The paper formed the basis for the *OECD's Global Dialogue on SME Sustainability Reporting*, which was launched on 19 November 2024 in the context of the COP29. The dialogue mobilised key stakeholders in the SME sustainable finance ecosystem, including public and private financial institutions, standard setters, SME representatives, ESG and accountancy actors and policy makers. The consultations centred on assessing the proposed set of core indicators and metrics in terms of their relevance for the reporting and operational needs of financial institutions, as well as the measurement and reporting capacities and constraints of SMEs. Discussions also centred around key types of support through relevant tools and services, including digital ones, that are needed to help SMEs measure and report on these indicators and metrics.

Source: (OECD, 2025^[10]).

Objectives of the Guidance Note

This Guidance Note aims to address the challenges stemming from the complexities and lack of interoperability between different SME sustainability reporting standards and frameworks across jurisdictions. It seeks to reduce divergence and proliferation of different sustainability data requests to SMEs from financial institutions at the global level. As such, it aims to provide a contribution to facilitating sustainability reporting, reducing its administrative burden and unlocking sustainable finance for SMEs.

It forms an integral part of the work of the OECD Platform on Financing SMEs for Sustainability, which brings together public financial institutions serving SMEs and entrepreneurs and other SME finance ecosystem actors to enhance SME access to sustainable finance. The Guidance Note is also intended for public authorities considering the development of frameworks for SME reporting to financial institutions where these frameworks do not yet exist. While this note has been developed in the context of the SME sustainable finance ecosystem, many of the indicators may also be relevant for SME sustainability reporting within supply chains.

The Note recognises the efforts that a number of jurisdictions have already made in streamlining SME sustainability reporting. Building on those efforts, it identifies potential areas for convergence by proposing a set of core indicators and metrics commonly found across existing frameworks. Additionally, the guidance provides recommendations for the development of such frameworks where they do not yet exist, as well as considerations for their implementation. In this way, the Guidance Note can contribute to supporting financial institutions in obtaining the key data they require from their SME clients for both their operational and reporting needs, and in developing tailored sustainable finance products for SMEs. The Guidance Note also highlights some key benefits of sustainability measurement and reporting for SMEs that can be used in reporting frameworks to help boost SMEs' awareness, understanding and uptake of reporting.

Finally, the Guidance Note proposes an additional set of sustainability indicators and metrics for consideration in Annex I. These additional indicators and metrics may be relevant for certain categories of SMEs, such as SMEs operating in sectors with high impacts on specific sustainability dimensions, larger SMEs, or SMEs deeply embedded in global supply chains with footprints that affect many other entities.

Next steps

It will be important to disseminate the guidance widely among relevant ecosystem actors and build support for its implementation, including through the development of the complementary actions, tools and support (see Chapter 3). The OECD Platform on Financing SMEs for Sustainability stands ready to collaborate with governments, standard setters, associations of financial institutions, SME organisations and others to roll out the guidance and support its implementation, including through country-specific projects and pilots, with a view to testing the guidance at an operational level.

Looking ahead, additional work to develop further guidance and/or pilots for SMEs operating in specific sectors could be considered. In addition, the development of OECD guidance for SME sustainability reporting to value chain partners could also be envisioned.

The CSME and the Platform on Financing SMEs for Sustainability will continue to work to strengthen SME contributions to sustainability and greening throughout the economy and society.

2 Key SME sustainability reporting indicators and metrics

This section sets out core sustainability indicators and metrics which can be considered in the context of SME sustainability reporting to financial institutions. These indicators and metrics were selected according to the following criteria, and were validated during a series of stakeholder consultations (see Chapter 1):

- **Relevance:** They represent the core information currently being sought across different geographic regions to capture the sustainability performance of SMEs.
- **Convergence:** They are present across the majority of international sustainability reporting standards and frameworks.
- **Applicability:** They apply to SMEs of different sizes, sectors and level of supply chain integration.
- **Usefulness:** They reflect data points which can meet core data needs of financial institutions and which can serve SMEs in their sustainability strategies and transitions.
- **Feasibility:** They take account of data availability and SMEs' limited capacities for measurement and reporting, as well as availability of support tools and advisory services.

As such, they form a baseline for SME sustainability reporting, which may evolve over time, as reporting tools and SME capacity to report develop further, and as sustainability information needs evolve.

Table 2 provides an overview of the recommended indicators and metrics. The indicators are organised along the three dimensions of sustainability, namely environmental, social and governance. For each indicator, the guidance offers information on what the indicator measures and the relevance of collecting these data (for both financial institutions and SMEs), as well as potential sources and tools for data collection. The table also summarises basic information and characteristics of the enterprises that can complement sustainability indicators (e.g. geolocation data). Basic information can also guide stakeholder considerations for requesting further sustainability-related data from SMEs based on their size and sector, as outlined in the additional indicators found in Annex B.

Table 2. Overview of basic information and core SME sustainability reporting indicators and metrics

Basic information	Name of entity
	Legal form
	Country of primary operations and location of significant assets
	Date of disclosure
	Disclosure period
	Sector
	Size of balance sheet
	Turnover
	Number of employees
	Entities included (information on subsidiaries)
	Geolocation of sites owned, leased or managed
	Sustainability-related certification or label (if applicable)

ESG	Indicator	Metrics
Environmental	Gross Scope 1 and Scope 2 Greenhouse Gas Emissions	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.
	Energy consumption	Total: Total final amount of energy that an SME consumes in MWh per annum. Share of renewable energy sources: Share of renewable and non-renewable sources (purchased and/or self-generated).
	Water consumption	Water consumption: Calculated as water withdrawal (the amount of water entering the firm's 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: waste divided into hazardous and non-hazardous waste Total annual waste directed to recycling or reuse.
Social	Own workforce	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. Workforce strategies, policies and management approaches
	Health and safety	Total: Total number of workplace accidents which occurred during the reporting year.
Governance	Management of sustainability issues / Sustainability strategy & oversight	Sustainability strategy: Outline of the policies ¹ and actions to manage and mitigate sustainability-related risks and opportunities. Sustainability oversight: Designated individuals or committee in charge of overseeing sustainability and/or climate issues.
	Climate management	Climate actions: Actions an SME is currently taking or planning to take in the future towards a more sustainable economy.
	Business compliance	Anti-corruption and anti-bribery: disclosing number of fines and penalties received for violating anti-corruption and anti-bribery laws.

Note: The precise definition of metrics may vary according to different national contexts.

Source: Authors based on (OECD, 2025_[10]) and stakeholder consultations.

Environmental indicators

1. Gross Scope 1 and Scope 2 Greenhouse Gas Emissions

What does this indicator measure?

This indicator measures the emissions arising from the SME's activities. Emissions are categorised into scopes by the **Greenhouse Gas Protocol**, the leading standard for quantifying, reporting and managing emissions (GHG Protocol, 2001_[11]). SMEs should report on their **Scope 1 and Scope 2 emissions**, as these metrics provide a comprehensive measure of the emissions that the enterprise generates from its direct operations.

- **Scope 1** refers to **direct emissions** arising from the company's owned or controlled sources. This includes **stationary and mobile combustion**, from boilers, generators, furnaces and vehicles, **fugitive emissions** from sources like gas leaks in refrigeration units, as well as **process emissions** from industrial activities.
- **Scope 2** are **indirect emissions** from the generation of **purchased electricity, steam, heating, or cooling consumed** by the reporting company:

- When these emissions are tied to the average emissions intensity of the grids that supply the energy, the emissions are referred to as the **location-based** Scope 2 emissions. This is a simpler way of measuring and reporting on Scope 2 emissions.
- If the SME has entered any contractual agreements with energy suppliers, such as Power Purchase Agreements (PPAs), or purchased any renewable energy certificates, they can voluntarily report on these. This is referred to as the **market-based method**. Entering contracts with low-carbon energy providers presents SMEs with an opportunity to reduce their carbon footprint. Emission factors can be obtained from their energy provider or found in the contractual agreement terms.

Why collect data on this indicator?

Financial institutions need to report on their financed portfolio (part of their Scope 3 emissions). While they can estimate such emissions at portfolio level (e.g. using the Partnership for Carbon Accounting Financials (PCAF) method), having actual emissions data (Scope 1 and 2) from SMEs improves the accuracy and credibility of emissions accounting compared to relying on industry averages or proxies.

Financial institutions also require these data from SMEs for their operational needs including risk management and provision of sustainable and green finance. For instance, high emissions intensity can indicate transition risk (e.g. exposure to carbon pricing, regulation, or market shifts). Understanding an SME's Scope 1 and 2 emissions thus helps the financing provider assess the borrower's resilience to climate transition scenarios. This has implications for credit scoring, loan pricing and capital allocation. Financial institutions can also use emissions to set up key performance indicators (KPIs) for green and sustainability-linked instruments including financing instruments specifically aimed at boosting energy efficiency or investing in clean energy. These can include green loans, leases, sustainability-linked instruments and various green supply chain financing solutions. Additionally, funding can be directed toward innovation, supporting the development and dissemination of green technologies that reduce GHG emissions through R&D grants, equity, or quasi-equity instruments (OECD, forthcoming^[8]).

Data on emissions can enable financial institutions to engage with SMEs on decarbonisation strategies and provide targeted non-financial support. This support can take the form of technical assistance and capacity-building initiatives, such as training programmes which help SMEs measure emissions and understand what actions they can take to reduce them (OECD, forthcoming^[8]).

Business-useful insights from these metrics: Beyond meeting reporting needs, measuring Scope 1 and 2 emissions operations provides SMEs with actionable insights. For instance, by analysing emissions linked to fuel consumption in boilers, furnaces, and company vehicles (Scope 1) and electricity usage from the grid (Scope 2), SMEs can identify inefficiencies such as outdated equipment, excessive energy consumption or reliance on high-emission energy sources. These insights can help them identify potential cost-saving initiatives, such as upgrading to energy-efficient machinery or switching to lower-carbon energy sources, among other actions. Additionally, measuring emissions can open up green and sustainable finance opportunities to SMEs, which often have the added benefit of offering better financing conditions, such as reduced interest rates or longer repayment periods.

Potential sources for data collection

This indicator requires information on quantities of fuel source types used, together with estimates of their emissions factors, which are not typically sourced from the firm's operational documents. As such, estimates of Scope 1 and Scope 2 emissions for each distinct fuel type/source are based on the following calculation:

$$\text{Greenhouse gas emissions} = \text{Activity data} \times \text{Emission Factors}$$

Activity data refers to the quantifiable activities that generate GHG emissions, most related to the amount of fuel or energy consumed. It is typically expressed in energy units (MWh) but can also be expressed in quantities such as m³, tonnes, kg). Often firms do not have activity data per se but are able to estimate quantities via price information, assuming that expenditures and actual consumption align in the reporting period. In addition, some difficulties may arise with price information in cases of differential pricing during an average day.

Emission factors define the amount of GHG emissions produced per unit of activity. These are based on average values by sector, technology type, and fuel type and can be directly sourced from publicly available databases. These factors may be more complicated to estimate as energy firms for example may have varying degrees of fuel use (e.g. fossil fuel, wind, nuclear etc), or indeed may have varying mixes of energy uses over time.

An increasing number of public and private actors have started developing **calculator tools**, which enable SMEs to readily quantify their carbon footprint. These are often based on **purchase/spend data**, from which quantity estimates are derived, **operational data** for more precise estimates, or a combination of both to which emission factors are applied.

Tools are increasingly being developed to automate data extraction, processing and reporting processes, with the goal of reducing the reporting burden on SMEs. These automation processes extract the relevant information directly from the source (e.g. smart energy meters) or from the energy provider and apply the relevant emission factors to facilitate direct and secure data sharing with financial institutions.

Table 2.3 provides information on potential data sources, as well as select examples of resources and tools for Scope 1 and Scope 2 calculation. It is important to note that this guidance does not seek to advocate for specific tools and resources to be used, and that the examples provided are for illustrative purposes only.

Table 2.3. Scope 1 and Scope 2 calculation

Manual calculation			Examples of calculators and automation tools
	Activity data sources	Examples of resources on emission factors	
Scope 1			
From on-site sources including boilers, furnaces, generators, vehicles, refrigerators or air conditioning units, and onsite generated energy	Fuel purchase receipts and meter readings from equipment	Based on fuel type: • ADEME: Base Empreinte • IPCC: Emissions Factor Database	Carbon Trust: SME Carbon Footprint Calculator (Scope 1 and 2 only) SME Climate Hub: Calculate your business emissions (Scope 1, 2 and 3) Danish Business Authority: Climate Compass Project Perseus (coalition led by Icebreaker One and Bankers for Net Zero)
Scope 2			
From purchased electricity, heat, cooling, and steam consumption	Utility bills and electricity invoices Renewable energy certificates (market-based method)	Location-based method: Based on the energy mix of the electricity grid in which the SME operates Market-based method: Based on emission factors from	

		contractual instruments, such as energy supplier agreements or renewable energy certificates Europe: AIB: Residual Mix Grid Emission Factors - Global: IEA 2024 Annual GHG Emission Factors (paid) - Canada: Government of Canada Emission Factors - US: EPA GHG Emission Factors Hub	
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Source: Authors based on (OECD, 2025^[10]).

2. Total final energy consumption in MWh

What does this indicator measure?

This indicator measures the **total final energy consumption** by SMEs.² This includes direct energy, such as the onsite use of fuels and renewable energy, as well as indirect energy, through purchased electricity, steam, heating and cooling. It excludes on-site generated energy which is sold on to third parties.

SMEs could be asked to present this information through:

- breaking energy consumption down into **electricity and fuels**;
- indicating the share of each that is sourced from **renewable and non-renewable energy sources**.

Why collect data on this indicator?

Financial institutions can use data on the energy consumption of their clients to meet various reporting needs. Notably, where data on scope 2 emissions is not available, energy consumption data can be used, in combination with emissions factors, to derive these estimates, which would in turn be used to measure and report on portfolio-level emissions intensity (in addition to other indicators such as energy consumption per employee or revenue). With many assets being classified as “green” if they have low energy consumption, such data can help financial institutions estimate indicators like their green asset ratio or report on their portfolio’s alignment with green taxonomies.

This information is also useful for financial institutions’ operational needs. High or inefficient energy consumption increases exposure to energy price volatility, supply risks, and carbon pricing, especially in energy-intensive sectors. Financial institutions assess these risks to inform creditworthiness or sector exposure. These data can also be used to develop KPIs for financial products seeking to improve energy efficiency or reduce energy consumption (e.g. retrofitting loans or energy performance contracts). They can also be used for financial products seeking to finance the reduction of fossil fuel consumption, through for example replacing engine vehicle fleets with electric vehicles.

Energy consumption data also helps banks provide SMEs with targeted advice or referral services to energy auditors, energy service companies (ESCOs), or government efficiency programmes and provide targeted financial support.

Business-useful insights from these metrics: This reporting metric provides a standardised measure of energy use which allows SMEs to track the energy efficiency of their operations, benchmark their performance with comparable enterprises and identify cost saving opportunities related to energy

consumption reduction or switching the energy mix toward more renewable and climate-friendly options. Such data can also help support applications for green financing. If SMEs are obliged to do an energy audit under relevant national regulations, they can get also actionable insights on reducing or greening their energy consumption. Finally, greener energy performance could translate into certain competitive advantages for SMEs, a potentially wider consumer base.

Potential sources for data collection

SMEs can source data on their electricity consumption from their **utility bills** or obtain this information from their energy suppliers. For fuel usage, SMEs should consult their **fuel purchase receipts**. SMEs should avoid double counting in the case of fuel usage by reporting purchased fuel only, without separately counting the electricity, heat, or cooling generated from that fuel. The use of **automation tools**, which extract these data from smart energy meters or purchase receipts and directly share it with financial institutions, can also prove useful for reporting on this indicator if such tools and data sharing infrastructure exist in the country of reporting.

3. Water consumption in m³

What does this indicator measure?

Water consumption measures the amount of water withdrawn and (if applicable) the amount of water discharged by SMEs. The indicator aims to provide a more comprehensive picture of the extent to which the enterprise relies on water resources, which is particularly relevant in water-scarce or water-stressed regions. It is calculated through the following formula:

Water consumption (m³) = Water withdrawal – Water discharge

- **Water withdrawal** refers to the total amount of water brought into the operational boundaries of the SME.
- **Water discharge** refers to the amount of water released back into the environment, such as into lakes or rivers, into public sewers, or sold onto a third party.

Why collect data on this indicator?

Financial institutions need data on water consumption primarily for reporting purposes as many reporting standards and regulations include water usage and water intensity metrics as core disclosure items.

However, financial institutions may also ask for such data for operational considerations, particularly when it comes to SME clients operating in sectors with high water use or in regions facing water stress. Such considerations may include risk assessment, as high-water dependency can create physical risks (e.g. droughts, floods) and regulatory risks (e.g. water pricing, usage limits) with implications for portfolio risk assessments and stress testing. High water intensity in a water-stressed area may result in SMEs facing cost volatility or operational disruptions, which can increase their default risk and thus has implications for credit risk assessment and pricing decisions. Water use data can also be a KPI in sustainability-linked loans and green financing that support the adoption of water-efficient technology. Financial support can also be tailored to SMEs that are developing innovative water-saving or water-efficiency solutions, for example through market-based instruments, such as mini bonds, equity-based investments and blended finance instruments (OECD, forthcoming^[8]).

Business-useful insights from these metrics: Tracking water withdrawal metrics helps SMEs identify inefficiencies, adopt water-saving technologies and reduce reliance on scarce water sources. For example, optimising water withdrawal can lower costs associated with treatment and disposal, improve resilience to droughts or water restrictions, and enhance relationships with local communities concerned about shared water resources. Proactively managing water use not only strengthens sustainability performance of SMEs but also reduces their long-term business risks and improves competitiveness in water-sensitive markets.

Many standards require the provision of complementary data on the quality of water discharged from large entities, but generally SMEs are not asked to provide these data. SMEs may nevertheless want to voluntarily track such data to have a more comprehensive picture of their environmental impact. This can also help them be mindful of opportunities to invest in water treatment and other technologies to improve the quality of the water they discharge.

Potential sources for data collection

SMEs can extract information on the relevant metrics by consulting **water utility bills or water meter readings**.

4. Waste management in metric tons

What does this indicator measure?

This indicator measures **the total amount of waste generated** by the SMEs' operations in **metric tons**.

SMEs could be asked to provide this information by:

- Categorising their total waste into **hazardous and non-hazardous waste**;
- Specifying the quantities that are redirected to **recycling or reuse**.

Why collect data on this indicator?

Financial institutions need data on the waste generated by their client companies to meet own reporting needs. Various standards and regulations require waste-related disclosures from reporting entities as part of the portfolio-level assessment of environmental impact. These often require breakdown by waste type (hazardous vs. non-hazardous) as well as by disposal type including recycled waste.

Waste generation data is also important for operational purposes. This includes managing regulatory and compliance risks related to waste generation, management and disposal by clients. As a result, SMEs with high waste intensity or poor waste segregation practices, for example, face higher ESG risks and can face more unfavourable credit terms.

The provision of these data is also important for the purposes of providing green and sustainable finance. Notably, they can serve as KPIs for sustainability-linked loans, and guarantees, particularly those related to investments in waste reduction, treatment or circular practices. They can also provide a basis for non-financial advisory support toward cost reduction and improving operational efficiency, in the form of awareness-raising and technical assistance programmes. Providing access to testbeds and pilots, as well as knowledge-sharing platforms, also supports start-ups that are developing novel waste-reduction and recycling solutions (OECD, forthcoming^[8]).

Business-useful insights from these metrics: Measuring waste generation provides key insights into the efficiency of resource use and the effectiveness of recycling and reuse systems—core principles of the circular economy. A decrease in waste, especially non-recyclable or hazardous types, often indicates progress toward circular practices like product life extension, material recovery, and reduced resource extraction. Monitoring waste metrics can help SMEs reduce costs, improve regulatory compliance, and enhance their sustainability performance.

Potential sources for data collection

SMEs should consult their **waste collection and management invoices** to identify the total amount of waste generated and the amount of waste diverted to recycling or reuse. To obtain further information on which waste categories qualify as hazardous or non-hazardous, SMEs can consult the **Basel Convention Waste Classification** or relevant guides which contain such information and have been developed to help SMEs with sustainability reporting.

Social indicators

5. Own workforce

What does this indicator measure?

The “own workforce” indicator includes a **headcount** of the SME's workforce, specified by:

- **contract type:** specifying the number of employees who are under a permanent or temporary contract;
- **gender:** specifying the number of male, female and other (if applicable) employees.

It also entails a **qualitative description of the company's management approach, policies and strategies** towards its workforce. This could include for example an outline of its workplace culture and engagement practices, and training and development measures.

Why collect data on this indicator?

Financial institutions need SME workforce data for the purposes of disclosure, ESG-adjusted risk assessment and modelling, as well as for the provision of relevant sustainability-linked financing. In terms of reporting, while banks generally do not need to specifically report on data related to workforce characteristics and diversity of their clients (rather just their own), they do have to disclose social risks and impacts associated with their portfolios, which can include poor working conditions or discrimination. They also need to disclose how they assess these risks, for which they require granular data from their SME clients.

Workforce related indicators and metrics can be used in sustainability-linked financing instruments, where progress is measured on baseline figures. Such data can also be used by banks to provide targeted non-financial support in terms of advisory services and guidance on how to improve working conditions through promoting inclusion and retaining talent.

Business-useful insights from these metrics: Monitoring workforce indicators, such as employee breakdown by contract type and gender diversity provides SMEs with critical insights to improve their workforce stability, enhance inclusivity and optimise talent retention strategies. By analysing contract

stability metrics, SMEs can assess job security trends, workforce planning needs and areas for improving employee engagement. Gender diversity metrics help identify gaps in representation, supporting more inclusive hiring and retention policies, which can lead to long-term benefits in attracting and retaining talent.

Potential sources for data collection

SMEs can obtain information on their employees, such as their gender breakdown and contract type through the data of their **HR system**.

6. Health and safety

What does this indicator measure?

This indicator records the **total number of workplace accidents** which occurred during the reporting year. Workplace accident refers to an occurrence arising out of or during work, resulting in a fatal or non-fatal injury (International Labour Organization, 2015^[12]).

Why collect data on this indicator?

Financial institutions need to report on how they manage social risks in their value chain, which includes the safety of the workplace conditions of their borrowers and investees.

These data are also useful in the context of operational needs of financial institutions, including risk management and related pricing of financing to SME clients. In addition, these types of data are relevant as conditions for the provision of sustainability-linked financing, as well as advisory services and non-financial support related to the social performance of clients.

Business-useful insights from these metrics: Tracking workplace health and safety indicators provides SMEs with valuable insights to improve operational efficiency, reduce risks and foster a safer work environment. Analysing accident trends can help SMEs identify hazardous processes, enabling them to implement targeted safety measures, enhance training programs and upgrade equipment to prevent incidents. A strong focus on safety not only reduces absenteeism, compensation costs and productivity losses, but also boosts employee morale and retention.

Potential sources for data collection

SMEs can obtain the relevant data from their **HR system**. SMEs without such systems in place can consult manual recordkeeping documents, such as **logbooks or spreadsheets**. When outlining strategies and policies, SMEs can provide a short narrative text on the practices and actions that they are taking towards their workforce.

Governance indicators

7. Management of sustainability issues

What does this indicator measure?

For this indicator, SMEs should outline their **sustainability strategy or approach** (in the absence of a formal strategy document).

SMEs could be asked to present the information in the following format:

- **Actions and policies:** disclosing the target area, the (planned) start year, the type of action, and its envisioned timeline;
- The individual(s) or committee responsible for overseeing sustainability issues in the company.

Why collect data on this indicator?

Financial institutions can use this information as part of broader assessments of the ESG risk profile of their SME client. It also enables them to design tailored non-financial support programmes which help guide SMEs on improving their sustainability strategy or approach.

Business-useful insights from these metrics: Formulating and implementing a sustainability strategy helps SMEs enhance risk management, track progress, and ensure long-term resilience. It also unlocks access to sustainable financing options and opens new market opportunities, fostering potential business collaborations and reaching new costumers.

Potential sources for data collection

SMEs can source this information from their **corporate governance documents**. Alternatively, in the absence of such strategies or documents, SMEs can provide a **short narrative text** about the practices and actions they are planning to take towards sustainability objectives.

8. Climate management

What does this indicator measure?

This indicator provides a qualitative description of the **actions** that an SME is currently taking or planning to take in the future to reduce its climate impact. SMEs could present their climate actions through outlining its **(planned) starting year, the type of action and timeline foreseen for implementation**.

Why collect data on this indicator?

Financial institutions may request these data from SMEs to support risk management, particularly for monitoring the environmental and climate-related risks within their financed portfolios. It can also support their own sustainability reporting practices, such as disclosing the climate alignment of their lending activities. Additionally, the information can prove valuable in assessing eligibility for green financial products. It further enables financial institutions to design tailored technical assistance or advisory service programmes for SMEs to support them in improving climate management practices.

Business-useful insights from these metrics: Climate management provides SMEs with a strategic advantage by identifying potential cost-saving opportunities, such as energy efficiency improvements.

It further enables SMEs to tap into new market opportunities, through new supplier relationships with sustainability-minded larger firms as well as appealing to environmentally conscious consumers. Additionally, it enhances access to green finance options, which often offer favourable financing conditions.

Potential sources for data collection

SMEs can source this information from their **corporate governance documents**.

9. Business compliance

What does this indicator measure?

This indicator provides insights into the **total number of fines and penalties the company has received for violations of anti-corruption and anti-bribery laws**.

SMEs could be asked to disclose the **year of the claim**, whether it is **ongoing**, the **type of violation**, the **country of occurrence** and optionally also include any **remediation actions** that were taken.

Why collect data on this indicator?

Financial institutions are increasingly asked to disclose how they assess and respond to corruption risks across their lending or investment portfolios. Such data from their SME clients can also be useful for financial institutions' compliance with relevant regulations on corruption, bribery and money laundering, which require them to screen for such violations among the clients in their portfolios. Financial institutions could also use these data to assess and manage ethical risks in relation to governance practices of their financed portfolios.

Business-useful insights from these metrics: Tracking and disclosing anti-corruption metrics helps SMEs to strengthen corporate governance, build stakeholder trust and mitigate financial and reputational risks. Regular monitoring of corruption-related incidents allows SMEs to identify vulnerabilities, enhance internal controls and reinforce ethical business practices. Transparency in reporting not only ensures regulatory compliance but also improves credibility with investors, customers and business partners. Proactively addressing corruption risks can lead to improved market access, stronger supplier and customer relationships and a more resilient business.

Potential sources for data collection

To report on the **fines and penalties** that SMEs received for violating anti-corruption and anti-bribery laws, SMEs should consult **legal and compliance records** for any relevant violations.

3 Implementation of the guidance: Key considerations and next steps

Moving from guidance to implementation

This Guidance Note sets out the core sustainability reporting indicators and metrics which can be considered in the context of SME sustainability reporting to financial institutions. Given the challenges many SMEs face in sustainability reporting due to knowledge and resource barriers, the successful implementation of the guidance requires clear directions on the definition, collection, measurement and reporting on these indicators and metrics. It may also call for the provision of additional support for SMEs from different ecosystem actors. This support may include the development of implementation guides, training sessions, advisory services, digital tools and platforms for data collection, calculations and reporting and leveraging of digital technologies and infrastructure to automate data transmission and reporting.

In this context, this chapter sets out a number of issues for consideration in the implementation of the guidance and for successful compliance by SMEs.

Key considerations for the development of a reporting framework based on the Guidance Note

Relevant stakeholders should be engaged in the development of the reporting framework

Stakeholder engagement is important to ensure that the framework developed incorporates the insights and perspectives of all relevant stakeholders and that it is well adapted to the conditions and capabilities of SMEs in specific contexts. This includes public authorities, financial institutions and business associations, as well as SME representatives. National Statistics Offices (NSOs) could also be included in this process to ensure that the framework is aligned with national data systems, to support data consistency and availability.

Relevant stakeholders should also be engaged in the development of accompanying guides and support resources.

Using clear, concise and simplified language in the reporting framework

Any reporting framework, guidance or information addressed to SMEs for their sustainability reporting should use clear, concise and easy-to-understand language to facilitate uptake of the guidance and quality and consistency in the reported data. Relevant considerations in this area include:

- Providing clear explanations of what an indicator means and what metrics should be reported on for each indicator.
- Avoiding using complex and technical language, as many SMEs may not have specialised staff or the resources to hire external help to conduct the reporting.
- Providing concise guidance and information to reduce the resource intensity of the exercise, particularly for smaller SMEs.

Providing clear guidance on how SMEs can collect, measure and report on the indicators and metrics

- Offering step-by-step guidance on how to collect, measure and report on the data. This includes recommendations on sources that SMEs can consult to obtain the necessary data and additional references (e.g. databases, guides, etc.) and tools they can consult or utilise for measurement and reporting.

Explaining the potential insights and benefits from sustainability-related measurement and reporting for SMEs

- Explaining how the collection and measurement of the sustainability-related indicators and metrics can help SMEs gain business-useful insights that can benefit SMEs beyond just meeting their reporting needs. This is important to support SME adoption, especially in the context of voluntary reporting.
- Including concrete examples of climate actions and sustainability initiatives that SMEs can implement.

Key considerations for fostering the uptake and implementation of the reporting framework

Raising awareness of the benefits for financial institutions

- Conducting awareness raising campaigns and targeted trainings within financial institutions on the benefits of SME sustainability reporting, highlighting the importance of data for risk management and for the design of green financial products.
- Encouraging financial institutions to integrate SME reporting according to standardised indicators and metrics into their offering of green financial products, which could streamline ESG screening assessments for financial institutions and reduce due diligence costs.
- Providing formal public recognition to financial institutions which have implemented the SME standard into their operations, for example through certifications, to enhance their attractiveness towards investors and other stakeholders.

Providing effective tools for measurement and reporting

Sustainability reporting requires the sourcing, measurement, processing and reporting of relevant data. This may prove to be a complex and resource intensive process for SMEs, which face additional challenges due to their limited resources and capacities. Many sustainability indicators, such as emissions calculations, require data processing and technical knowledge. Relevant support in this area includes:

- Improving accessibility and affordability of tools, adapted to different regulatory requirements and offered in local languages;

- Creating the necessary legal and institutional infrastructure to enable the leveraging of digital and AI-powered mechanisms and tools to automate data extraction and processing and to generate automated sustainability reports, in order to minimise the need for manual data inputs from SMEs, with due attention to data security and confidentiality issues;
- Fostering data interoperability through promoting the design of tools which are compatible with systems that are commonly used by SMEs, such as accounting and HR systems and software. This will facilitate efficient data sharing and ensure consistency in reporting;
- Considering the creation of a centralised data platform, to facilitate direct and simplified data sharing between SMEs and financial institutions.

Offering support services to SMEs on data collection, measurement and reporting

To help SMEs integrate sustainability into their operations, tailored support services offered by public authorities, financial institutions and other actors are crucial.

Such support can take the form of:

- Awareness programmes, which educate SMEs on the benefits of measuring and reporting on their sustainability performance;
- Offering guides and templates which can help SMEs through the reporting process;
- Technical support and training, offering tailored support on collecting data, monitoring progress and reporting on sustainability performance;
- Providing fora for knowledge sharing among SMEs on sustainability reporting implementation.

Furthermore, SMEs in emerging and developing economies, where data access and reporting resources are more limited, may face particular challenges and require additional assistance.

Fostering data quality and security

Ensuring data quality is essential for sustainability reporting to be consistent and meaningful. As sustainability data may include sensitive or classified information, data protection and privacy measures are critical to build trust among SMEs and prevent unauthorised access or leaks. Key provisions include:

- Providing SMEs with recommendations on reliable data sources, standardised measurement units and transparent calculation methodologies to enhance data quality;
- Leveraging AI and other tools and mechanisms for data verification and quality assurance;
- Offering capacity building initiatives and training sessions which help SMEs collect, store, and report on their sustainability data, including outlining best practices for identifying and handling sensitive information;
- Supporting SMEs that wish to publicly disclose their sustainability reports, helping them understand how to identify and manage sensitive or classified data when publishing reports.

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Notes

¹ Policies refer to a set of general objectives and management principles that guide decision-making on sustainability issues. They define responsibilities, specify their scope of application, and include one or more objectives, which may be linked to measurable targets. Policies can be informal, outlining implemented actions, action plans or targets to address sustainability issues.

² Final energy consumption refers to the energy used by the company for their operations.

Annex A. Alignment of indicators and metrics with selected reporting standards and frameworks

Table A A.1. Mapping of OECD guidance on core indicators and metrics by framework

Indicators and metrics	Framework						
	VSME	CDP	ISSB	GRI	IFC	Project Savannah	SME Climate Hub
Scope 1 and Scope 2 Greenhouse Gas Emissions	X	X	X	X	X	X	X
• Total energy consumption	X	X	X	X	X	X	X
• Share of renewable energy sources	X	X	X	X	X	X	X
Water consumption	X		X	X	X	X	
Waste management	X		X	X	X	X	
• Total waste generated	X		X	X	X	X	
• Waste categories	X		X	X	X		
• Waste diverted to recycle/reuse	X		X	X	X		
Own workforce	X		X	X		X	
• Own workforce – contract type	X		X	X		X	
• Own workforce - gender	X		X	X	X	X	
• Workforce strategies, policies and management approaches	(1)		X	X	X		
• Total number of workplace accidents	X		X	X		X	
Management of sustainability issues	X		X	X	X		
• Sustainability strategy	X (2)		X	X	X		
• Sustainability oversight	X		X	X			
Climate management	X	X	X		X	X	X
Business compliance	X		X	X		X	
• Anti-corruption and anti-bribery	X		X	X			

Notes: (1) In the VSME, workforce policies are only in the context of sustainability practices towards the entity's workforce included under indicator B2 Practices, policies and future initiatives for transitioning towards a more sustainable economy and indicator C2 Description of practices, policies and future initiatives for transitioning towards a more sustainable economy, such as undergoing sustainability training of the entity's workforce.

(2) In the VSME, this is partially represented under indicator B2 *Practices, policies and future initiatives for transitioning towards a more sustainable economy* and indicators C1 – *Strategy: Business Model and Sustainability – Related Initiatives* and C2 *Description of practices, policies and future initiatives for transitioning towards a more sustainable economy*.

Source: Authors.

Annex B. Additional sustainability reporting indicators and metrics for consideration

The stakeholder consultations for the development of this Guidance Note highlighted a number of additional indicators beyond the core set of indicators and metrics, which may be of relevance for certain SMEs. This section outlines these additional sustainability indicators and metrics, which public authorities could take into account in the development of SME sustainability reporting frameworks.

This additional set of indicators might be relevant for financial institutions to meet their own risk management and operational processes, depending on the **SME's size, sector, location or level of supply chain integration**. SMEs operating in sectors with a high climate impact, or SMEs which are strongly integrated into global supply chains may be requested to report on these indicators in addition to the core indicators identified in section 2 of this guidance. Table A B.1 provides an overview of these indicators. It is important to note that the table is not intended to be comprehensive, and other indicators which are not listed could be relevant for certain firms. These dimensions could be the subject of further guidance in the future.

Table A B.1. Additional potential sustainability reporting indicators and metrics

ESG	Indicator	Metric
Environmental	Gross Global Greenhouse Gas Emissions	Emissions intensity: Calculated as emissions share of revenue Scope 3: indirect emissions from a company's value chain, including both upstream and downstream activities
	Resource use	List of key materials used for production of goods and services % of recycled materials used
	Biodiversity and land use	Number of sites: operating on or near biodiversity sensitive areas Total land use (in hectares)
Social	Own workforce	Gender pay gap: Difference in average earnings by gender as a share of men's earnings. Training hours: Average number of annual training hours per employee Health and safety system: An outline of its measures, training programmes and risk assessment methods.
	Workers in value chains	Incidents of: - Child labour - Forced labour

Governance	Climate management	% of investments towards a more sustainable economy Climate 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 - Base year: The year that the target was set - Target year: The year by which the entity aims to achieve its target - 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. Transition planning: Disclosure of a climate transition plan
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Source: Authors based on (OECD, 2025^[10]) and stakeholder consultations.

Environmental indicators

1. Gross global greenhouse gas emissions

Emissions intensity

What does this indicator measure?

Emissions intensity indicates the amount of emissions generated per unit of economic revenue.

Emissions intensity can then be calculated through the following formula:

$$\text{Emissions intensity} = \frac{\text{Total GHG emissions}}{\text{Total revenue}}$$

SMEs could be asked to report this information alongside their data on emissions.

For which SMEs might this indicator be relevant?

This indicator is relevant for SMEs operating in **high-emitting sectors such as manufacturing, energy, transportation, construction, chemicals, and heavy industry**. It is also useful for SMEs that are actively working to reduce their carbon footprint or are **integrated into global value chains**, where stakeholders may request detailed emissions data.

Why collect data on this indicator?

Financial institutions may ask for this indicator to complement data on absolute emissions in order to gain further insights including comparability across enterprises/clients or tracking how emissions evolve over time relative to the growth of the company, which is an indicator of the effectiveness of decarbonisation efforts. As such, this indicator can also be useful as a KPI for emission reduction related financing.

Business-useful insights from these metrics: Tracking emissions intensity helps SMEs assess the efficiency of their operations and identify opportunities to lower emissions. Reducing emissions intensity

can enhance cost savings and improve competitiveness. It also enables SMEs to showcase commitment to greening to their suppliers and can also open up access to green financing opportunities.

Potential sources for data collection

To report on this indicator, SMEs should refer to their **environmental reporting indicators**, to obtain data on their total emissions. Data on their total revenue can be obtained from **financial statements**.

Scope 3 Greenhouse Gas Emissions

What does this indicator measure?

Scope 3 emissions are indirect GHG emissions which occur in a company's value chain. These arise from:

- **upstream activities:** emissions from purchased or acquired goods and services.
- **downstream activities:** emissions from goods and services provided to other entities.

Scope 3 emissions are categorised into **15 categories** (see Table A B.2) and often make up the **majority** of a company's total emissions.

For which SMEs might this indicator be relevant?

This indicator is relevant for larger SMEs operating in **high climate impact sectors** such as **manufacturing, transportation, agriculture, retail, and energy**. It is also important for SMEs which are Tier 1 or Tier 2 suppliers within **large supply chains** in sectors such as the automotive, energy, electronics, and heavy industry, where there is increasing demand for Scope 3 emissions data.

Why collect data on this indicator?

***Financial institutions** may require Scope 3 emissions data from SMEs with significant Scope 3 categories, especially those in high climate impact sectors or those deeply embedded in global supply chains. While more complex to calculate for SMEs, these data provide financial institutions with a much more comprehensive picture of the clients' climate impact, resilience, and transition risks compared to Scopes 1 and 2 (see more on the use of these types of indicators under the relevant box in chapter 2).*

***Business-useful insights from these metrics:** Identifying significant scope 3 categories and emissions helps SMEs identify the areas in their value chain which contribute the most to their emissions. This insight helps businesses prioritise actions to reduce emissions in high-impact areas, enhancing risk management and improving operational efficiency. By optimising supply chain processes, SMEs can reduce waste, streamline operations, and find opportunities for cost savings.*

Potential sources for data collection

Calculator tools:

There is an increasing number of calculators becoming available to measure Scope 3 emissions. These tools simplify the process of quantifying Scope 3 emissions for SMEs, eliminating the need for complex manual calculations. The calculators use both spend-based and activity-based methods, with pre-integrated emission factors, enabling SMEs to easily input their data. **Automation tools** which directly extract these data from relevant sources are another effective tool to simplify this process.

Manual calculation

Identifying significant Scope 3 categories:

SMEs should first screen all 15 Scope 3 categories to determine which are most significant for their business. Significance should be based on:

- **Size of GHG emissions:** categories which make up the largest share of Scope 3 emissions (based on **sector estimates and proxies**)
- **Financial relevance:** prioritising the categories which contribute the most to financial spending or financial revenue
- **Influence:** categories in which the SME has control or influence over emissions reductions (e.g. choosing sustainable suppliers, improving logistics efficiency)
- **Risk:** categories that pose the highest risks to the SME (these can be financial, reputational or regulatory risks)
- **Stakeholders:** Scope 3 categories which have been considered as critical by an SME's key stakeholders (this can include suppliers, customers, civil society etc.)
- **Sector guidance:** categories which are considered as significant based on the sector that the SME operates in

Quantifying Scope 3 emissions:

There are three main approaches to calculating Scope 3 emissions:

- **The spend based method:** estimates emissions based on a company's expenditure. Relevant documents to consult include **procurement and supplier invoices, accounts payable records**, as well as **financial reports**. The data for this method is easier to obtain, but often less accurate.

It is calculated through the following formula:

$$\text{Scope 3 emissions} = \text{Financial expenditure} \times \text{Industry-specific emission factor}$$

- **The activity data method:** uses a company's physical activity data as a reference for GHG emission calculation, e.g., fuel usage, transportation distances, waste generated. SMEs should consult sources such as **utility bills, waste management records, fleet and transportation logs** etc. The data required for this is more granular and therefore can be more difficult to obtain, but it provides more detailed and accurate data on emissions.

It is calculated through the following formula:

$$\text{Scope 3 emissions} = \text{Activity data} \times \text{Emission factor}$$

- **A hybrid approach:** a combination of both the spend based and activity data approach.

Table A B.2. Scope 3 categories in upstream and downstream activities

Upstream or downstream	Scope 3 categories	Explanation
Upstream	Purchased goods and services	Extraction, production, and transportation of goods and services purchased or acquired
	Capital goods	Extraction, production, and transportation of capital goods purchased or acquired
	Fuel- and energy-related activities (not included in scope 1 and scope 2)	• Upstream emissions of purchased fuels, electricity • Transmission and distribution losses of electricity • Generation of purchased electricity sold to end users
	Upstream transportation and distribution	In vehicles/facilities not owned/controlled by company
	Waste generated in operations	Disposal and treatment of waste in facilities not owned/controlled by reporting company
	Business travel	In vehicles not owned/controlled by reporting company
	Employee commuting	In vehicles not owned/controlled by reporting company
Downstream	Downstream transportation and distribution	Emissions from transporting and storing sold products after they leave the company's control, if the company doesn't pay for these services
	Processing of sold products	Processing of sold products by downstream companies
	Use of sold products	Use of sold products
	End-of-life treatment of sold products	Waste disposal and treatment of products sold
	Downstream leased assets	Emissions from transporting and storing sold products after they leave the company's control, if the company doesn't pay for these services.
	Franchises	Emissions from franchise operations, reported by the franchisor, excluding those already counted in Scope 1 or 2
	Investments	Emissions from owned investments, such as equity, debt, or project finance, excluding those already counted in Scope 1 or 2.

Source: (Greenhouse Gas Protocol, 2013^[13]).

2. Resource use

What does this indicator measure?

This indicator assesses the **resource management practices** of SMEs. SME could consider reporting on this indicator using the following metrics:

- Listing the **key materials** SMEs use in their production processes;
- Disclosing the **percentage of recycled materials** incorporated into their production.

For which SMEs might this indicator be relevant?

This indicator could be relevant for SMEs operating in **high-resource-intensity sectors, including manufacturing, construction, textiles, chemicals and plastics**. It is also relevant for Tier 1 and Tier 2 suppliers in industries with significant material use, such as the automotive industry, electronics, packaging, and consumer goods.

Why collect data on this indicator?

Financial institutions may seek resource use data from SMEs to evaluate environmental impact, resource efficiency, and circular economy alignment. Even if overall emissions are known, understanding what materials are used and how sustainably they are sourced reveals risks related to supply chain volatility, raw material scarcity, and regulatory pressures on high-impact resources (e.g., virgin plastics, rare earth metals). From a reporting standpoint, frameworks require disclosure of material use and circularity performance, making these data crucial for portfolio-level ESG reporting. Operationally, it helps financial institutions identify SMEs with circular business models or green procurement practices, prioritise those for sustainability-linked lending, and assess exposure to resource-intensive or waste-generating operations.

Business-useful insights from these metrics: Reporting on material use enables SMEs to identify opportunities for waste reduction and resource use optimisation, which in turn can lead to cost savings and enhanced production efficiency. By improving resource use, SMEs can enhance their risk management by minimising dependency on scarce raw materials and reducing exposure to supply chain disruptions, leading to long term resilience.

Potential sources for data collection

SMEs can consult **operational documents**, including **purchase invoices** to obtain information on this indicator.

3. Biodiversity and land use

What does this indicator measure?

This indicator evaluates the impact of SMEs on biodiversity.

SMEs could be asked to report this information in the following format:

- Whether their operations are located in or near biodiversity-sensitive areas;
- Their land use practices, through reporting on the total land area they utilise in hectares.

For which SMEs might this indicator be relevant?

This indicator could be relevant for SMEs operating in industries which require **extensive land or have a strong impact on ecosystems such as agriculture, forestry, mining, construction and energy**.

Why collect data on this indicator?

Financial institutions may require these data from SMEs for reporting and operational purposes particularly from SMEs operating in sectors with high potential biodiversity and land use impact including agriculture, forestry, real estate and infrastructure, extractive industries. Many standards and regulations ask for these data at client level. In some jurisdictions, for instance, mandatory reporting requirements are asking financial institutions to disclose how their clients affect biodiversity, including through data on location of activities in or near protected or biodiversity-sensitive areas and impacts on ecosystems, species, or ecosystem services. This can also be useful information in reporting on portfolio alignment with green taxonomies. Other relevant uses of these types of data may include

nature-related risk assessment, reputational and compliance risk assessment, and provision of green and nature-positive finance.

Business-useful insights from these metrics: Reporting on this indicator helps SMEs identify areas where operations may negatively impact biodiversity or land use, which can impact their site selection and expansion planning to mitigate environmental risks. This in turn can ensure compliance and transparency towards key stakeholders.

Potential sources for data collection

Information can be extracted from data on the **geolocation** of the SME.

Social indicators

4. Own workforce: additional metrics

What does this indicator measure?

For additional metrics on the workforce of SMEs, they could disclose information on:

- Their **gender pay gap**: measuring the average difference in pay between men and women, which can be calculated through:

$$\text{Gender pay gap (\%)} = \frac{\text{average gross hourly male pay} - \text{average gross hourly female pay}}{\text{average gross hourly male pay}} \times 100$$

- The **average number of annual training hours**: which SMEs can calculate using the following formula:

$$\text{Annual average training hours per employee} = \frac{\text{total annual training hours}}{\text{total number of employees}}$$

- Outlining their key measures and training programmes of their health and safety system.

Why collect data on this indicator?

Financial institutions may request data on the gender pay gap from SME clients to assess equity and fairness in compensation, a key indicator under social and governance metrics in reporting frameworks. A significant gap can signal systemic bias or reputational risk, affecting ESG ratings and sustainability-linked financing eligibility. Similarly, data on employee training hours helps institutions evaluate a company's investment in human capital and workforce development, which reflects long-term resilience and adaptability. High training engagement often correlates with productivity, retention, and innovation capacity, making it a valuable input for both risk assessment and social impact reporting.

Business-useful insights from these metrics: Tracking gender pay gaps can highlight disparities, enabling SMEs to implement equitable pay policies that enhance workplace diversity and inclusion. Monitoring internal training metrics provides SMEs with valuable insights into skills enhancement, employee engagement, and long-term business growth. Measuring training hours and participation by job role or department helps identify gaps in knowledge and opportunities for upskilling, leading to increased productivity and innovation. Tracking training investments also allows SMEs to assess the return on workforce development initiatives, supporting alignment with operational needs and technological advancements.

Potential sources for data collection

SMEs can consult their **HR system** and **health and safety management systems** to obtain the relevant data.

5. Workers in the value chain

What does this indicator measure?

This indicator assesses the presence of unfair labour practices and human rights violations within the value chain.

SMEs could report on this indicator by providing:

- The number of confirmed incidents of child labour or forced labour, including in the downstream supply chain of the SME

For which SMEs might this indicator be relevant?

This indicator is relevant for SMEs operating in industries and regions with **complex global supply chains** and a higher risk of unfair labour practices or human rights violations. Key sectors include **manufacturing, textiles and apparel, agriculture and food production, electronics and technology, construction, consumer goods and mining**. These SMEs are increasingly required by larger clients or regulatory bodies to demonstrate compliance with fair labour practices and human rights standards within their supply chains.

Why collect data on this indicator?

Financial institutions may seek data on the number of confirmed incidents of child labour or forced labour from SME clients to assess compliance with human rights and international labour standards. Confirmed incidents can indicate high reputational, legal, and ESG risk, prompting enhanced due diligence, potential exclusion from sustainable finance products, or active engagement to mitigate and remedy such practices.

Business-useful insights from these metrics: Monitoring child labour risks, such as the presence of underage workers in supply chains or compliance with minimum working age laws, helps SMEs prevent exploitation within their supply chain and align with international standards. Similarly, forced labour metrics allow them to identify risks of labour exploitation, particularly in regions with high migrant labour dependency. This enables them to comply with regulatory and legal requirements, as well as to increase stakeholder trust and ensure long-term resilience.

Potential sources for data collection

SMEs should consult **operational documents**, such as **management audits, code of conduct violation reports and ethics reports**.

Governance indicators

6. Climate management

What does this indicator measure?

This indicator evaluates an SME's approach to climate management by assessing its **investments towards a more sustainable economy** and the **climate targets** it has set.

The following metrics could be considered:

- The **percentage of total investments** dedicated to the transition to a more sustainable economy
- **Climate targets**, including:
 - The **type of target** (e.g. emission reduction, energy consumption reduction, net-zero commitment).
 - The **base year** and the **target year**
 - A description of how **progress** will be measured and tracked
 - For emission reduction targets, the specific **emission scopes covered** (Scope 1, 2 or 3).
- A **transition plan** or approach, if possible demonstrating alignment with the Paris agreement

For which SMEs might this indicator be relevant?

This indicator is relevant for SMEs operating in **high-emitting sectors such as manufacturing, energy, transportation, construction, chemicals, and heavy industry**. It is also useful for SMEs that are actively working to reduce their carbon footprint or are integrated into global value chains, where stakeholders may request detailed emissions data.

Why collect data on this indicator?

Financial institutions may request data on climate targets and transition plans from SME clients to evaluate their readiness for a low-carbon economy and alignment with net-zero pathways. This information helps assess whether an SME has a credible strategy to reduce emissions over time, including interim targets, timelines, and implementation measures—critical for meeting science-based target expectations. Firms with clear, actionable transition plans are better positioned for green finance, lower transition risk, and portfolio alignment, making them more attractive for sustainability-linked lending and climate-aligned investment strategies.

Business-useful insights from these metrics: Setting climate targets and developing a transition plan helps SMEs create a clear roadmap for reducing emissions and improving energy and resource efficiency over time. This not only supports environmental responsibility but also provides practical direction for cost-saving investments, such as upgrading equipment, improving logistics, or switching to cleaner inputs. A well-defined plan with interim science-based targets allows SMEs to track progress, manage risks, and respond proactively to increasing regulatory and customer pressure for decarbonisation. Critically, it enhances credibility with financing providers and supply chain partners making the business more attractive for sustainability-linked loans, green procurement opportunities, and long-term partnerships in a transitioning economy. Tracking their investments into green assets allows SMEs to strategically allocate resources toward sustainable initiatives.

Potential sources for data collection

For reporting on this indicator, SMEs should consult **financial and investment records**, as well as **corporate governance documents**. They should further consult their **environmental reporting indicators**, such as data their emissions and energy consumption.

SMEs can also access guides such as the [Sciences Based Targets Initiative \(SBTi\) SME target validation route](#), which helps them set science-based emission reduction targets which align with the Paris agreement.

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