

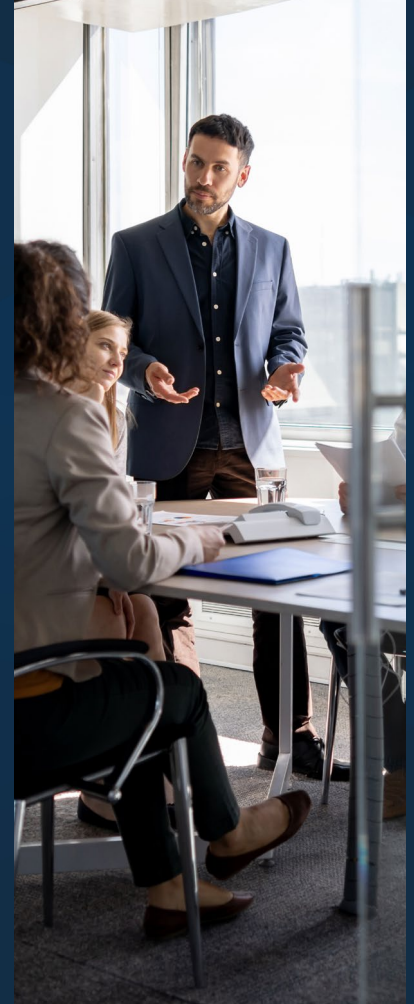


CENTRE FOR  
**Sustainable  
Finance**  
TOITŪ TAHUA



# Starter for Ten:

10 topics for SMEs to start  
sustainability reporting



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# Foreword

This guide aims to provide a clear and concise tool for SMEs to begin measuring and reporting on sustainability-related matters. It is also a resource for banks to help SMEs on their sustainability journey and a starting point for conversations about sustainable finance.

There is no sustainable economic transition without SMEs. SMEs comprise a significant proportion of New Zealand businesses<sup>1</sup> and are a core part of our economy. They are indispensable to the sustainable transition because of their influence as a group and because of their ability to drive innovation, adapt quickly and foster change. This guide defines an SME as a business with 6-49 employees.

This guide has been developed by the Centre for Sustainable Finance: Toitū Tahua (CSF) in collaboration with KPMG New Zealand. This guide is structured to support SMEs to be more sustainable, through sustainability reporting and delivering the metrics banks, investors and other stakeholders increasingly ask for. Facilitating the availability of clear and comparable sustainability data will assist in overcoming barriers to banks deploying sustainable finance to SMEs.

Thank you to the financial institutions, organisations and businesses who participated in interviews, feedback and contributed to the creation of this guide.

Sustainable finance refers to the process of integrating environmental, social, and governance factors into financial decision-making, with the aim of promoting sustainable economic growth, mitigating risks, and ensuring the long-term stability of the financial system. It encompasses a range of financial activities, such as investment, lending, insurance, and risk management, and focuses on creating economic value while minimising negative environmental and social impacts.<sup>2</sup>

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<sup>1</sup> [Infometrics New Zealand](#)  
<sup>2</sup> [Centre for Sustainable Finance](#)

# Overview

## Why sustainability is relevant to your business?

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Sustainability is about considering a wide range of environmental and social (as well as financial) factors when making business decisions. Incorporating sustainability into your business helps to meet the needs of stakeholders both now and in the future. While this is a guide to sustainability reporting, reporting itself is not the end goal – it's a way to support progress and action on sustainability to build long-term relevance and resilience.

- SMEs that focus on sustainability regularly outperform those that do not. Sustainability helps businesses understand how to create value for customers and stakeholders.
- Sustainability is also about positioning your business for future success by managing and reducing risks, increasing your access to capital and meeting customer expectations.
- You can't improve what you don't measure. Setting targets for progress is just as important as measuring and reporting.

## What is the Starter for Ten?

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- Ten sustainability reporting topics aimed at SMEs that are starting out in their sustainability journey. The guide also outlines 'next steps' for companies continuing to make progress.
- Information on the importance of each topic to SMEs and their stakeholders.
- Guidance on how to get started on capturing data and reporting on key sustainability topics.
- A tool for banks and SMEs to discuss resilient business practices and sustainable finance.

*This guide is not a complete list of sustainability topics or reporting. It is a starter for ten.*

## What are the objectives?

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1. Enable SMEs to engage with the common sustainability information asked for by stakeholders.
2. Help financial institutions manage their portfolio of SMEs and facilitate access to sustainable finance through alignment on key sustainability reporting topics.
3. Make it easier to track progress and establish best practices in the sustainability reporting landscape for SMEs in New Zealand.

## Tips for SMEs using this guide:

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- You are not expected to be perfect; make a start and be transparent.
- You don't have to do it all at once; sustainability is a long-term process.
- Don't go it alone; engage your team, your large customers, and external providers for support.
- You can't improve what you don't measure; setting targets for progress is just as important as measuring and reporting.
- Focus on what is most relevant to your business; each business will have different priorities. You may find you are doing some of the activities in this guide but are yet to record or measure their impact.
- Many businesses may already have a lot of the information required in each section. Consolidating and organising this information will allow you to assess gaps and communicate progress to your stakeholders.

# Metrics and targets

These tables set out the ten topics and corresponding metrics. Each topic is explained in more detail later in the guide.

PLANET			
Topic	Unit	Starting Out	Next Steps
1. Emissions	Metric tonnes of greenhouse gases presented as CO <sub>2</sub> equivalent (kgCO <sub>2</sub> e)	Measure and document your direct scope 1 and scope 2 emissions to set your baseline.	Measure your scope 3 emissions to set your baseline. <i>Depending on the maturity and complexity of your business, you may wish to start with a subset of scope 3 emissions and broaden as you develop further.</i>
	Change in metric tonnes of (kgCO <sub>2</sub> e)	Using your baseline, set targets for reducing your scope 1 and 2 emissions. <i>Consider whether having 1-2 years of emissions data is needed before setting realistic and informed targets.</i>	Measure and document emissions reduced as a direct result of initiatives or changes in the business or describe energy saving initiatives.
2. Waste	Metric tonnes	Measure and document your: <ul style="list-style-type: none"> <li>▪ Total waste produced</li> <li>▪ Waste sent to landfill</li> <li>▪ Waste diverted from landfill (e.g. recycled)</li> </ul> Identify areas for reduction and set reduction targets.	Measure and document waste reduced as a direct result of initiatives or changes in the business.

## PEOPLE

Topic	Starting Out	Next Steps
3. <b>Health, Safety and Well-being</b>	<p>Check and record that your business complies with minimum employment standards including:</p> <ul style="list-style-type: none"> <li>• Worker eligibility</li> <li>• Workers are on the right contracts</li> <li>• Keeping records of employment agreements and wages</li> </ul> <p>Ensure that you are compliant with requirements under New Zealand health and safety law including having effective policies, practices, and recording injuries and near misses.</p>	<p>List the ways your business is contributing to employee well-being. If you identify areas where your business could offer more support to your teams, record how you will do this and in what timeframe.</p>
4. <b>Workplace diversity, equity, and inclusion (DEI)</b>	<p>Measure and record the percentage of the company's employees and executive team by:</p> <ul style="list-style-type: none"> <li>• Gender</li> <li>• Ethnicity</li> <li>• Age</li> </ul> <p>Determine and record the areas of improvement you have identified for employee DEI.</p> <p>Determine and record the targeted actions or initiatives you will undertake to improve the diversity, equity, and inclusion in your workplace in the following 12 months.</p>	<p>Record the diversity, equity, and inclusion initiatives that exist or are being implemented by the company and the progress or outcomes of these initiatives.</p> <p>These may include:</p> <ul style="list-style-type: none"> <li>• Paid parental leave above statutory requirements</li> <li>• Flexible working policies</li> <li>• Training programmes and internships aimed at upskilling underrepresented groups</li> <li>• DEI training</li> <li>• Breastfeeding rooms</li> </ul>
5. <b>Workforce Development and Skills for the Future</b>	<p>Record the apprenticeships, internships and training programmes currently offered by your company.</p> <p>Measure your employee engagement and retention rate over the previous 12 months.</p> <p>Identify areas for improvement in your employee engagement and retention and set improvement targets for the following 12 months.</p>	<p>Measure and record the outcomes and results of internships and training programmes offered by the company.</p>
6. <b>Supporting local communities</b>	<p>Measure and record how your business has contributed to the local community over the previous 12 months.</p> <p>This may include:</p> <ul style="list-style-type: none"> <li>• Hours of volunteer contribution</li> <li>• Total spend on donations</li> <li>• Other metrics where relevant</li> </ul> <p>Set targets for community engagement for the following 12 months.</p>	<p>Measure and record the outcomes and results of community engagement initiatives.</p>

## GOVERNANCE

Topic	Starting Out	Next Steps
7. Purpose	Develop and document why your business exists and its benefit to the long-term well-being of the economy, environment, and society.	Integrate your purpose into decision-making processes within your business.
8. Policies	<p>Identify the policies your organisation has in place and/or which ones you should consider implementing.</p> <p>Some policies commonly used by businesses include:</p> <ul style="list-style-type: none"> <li>▪ Health and Safety policy (previously mentioned)</li> <li>▪ Human Rights policy (and/or modern slavery policy)</li> <li>▪ Business Code of Ethics/Code of Conduct</li> <li>▪ Supplier Code of Conduct</li> <li>▪ Information Security policy</li> <li>▪ Environmental Management or Sustainability policy</li> </ul>	
9. Supply Chain	<p>Map your supply chain down to one level (the business you directly purchase from) to show an overview of the inputs to your business.</p> <p>Useful information includes:</p> <ul style="list-style-type: none"> <li>▪ Where products come from</li> <li>▪ The price of those products</li> <li>▪ How the products get to you</li> </ul> <p>Measure and record the percentage of your procurement spend that comes from local (New Zealand) businesses.</p>	Identify the modern slavery risk factors within your business and supply chain.
10. Climate Risk	Understand what climate risk is (both transition and physical risks) and how it applies to your business.	<p>Identify the climate risks your business already experiences. These may include:</p> <ul style="list-style-type: none"> <li>▪ Physical risks like floods or power failures due to extreme weather</li> <li>▪ Impacts on your supply chain caused by extreme weather patterns or changes</li> <li>▪ Changes to insurance premiums</li> <li>▪ New policy or regulatory changes</li> <li>▪ Shifting consumer, investor and staff attitudes to your business's products, services or operations</li> </ul>

# Starter for ten topics and guidance

What follows are ten key sustainability topics with metrics and indicators SMEs should consider measuring and reporting against.

The topics are broken into three pillars of Planet, People, and Governance. These pillars provide a useful way to think about the topics in this guide, however, in reality there is a lot of crossover between each topic. For example, your business policies are a core part of governance but often have the biggest impact on your staff. It is important to consider the whole of your business to set meaningful targets or make actionable changes.

This guide aims to be applicable across sectors; however, each business will have different priority topics based on their industry, size, and reporting maturity. It has two stages based on the maturity of the business reporting:

1. **Starting out:** Aimed at SMEs taking their first steps to understanding and measuring their business's environmental and social impact.
2. **Next steps:** Builds on Starting out to indicate how SMEs can continue making and tracking progress in key sustainability topics.



# Consideration of Te Tiriti o Waitangi and the Māori economy

Te Tiriti o Waitangi is an enduring and living document that laid the foundation for an ongoing and sustainable partnership between Māori and the Crown.

In 2024, 20% of the New Zealand population, and almost a third of the population under 25, identify as Māori. Businesses should consider how these population trends might impact the composition of their future customers, workforce, and stakeholders. Climate change and future challenges facing our society will require new ideas and ways of thinking. Understanding and incorporating mātauranga Māori (Māori knowledge) within your business offers the opportunity to add diverse perspectives and approaches to sustainability.

It is generally agreed that Te Tiriti o Waitangi consists of three articles (although there is often mention of the less-known fourth article). Over time, interpretations led to the expression of these articles as principles including Partnership, Participation, Self-Determination, Equity, and Protection. For this guidance, we have drawn on the articles themselves.

- **Article 1** gave the right of governance over the settlers to the Crown while Māori retained sovereignty over themselves.
- **Article 2** confirmed Māori tino rangatiratanga or full authority over their lands and taonga, resources such as fisheries, cultural practices, and language.
- **Article 3** provided for Māori to be protected and treated in the same way as British people.

At a practical level, consider how you approach business where Māori authority, resources, and rights might be impacted. Some examples include how you engage with Māori and Te Tiriti in *Workplace inclusion (4)*, *diversity and equity (4)*, *Workforce development and skills for the future (5)*, *Supporting the local community (6)*, and *Supply chain (9)*.

Often the best place to start is by asking questions and furthering your understanding. Engaging with Te Tiriti and tangata whenua should be a long-term and reciprocal approach towards genuine collaboration. As with much of the information in this guide, the first step is to find the right information and support. Begin by asking your network or researching professionals with the expertise to help you apply Te Tiriti in your business.

# Planet

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There is a growing recognition that business is constrained by the finite resources of the planet. No matter what industry you're in, your business relies on natural resources for raw materials, energy, and the environment you live and work in. The operations of your business will also have an impact on the planet.

Banks and many large customers are now seeking to know how your business interacts with the planet to better understand the risks you might be exposed to and whether you are operating responsibly. Large companies that purchase from SMEs are increasingly prioritising suppliers that proactively minimise their impact on the environment.



# 1. Emissions

Topic	Unit	Starting Out	Next Steps
1. Emissions	Metric tonnes of greenhouse gases presented as CO <sub>2</sub> equivalent (kgCO <sub>2</sub> e)	Measure and document your direct scope 1 and scope 2 emissions to set your baseline.	Measure your scope 3 emissions to set your baseline.  <i>Depending on the maturity and complexity of your business, you may wish to start with a subset of scope 3 emissions and broaden as you develop further.</i>
	Change in metric tonnes of (kgCO <sub>2</sub> e)	Using your baseline, set targets for reducing your scope 1 and 2 emissions.  <i>Consider whether having 1-2 years of emissions data is needed before setting realistic and informed targets.</i>	Measure and document emissions reduced as a direct result of initiatives or changes in the business or describe energy saving initiatives.

## Why these metrics?

Greenhouse gas (GHG) emissions are one of the most requested sustainability metrics in reporting standards and from supply chain partners. Regulation, both in New Zealand and around the world, increasingly requires large businesses to report on their emissions and the emissions of their supply chain, which may include your business.

## Why might your business need to report

- Aotearoa New Zealand Climate Standards: requires around 200 mostly listed entities in New Zealand to disclose their scope 1, 2 & 3 emissions. If you are a supplier to these entities, they may request your emissions reporting data.<sup>3</sup>
- 80% of New Zealand's exports (in value) go to countries with existing or proposed mandatory climate reporting. Customers outside of New Zealand are increasingly asking for emissions data.<sup>4</sup>
- New Zealand's Carbon Neutral Government Programme: this initiative requires Government agencies to set emissions reduction targets, particularly in certain areas like the vehicles and buildings they own or lease. They also have to look at their supply chains, which may include your business.<sup>5</sup>

<sup>3</sup> [External Reporting Board: Aotearoa New Zealand Climate Standards](#)

<sup>4</sup> [The Aotearoa Circle & Chapman Tripp Protecting New Zealand's competitive advantage](#)

<sup>5</sup> [Ministry for the Environment: Carbon neutral Government Programme](#)

## How can I get started?

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Understand the different emissions categories in your business:

**Scope 1:** Scope 1 emissions refer to the direct emissions that occur from sources controlled or owned by your business, for example, the fuel used by your company-owned vehicles.

**Scope 2:** Scope 2 emissions are the indirect emissions that occur from electricity, steam, heating and cooling.

**Scope 3:** Scope 3 emissions refer to indirect GHG emissions that occur as a result of your business activities, but that are not directly owned or controlled by your business. These come from your value chain, both upstream and downstream, and typically include categories such as: purchased goods and services; employee commuting; use of sold products; investments and more. Because they are outside of the business's direct control, it can be more time-consuming and complex to identify and measure these emissions.

### Set targets

Setting targets to reduce your emissions demonstrates you aim to reduce your impact on the environment. These should be feasible and based on actions, initiatives and investments you plan to make in your business.

Types of targets generally fall under two categories:

- Absolute targets: aim to reduce your total carbon emissions by a set amount
- Intensity targets: aim to reduce your carbon emissions relative to an economic or operational variable (e.g. GHG emissions per unit of production)

## Helpful resources

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- Business NZ: [Climate Action Toolbox](#)
- SME Climate Hub: [Start measuring your business emissions](#)
- NZ Ministry for the Environment: [Measuring emissions: A guide for organisations: 2024 detailed guide](#)
- GHG Protocol: [Scope 3 calculation guidance](#)
- World Economic Forum: [3 ways companies can reduce their indirect emissions throughout supply chains](#)

You might consider working with a third party that specialises in helping companies measure and report on their carbon footprint. A specialist can help you understand the data you collect and make strategic decisions on where to make reductions.

## 2. Waste

Topic	Unit	Starting Out	Next Steps
2. Waste	Metric tonnes	Measure and document your: <ul style="list-style-type: none"> <li>Total waste produced</li> <li>Waste sent to landfill</li> <li>Waste diverted from landfill (e.g. recycled)</li> </ul> Identify areas for reduction and set reduction targets.	Measure and document waste reduced as a direct result of initiatives or changes in the business.

### Why these metrics?

An average of 700 kilograms of waste was sent to landfill per person in New Zealand in 2021, making us one of the highest waste generators in the OECD.<sup>6</sup> Like emissions, reporting requirements in New Zealand and internationally are starting to require more information about how businesses are reducing, reusing, and recycling waste. Minimising waste also represents a possible cost saving for a business, so understanding what you're throwing away and why can save you money.

Waste negatively impacts human health and the biodiversity of our ecosystems. The impact a business has on nature and biodiversity is emerging as a key area for businesses to understand and take steps to action.<sup>7</sup> Understanding your waste and how to use fewer resources is a first step, but those wanting to go further can collect data on how the business impacts on nature and biodiversity and what steps can be taken to improve this.

### How can I get started?

There are different ways of categorising waste, and deciding how to group your waste based on what makes the most sense for your business is a good place to begin. A good way to do this in a repeatable and coordinated way is through a waste audit. Ask your waste removal company if they measure your waste and if they offer waste audits. This may come at a cost, so you may also wish to do this yourself using the resources below.

A waste audit is an assessment that identifies the types of waste being generated, the volume of waste produced, and opportunities to reduce it.

### Helpful resources

Local council guidance on waste audits:

- Wellington City Council: [Business waste audits](#)
- Auckland City Council: [Reduce waste from your business](#)

Sustainable Business Network:

- [Starting Q&As for reducing waste](#)
- [Reducing office waste resource sheet](#)
- [Reduce your impact on nature - SBN \(sustainable.org.nz\)](#)

<sup>6</sup> [Ministry for the Environment: Te rautaki para waste Strategy](#)

<sup>7</sup> [United Nations: Biodiversity – our strongest natural defense against climate change](#)



# People

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Your company is more than its financial records. Financial institutions, investors, customers and prospective employees have a high degree of interest in how a business manages and treats its people, along with how it contributes to or impacts the local community.



# 3. Health, Safety and Well-being

Topic	Starting Out	Next Steps
3. Health, Safety and Well-being	<p>Check and record that your business complies with minimum employment standards including:</p> <ul style="list-style-type: none"> <li>• Worker eligibility</li> <li>• Workers are on the right contracts</li> <li>• Keeping records of employment agreements and wages</li> </ul> <p>Ensure that you are compliant with requirements under New Zealand health and safety law including having effective policies, practices, and recording injuries and near misses.</p>	<p>List the ways your business is contributing to employee well-being. If you identify areas where your business could offer more support to your teams, record how you will do this and in what timeframe.</p>

## Why these metrics?

Good health and safety is good business. It is also a requirement under New Zealand law. Having written, detailed policies and practices in place is one of the simplest ways to communicate how you manage and mitigate risk to your staff and stakeholders. For most stakeholders, health and safety is no longer just about physical health.

There is a growing emphasis on workers' emotional and mental well-being. Well-being relates to how staff feel about the working environment, their emotional health, relationships, and personal fulfilment. Stakeholders increasingly expect employers to create a positive work environment, beyond what is required by legislation. Well-being is good for business too: employees who are healthier and less stressed are often more productive. Every business in New Zealand must comply with minimum employment standards for their employees and the employees of the organisations you engage with. The information to undertake these checks may already be within your business.

## How can I get started?

- Ensure your health and safety policies and practices are up to date and comply with New Zealand legislation.
- Keep clear records of risks, incidents, and documentation on how these are managed.
- Check that you are compliant with minimum employment standards as an employer, including that your employees have the right to work in New Zealand and that workers are on the correct contracts.
- Effective well-being practices might vary across each role, culture, and age group within your organisation. Take time to understand how you can support your team's well-being through the resources below. You may wish to survey your staff on what well-being support they would like. (See topics 4 and 5 for information on surveying).

## Helpful resources

WorkSafe New Zealand:

- [Work related wellbeing: what good looks like](#)
- [An overview of the Health and Safety at Work Act](#)
- [Information on events that need to be notified](#)
- [How to write a health and safety policy](#)
- Education New Zealand: [Example health and safety policy](#)
- Business NZ: [Why workplace wellbeing is important](#)

- Mental Health NZ: [Five ways to wellbeing at work](#)

- Education New Zealand: [Example injury record](#)

Employment New Zealand:

- [Ethical and sustainable work practice due diligence \(includes an employer self-assessment tool\)](#)
- [Employers approach to ethical and sustainable work practices](#)

# 4. Diversity, Equity, and Inclusion

Topic	Starting Out	Next Steps
4. Workplace diversity, equity, and inclusion (DEI)	<p>Measure and record the percentage of the company's employees and executive team by:</p> <ul style="list-style-type: none"> <li>• Gender</li> <li>• Ethnicity</li> <li>• Age</li> </ul> <p>Determine and record the areas of improvement you have identified for employee DEI.</p> <p>Determine and record the targeted actions or initiatives you will undertake to improve the diversity, equity, and inclusion in your workplace in the following 12 months.</p>	<p>Record the diversity, equity, and inclusion initiatives that exist or are being implemented by the company and the progress or outcomes of these initiatives.</p> <p>These may include:</p> <ul style="list-style-type: none"> <li>• Paid parental leave above statutory requirements</li> <li>• Flexible working policies</li> <li>• Training programmes and internships aimed at upskilling underrepresented groups</li> <li>• DEI training</li> <li>• Breastfeeding rooms</li> </ul>

## Why these metrics?

New Zealand is a diverse country. Reflecting that in your workforce and the decisions your business makes is important to serve the needs of your customer base, attract talent and ensure your business remains relevant. Businesses are increasingly asked for equity and inclusion information as well as diversity. A diverse workforce has been shown to increase creativity and attract talent.<sup>8</sup> Understanding the backgrounds and identities of your team enables you to make better decisions about what kind of organisation you want to be and how to support your people. Knowing the current makeup of your team will help you understand where you will require future hires or further training.

Like all the topics in this guide, diversity is not something your business is expected to be perfect at from day one.

Creating a diverse and equitable workplace will likely look different to a SME than a large corporation.

For example, many corporate companies are setting diversity targets for leadership. This may not be the most effective or practical approach if you run a business with few employees or in a sector currently dominated by one gender. Rather than setting diversity targets, you could consider introducing training programmes or targeted internships to upskill and train people from a wide range of backgrounds.

<sup>8</sup> [Diversity Works New Zealand: Workplace diversity Case Model](#)



**Diversity** refers to the presence of a wide range of characteristics, experiences and perspectives in your business

**Equity** refers to how you are ensuring the fair treatment of all people

**Inclusion** refers to how you are enabling your team to feel a sense of belonging in the workplace

## How can I get started?

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- Understand the diversity within your business by conducting surveys. These can be done during employee onboarding or as part of employee engagement (see topic 5).
- Ensure you are complying with the privacy act when collecting employee information. Employers must clearly communicate with their staff what the purpose of collecting any personal data is and who will have access to it.
- Many New Zealanders identify as belonging to multiple ethnicities and workplace surveys should reflect this by allowing your team to select multiple options.

## Helpful resources

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- [Diversity Works New Zealand: Information on collecting personal data](#)
- [Privacy NZ: The Privacy Act and privacy principles](#)

There are several online survey tools businesses can use to collect diversity data.

# 5. Workforce Development and Skills for the Future

Topic	Starting Out	Next Steps
5. Workforce Development and Skills for the Future	<p>Record the apprenticeships, internships and training programmes currently offered by your company.</p> <p>Measure your employee engagement and retention rate over the previous 12 months.</p> <p>Identify areas for improvement in your employee engagement and retention and set improvement targets for the following 12 months.</p>	Measure and record the outcomes and results of internships and training programmes offered by the company.

## Why these metrics?

Investing in your employees will help your business operate more efficiently by equipping staff with the skills they need to run your business now and in the future. Technology and sustainability are the two biggest drivers of job creation and making jobs obsolete.<sup>9</sup> Your business needs skilled, adaptable workers to remain relevant and competitive. Offering training and development to employees enhances the business's workforce and promotes staff engagement, which is highly linked with better productivity and lower staff turnover.<sup>10</sup>

## How can I get started?

- Start to measure your employee engagement rate and retention rates. This can be done through anonymous surveys. To measure your retention rate for the previous 12 months, use the following formula:

$$\text{Retention Rate} = \left( \frac{\text{Remaining Headcount}}{\text{Beginning Headcount}} \right) \times 100$$

- Employee engagement surveys can be run annually or biannually and should be confidential. Your first survey will serve as your baseline data to identify areas your business is doing well at and areas for improvement.
- To make the survey as effective as possible, consider how to keep the survey short; use multiple-choice answers and simple questions. You can add an optional comments section at the end, which may help you identify ways to improve your employee experience and keep people for longer.
- Gather information relating to the current training (internal and external) that your business offers. You may wish to ask your staff which areas they would like further training or learning opportunities.
- Consider how the training your organisation funds or provides can facilitate the continued employability of your staff and enable them to progress in their careers. There may be gaps in your team's skills or knowledge that training can proactively address.

## Helpful resources

- New Zealand Trade and Enterprise: [Why employee engagement matters and how to measure it](#)

There are many examples online of what questions to include in your survey.

<sup>9</sup> World Economic Forum: [The Future of Jobs Report 2023](#)

<sup>10</sup> KPMG: [Building workforce resilience](#)

# 6. Supporting Local Communities

Topic	Starting Out	Next Steps
6. Supporting local communities	<p>Measure and record how your business has contributed to the local community over the previous 12 months.</p> <p>This may include:</p> <ul style="list-style-type: none"> <li>• Hours of volunteer contribution</li> <li>• Total spend on donations</li> <li>• Other metrics where relevant</li> </ul> <p>Set targets for community engagement for the following 12 months.</p>	<p>Measure and record the outcomes and results of community engagement initiatives.</p>

## Why these metrics?

New Zealand SMEs are often reliant upon and a contributor to the prosperity of local communities. Businesses do not exist in isolation and rely on the local infrastructure, resources, and talent pools surrounding their operations. Investing in the health and prosperity of your communities is an investment in the continued success of your business.<sup>11</sup>

There are many ways a business can contribute to and engage with surrounding communities, often with this contribution adding value to the business as well. Allowing your staff to volunteer or contribute to their community has been linked with a higher sense of job satisfaction and productivity.<sup>12</sup> Measuring and reporting on community-related initiatives is helpful for stakeholders to understand how your business creates societal as well as economic value.

## How can I get started?

### Consider which causes and organisations align with your business

This may be one of the ways you can have the most effective impact. For example, are there training or education programmes you can support which will help build future talent for your business or supply chains? Are there industry organisations your business can be involved with?

### Ask your community how you can help

Your staff may represent specific communities or already have links to social causes where your business can engage and contribute. Understanding where your business can have the most impact in the community and where it needs support is important before starting any new initiatives.

### Collect data and Set targets

Targets alone should not drive your engagement, but they can be useful in helping you understand what you aim to achieve through your community initiatives. Some common targets used by businesses include:

- Time-based such as the percentage of employees engaged in volunteering and the total time spent
- Spend-based: you can gather this information from invoices
- Activity based such as the number of trees planted or items donated

<sup>11</sup> Harvard Business Review: [Creating Shared Value](#)

<sup>12</sup> Percy Rogers 2021: [The value of volunteering: volunteering in Education and Productivity at Work](#)

# Governance

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Why does my business need governance?

The metrics or reporting recommendations below are key indicators of how a business manages its decision making, day-to-day operations, compliance with regulation, and risks and opportunities. You may already be doing some of this work, but not have a formal process or policy.

Everything in an organisation will have some level of governance, so this section focuses on topics in sustainability that appear in multiple reporting frameworks and stakeholder expectations.



# 7. Purpose

Topic	Starting Out	Next Steps
7. Purpose	Develop and document why your business exists and its benefit to the long-term well-being of the economy, environment, and society.	Integrate your purpose into decision-making processes within your business.

## Why these metrics?

Most Kiwi businesses have a strong sense of why they exist and who they serve, but documenting a purpose clearly can help guide decision making and prioritising what is most important. Studies have also shown that there is a link between business performance and a clear sense of purpose, especially long-term performance and relevance to stakeholders.<sup>13</sup> Purpose can also help define a business or leader's legacy – instilling and operating with a strong sense of purpose can help direct what you achieve.

## How can I get started?

Consider the impact your business has on the world, and how you might seek to enhance this. While profit is often critical for a business to operate, it's not always the sole reason it was started, or why it currently exists. A strong purpose statement describes why your business exists – it is often not time-bound, isn't goal-based (i.e. achieve growth), and should inspire and guide your team. Drawing your team into the creation of your purpose statement will strengthen their commitment, making sure decisions are made in line with the purpose.

## Helpful resources

New Zealand Trade & Enterprise: [What's your company's purpose?](#)

<sup>13</sup> Springer: [is there a link between corporate strategy and performance?](#)

# 8. Policies

Topic	Starting Out
8. Policies	<p>Identify the policies your organisation has in place and/or which ones you should consider implementing.</p> <p>Some policies commonly used by businesses include:</p> <ul style="list-style-type: none"> <li>▪ Health and Safety policy (previously mentioned)</li> <li>▪ Human Rights policy (and/or modern slavery policy)</li> <li>▪ Business Code of Ethics/Code of Conduct</li> <li>▪ Supplier Code of Conduct</li> <li>▪ Information Security policy</li> <li>▪ Environmental Management or Sustainability policy</li> </ul>

## Why these metrics?

Policies and procedures are useful for transparent and consistent decision making, providing structure, and ensuring fairness and consistency across the business. They become the instruction manual for your purpose. If you are aiming to grow your business, having policies and practices written down is beneficial as it guides new employees or business units to operate in line with the rest of the business.

For stakeholders such as banks, insurers, large customers, or investors, formal policies demonstrate that you have structure and controls in place, and gives them confidence in your governance and management.

## How can I get started?

There is no one-size-fits-all for which policies businesses should have in place. Which policies are relevant will depend on the size, growth ambition, and industry of your business.

When creating a policy, be clear on the purpose of having the policy, what practices or controls you need in place to make sure it is implemented, and what should happen if the standard in the policy is not met. It's also important to have these available for staff to access and refer to.

## Helpful resources

▪ Employment New Zealand: [Workplace policies and procedures](#)

See also [Health & Safety](#)

▪ Business New Zealand: [Workplace policy builder](#)

# 9. Supply Chain

Topic	Starting Out	Next Steps
9. Supply Chain	<p>Map your supply chain down to one level (the business you directly purchase from) to show an overview of the inputs to your business.</p> <p>Useful information includes:</p> <ul style="list-style-type: none"> <li>• Where products come from</li> <li>• The price of those products</li> <li>• How the products get to you</li> </ul> <p>Measure and record the percentage of your procurement spend that comes from local (New Zealand) businesses.</p>	Identify the modern slavery risk factors within your business and supply chain.

## Why these metrics?

Your supply chain is the network of people, organisations, information and resources needed to get your product or service from the supplier to the customer. Understanding which businesses are part of your supply chain and how it fits together is important, as it helps understand where things might go wrong and how you can plan to adapt. There may be opportunities to save money and reduce pressure on resources, for example, in your shipping and logistics. You can also better understand how much you spend with businesses in your local area, which may appeal to customers and investors. Lawmakers and customers can all expect a business to know how and where products are made.

Modern slavery can be a serious reputational risk to a business. Many countries already have or will soon introduce legislation around modern slavery. Modern slavery can exist in your workforce and in your supply chain (see the Health, Safety and Well-being section on minimum employment standards).

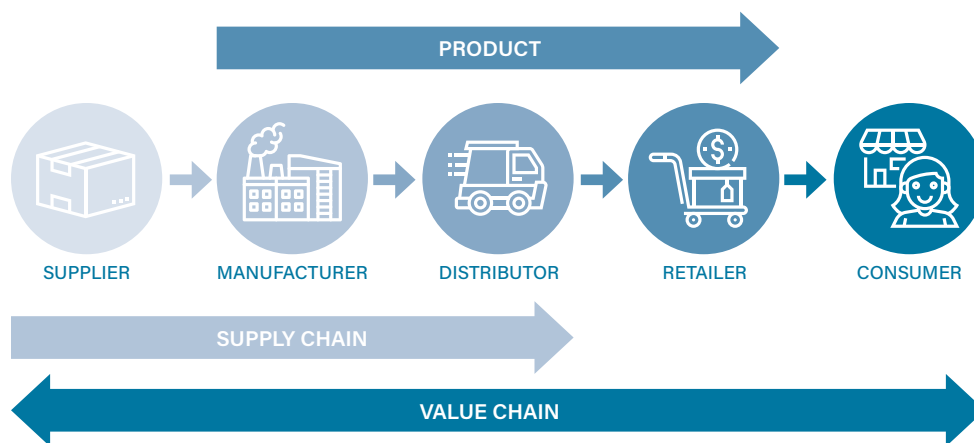
You may also find it useful to map your 'downstream' value chain – who you sell your products or services to and where they end up. Businesses, particularly New Zealand exporters' overseas customers, increasingly have requirements around their own supply chains and you may need to meet or report on certain areas in order to sell to them (see the Emissions section on why your business may need to report).

## How can I get started?

Create a basic map such as the diagram below.

This will help you identify where you may be able to make efficiency improvements, cost savings and if your operations systems are giving you consistent information. It will also help you identify high-risk areas from an operational and human-rights perspective.

- Select one person or team to be responsible for gathering information about suppliers and storing it in one place, consistently.
- Engage different departments to identify all your suppliers – looking at invoices is a helpful place to start.



Consider the inherent risk areas within your business

- It may not always be possible to trace your entire supply chain from a modern slavery/human risk perspective. Identifying inherent risk areas and focusing on those higher-risk areas is a recommended first step.
- Human rights risk is different from business risk as it considers the risk to people as opposed to the risk to the business itself.
- High risk areas include certain geographies, industries, business models, and vulnerable populations.

## Helpful resources

- Ministry of Business, Innovation & Employment: [Knowing your networks: supply and distribution](#)
- Sustainable Business Network: [Starter Q&As for suppliers](#)
- KPMG New Zealand: [Sustainable supply chains and procurement](#)
- Employment New Zealand: [Procurers approach to ethical and sustainable work practices](#)
- Mekong Club: [Modern Slavery and SMEs](#)
- Walk Free: [Information and resources on modern slavery](#)



# 10. Climate Risk

Topic	Starting Out	Next Steps
10. Climate Risk	Understand what climate risk is (both transition and physical risks) and how it applies to your business.	Identify the climate risks your business already experiences. These may include: <ul style="list-style-type: none"> <li>Physical risks like floods or power failures due to extreme weather</li> <li>Impacts on your supply chain caused by extreme weather patterns or changes</li> <li>Changes to insurance premiums</li> <li>New policy or regulatory changes</li> <li>Shifting consumer, investor and staff attitudes to your business's products, services or operations</li> </ul>

## Why these metrics?

Climate change is causing warmer temperatures, higher sea levels, and more extreme weather events. The risks posed by climate change will have financial impacts on businesses as infrastructure is affected, supply chains are disrupted and demand for new technology and regulation emerges. Businesses should have at least a basic understanding of the climate-related risks they are exposed to. Some large companies are already required by New Zealand law to disclose information on climate-related risk. This reflects how sustainability is shifting to be a core pillar of business decision making. Stakeholders such as banks and insurers may ask for information about how you identify and manage your climate risk.

## How can I get started?

### Assign responsibility

Consider whether anyone in your business is responsible for overseeing climate matters and, if not, assigning this responsibility may be useful as a governance initiative.

### Speak with your team about climate risks

Mapping your existing climate risk starts with reporting the impacts your business has already experienced. This might be the impact of extreme weather events, such as flooding or wildfires, through to insurance premiums increasing, or regulation changes in export markets. Look back over the past 12 months and identify the events or changes you've encountered, then document these in a way that will allow you to track them over time.

**Physical** climate risks relate to extreme weather events (e.g. floods, heatwaves, wildfires and storms) and longer-term changes in the climate (e.g. changes in rainfall, sea level change, increased extreme weather, rising temperatures).

**Transition** climate risks relate to changes towards a low-emissions world, ranging from changing behaviour preferences (e.g. increase in EVs), changes in government policy, new technologies or legal obligations (e.g. modern slavery legislation coming into force).

## Helpful resources

- NIWA: [Climate change and possible impacts for New Zealand](#)
- Sustainable Business Council: [Adapting to Climate Change](#)
- Climate Leaders Coalition: [Assessing Climate risk and opportunities for business](#)

# About this guide

This guide has been prepared based on feedback from banks, SMEs, and other stakeholders in the New Zealand market.

It is voluntary, and not mandated by any financial institution or regulatory body.

You may wish to report for your internal purposes or to have information ready to share with relevant stakeholders. Different stakeholders may ask you for different information, which can make it complicated to know where to start. For example, your large customers may want to know about your scope 1 and 2 emissions; your employees may want to know about your diversity and inclusion initiatives; and your investors may wish to understand your climate-related risks.

This guide has been designed to make it easier to communicate sustainability-related information to your stakeholders by helping you report on key sustainability topics.

The ten topics in this guide are not an exhaustive view of what to report on and action in the sustainability space; it is intended to be an introduction based on common requests to SMEs for data and their capacity and capability to capture it.



## What is an SME?

There are a range of definitions for SMEs; number of employees, debt, or revenue are all indicators used in New Zealand. This guide uses a widely accepted definition, which is an organisation with:

- 6-50 employees and
- Less than NZ \$50 million in revenue.

## Greenwashing

Greenwashing is the practice of deceiving customers or investors to make them believe a product or service is more sustainable than it is. It has many forms, such as misleading claims, lacking proof, and unsubstantiated, vague or pointless claims (i.e. 'chemical-free'). To avoid greenwashing be clear, accurate, and transparent with your language, substantiate your claims, and avoid misleading the overall impression you provide of your business.

For more information see the [Commerce Commissions Environmental Claims Guidelines](#).

# How to use this guide

## Key takeaways

- You don't have to be an expert to start a conversation; understanding where your customers are is a great first step.
- If you don't discuss sustainability with your customers, you may be missing out on opportunities to support their business resilience.
- The why and how are as important as the what when it comes to understanding sustainability reporting.
- Banks and other stakeholders will increasingly be asking for this data, so getting customers started is key.

Banks may consider using this guide to support SMEs with starting sustainability reporting, and also as a tool for enhancing the knowledge of their team members on key sustainability topics.

Banks and other financial institutions are increasingly acknowledging how sustainability topics can impact their businesses and customers. Sustainability information is emerging as a useful framing for reporting non-financial data. As new products and services emerge and different information is required to help manage portfolio risks and opportunities, frontline staff are expected to engage with their customers on sustainability.

Sustainable finance teams are at the forefront of upskilling the wider bank and providing support to customers across sectors. However, this limits banks' ability to discuss sustainability and sustainable finance with customers at scale, particularly outside of the institutional banking space.

This guide aims to simplify the sustainability reporting discussion for banking teams and their SME customers and enable more conversations. It creates a common language for bankers to initiate conversations about sustainability and responsible business with customers.

This is not mandatory reporting, but rather a conversation starter to broach sustainability with your customers, or a resource if they want to learn more.

## Share this with your colleagues

Relationship managers will know that becoming familiar with and understanding your customers beyond their financial statements is crucial to providing the banking and other financial services they need. However, they may not always have the expertise or confidence to start conversations in this space. Sustainable finance teams may be asked to step in or facilitate early-stage conversations.

Under each topic, there is an overview of why these metrics are important and how to get started with reporting. These sections will help frontline bank staff articulate why SMEs may want to consider collecting sustainability-related data and the benefits of doing so. The more practical guidance you can give colleagues on what is relevant to their customers, the better.

## Communicate the benefits to the bank and the SME

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Understanding how sustainability issues are impacting customers, and how they are responding, will give relationship managers a better understanding of their needs and what solutions they can offer to meet them. Just like financial reporting, non-financial reporting can help develop a picture of a business's priorities and resilience. Customers are increasingly looking to their banks for support in this complex space and being equipped to have this conversation will position relationship managers well.

Where relevant, you may wish to communicate which metrics or topics in this guide align with the types of information you look for to offer sustainable financing to customers. Making this explicit will help conversations move from identifying customer needs to offering relevant solutions.

## Bring in sector guidance where relevant

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This guide is intended to be broadly applicable across sectors. However, different sectors may have specific industry standards or material topics outside of this list. Just as SMEs are encouraged to consider what is most material to their business, banks may want to use this to complement existing work across industries.

## Explain the context: stepping into the transition

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During the interviews that were used to develop this guide, stakeholders were consistently of the view that banks have a crucial role to play in supporting the development of a sustainable economy.

Providing financial services that support customers to be more environmentally or socially responsible is a key part of this. Managing sustainability-related risks and opportunities across the economy is another vital factor. Both roles require financial institutions to be proactive with customers, and their people need to be able to contribute.

The 'how and why' are as important as the 'what' when it comes to enabling SMEs to start capturing and reporting on sustainability data. Helping your customers understand why the topics in this guide are important will help them on their journey to building a better, more resilient business.

# Methodology

This guide was developed based on an analysis of a broad range of global sustainability frameworks, covering reporting requirements or standards and frameworks aimed at SMEs. This provided a heatmap of the metrics and topics that occur most frequently and are therefore likely to be requested by international supply chains, financial institutions, investors, and others.

These metrics and topics were revised from interviews with New Zealand banks, agencies and SME businesses. We also received feedback on the challenges faced by the market, which metrics are most pertinent to the New Zealand context, and what level of maturity exists in this space.

The “Starter for Ten” topics in this guide represent the topics seen as most important to international standards and locally to New Zealand. Guidance around how and why to report was developed through this process and through additional research. This guide is not intended to be a complete list of sustainability topics or metrics. Individual businesses should decide which topics are most relevant to them and where to seek additional support.

## **Sustainability/ESG frameworks for SMEs**

1. Malaysian Capital Markets Simplified ESG Disclosure Guidance (SEDG)
2. EFRAG EU Voluntary Sustainability Reporting Standard for Non-Listed SMEs
3. UK ESG Framework for Venture Capital designed by ESG VC and the Social Value Portal
4. Carbon Disclosure Project (CDP) & Climate Hub Climate Framework

## **International reporting frameworks**

1. Global Reporting Initiative (GRI)
2. Sustainability Accounting Standards Board (SASB)
3. B Corporation
4. Aotearoa New Zealand Climate Standards – NZ CS 1

We also considered MBIE’s Broader Outcomes guidance, industry-specific standards such as ISO14001, and other materials focusing on procurement rather than reporting.

# Glossary

KEY TERMS	DEFINITION
Disclosure	Relates to the reporting an entity undertakes to communicate its sustainability priorities, actions and progress to stakeholders.
Green finance	Refers to financial products and services (like loans) that aim to encourage businesses and other entities to adopt more sustainable business practices.
Greenhouse gas	Gases in the earth's atmosphere which trap heat from the sun's rays. This causes a "greenhouse" effect as the gases prevent the heat from leaving the earth's atmosphere. Carbon dioxide, methane and nitrous oxide are all types of greenhouse gases.
Greenwashing	The act of making a product, action or policy appear more environmentally friendly or less environmentally damaging than it is.
Modern slavery	Relates to severe coercion of individuals in the workplace. Modern slavery includes forced labour, bonded labour, human trafficking and practices that breach international human rights.
Physical risks	Relate to extreme weather events (e.g. floods, heatwaves, wildfires and storms) and longer-term changes in the climate (e.g. changes in rainfall, sea level change, increased extreme weather, rising temperatures).
Social finance	Relates to financial services which aim to generate positive social and environmental impact beyond making a financial return.
Transition risks	Relate to changes towards a low-emissions world, ranging from changing behaviour preferences (e.g. increase in EVs), changes in government policy, new technologies or legal obligations (e.g. avoiding greenwashing).
Verification	Relates to an independent and systematic process for reviewing historical data and determining if the information is correct.

# References & resources

- Aotearoa New Zealand Climate Standards: [NZ CS 1](#)
- Auckland City Council: [Reduce waste from your business](#)
- B Corporation: [B Impact Assessment](#)
- Business New Zealand:
  - [Workplace policy builder](#)
  - [Why workplace wellbeing is important](#)
- Carbon Disclosure Project (CDP) & Climate Hub: [Climate Disclosure Framework](#)
- Diversity Works New Zealand:
  - [Information on collecting personal data](#)
  - [Workplace diversity case model](#)
- Education New Zealand
  - [Example injury record](#)
  - [Example health and safety policy](#)
- European Financial Reporting Advisory Group: [EU Voluntary Sustainability Reporting Standard for Non-Listed SMEs](#)
- Employment New Zealand:
  - [Ethical and sustainable work practice due diligence](#)
  - [Employers approach to ethical and sustainable work practices](#)
  - [Workplace policies and procedures](#)
- GHG Protocol:
  - [Scope 3 calculation guidance](#)
  - [Calculation tools](#)
- [Global Reporting Initiative \(GRI\)](#)
- Harvard Business Review: [Creating Shared Value](#)
- [Immigration New Zealand: Migrant exploitation](#)
- KPMG International: [Building workforce resilience](#)
- KPMG New Zealand: [Sustainable supply chains and procurement](#)
- Malaysian Capital Markets: [Simplified ESG Disclosure Guidance \(SEDG\)](#)
- Mental Health NZ: [Five ways to wellbeing at work](#)
- Ministry for the Environment:
  - [Measuring emissions: A guide for organisations: 2023 detailed guide](#)
  - [Te rautaki para waste strategy](#)
- Ministry of Business, Innovation & Employment
  - [Climate Action Toolbox](#)
  - [Knowing your networks: supply and distribution](#)
  - [New Zealand Companies Office and the Institute of Directors: Governance Overview](#)
- New Zealand Ministry for Foreign Affairs and Trade: [Supporting SMEs: Free Trade Agreements](#)
- New Zealand Trade & Enterprise:
  - [Māori Economy Investor Guide](#)
  - [What's your company's purpose?](#)
  - [Why employee engagement matters and how to measure it](#)
- NIWA: [Climate Change and Possible Impacts for New Zealand](#)
- Privacy NZ: [The Privacy Act and privacy principles](#)
- Percy Rogers 2021: [The value of volunteering: volunteering in Education and Productivity at Work](#)
- SME Climate Hub: [Start measuring your business emissions](#)
- Springer: [Is there a link between corporate strategy and performance?](#)
- Sustainable Business Council: [Adapting to Climate Change](#)
- Sustainable Business Network:
  - [Starter Q&As for suppliers](#)
  - [Starting Q&As for reducing waste](#)
  - [Reducing office waste resource sheet](#)
- Sustainability Accounting Standards Board (SASB)
- Te Ara The Encyclopaedia of New Zealand: [Principles of the Treaty of Waitangi](#)
- The Aotearoa Circle & Chapman Tripp: [Protecting New Zealand's competitive advantage](#)
- ESG VC and the Social Value Portal: [UK ESG Framework for Venture Capital](#)
- United Nations: [Biodiversity - our strongest natural defence against climate change](#)
- Walk Free: [Global Slavery Index – New Zealand](#)
- Wellington City Council: [Business waste audits](#)
- WorkSafe New Zealand:
  - [An overview of the Health and Safety at Work Act](#)
  - [How to write a health and safety policy](#)
  - [Information on events that need to be notified](#)
- World Economic Forum:
  - [3 ways companies can reduce their indirect missions throughout value chains](#)
  - [The Future of Jobs Report 2023](#)



Waipuna-ā-rangi



Ururangi



Hiwa-i-te-rangi



Matariki



Tupu-ā-rangi



Tupu-ā-nuku



Waitī



Waitā



Pōhutukawa



CENTRE FOR  
**Sustainable  
Finance**  
TOITŪ TAHUA

