



FROM COMPLIANCE TO CONFIDENCE

*HOW SMES CAN PREPARE FOR CLIMATE
DISCLOSURES*

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DR KAUSHIK SRIDHAR

FOUNDER & CEO, ORKA ADVISORY

Foreword

Climate disclosure is no longer just a regulatory issue - it is fast becoming a **business imperative**. From January 2025, large Australian companies will be required to publish **audited climate disclosures** under new international standards.

While small and medium enterprises (SMEs) are not yet directly mandated, the **ripple effects** are already reaching supply chains, customers, lenders, and communities.

This white paper is designed to help SMEs **cut through the complexity**. It provides a **practical roadmap** to move from compliance anxiety to readiness and resilience.

By taking small, achievable steps today, businesses can **reduce risk, strengthen trust**, and position themselves for **long-term competitiveness** in a low-carbon economy.

My hope is that this guide empowers SME leaders to see climate disclosure not as a **burden**, but as an **opportunity** to future-proof their business and demonstrate leadership.

Dr Kaushik Sridhar
Founder & CEO, Orka Advisory

Executive Summary

Why climate disclosure matters

- Climate-related disasters already cost the Australian economy **\$38 billion annually** (Insurance Council of Australia, 2023).
- **82% of investors** globally say ESG performance influences their decisions (PwC, 2023).

New reporting requirements from January 2025

- The new regime will cover **~6,000 large Australian entities** by 2027 (Treasury, 2024).
- IFRS S1 & S2 are now the **global baseline** for sustainability reporting (ISSB, 2023).

SME implications

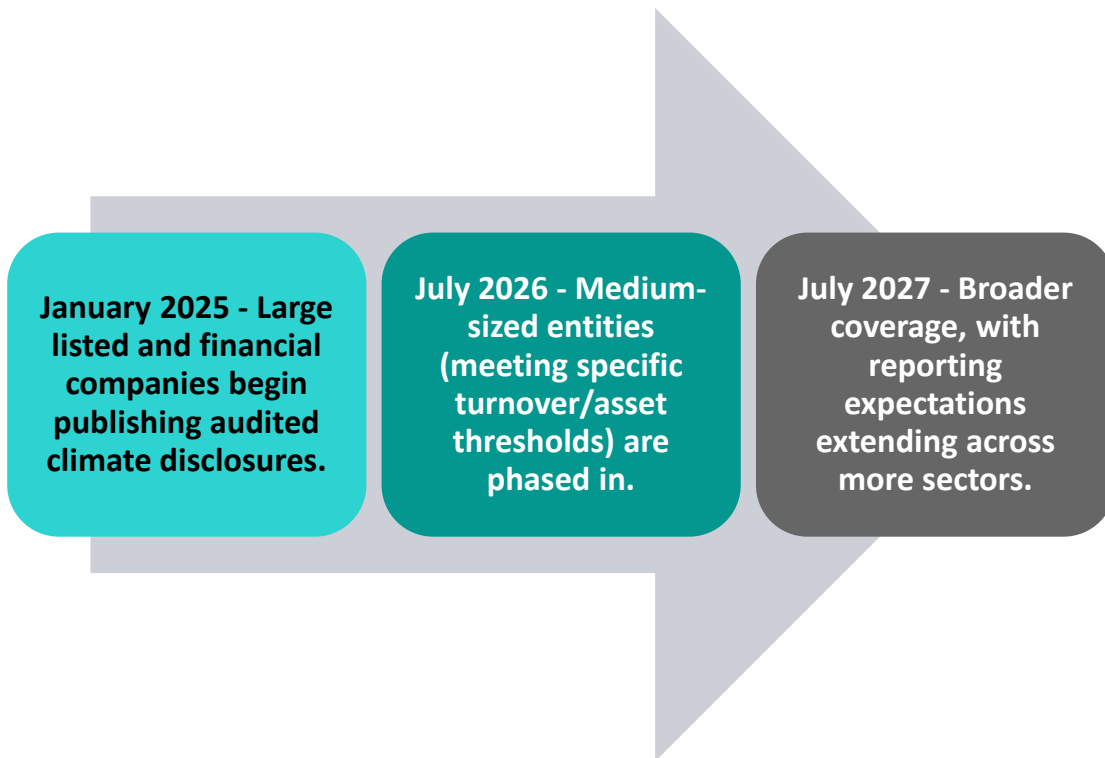
- **7 in 10 SMEs** in Australia already face ESG requests from supply chains or financiers (KPMG, 2024).
- SMEs make up **97% of all Australian businesses**, meaning ripple effects are widespread (ABS, 2024).

Benefits of readiness

- Early adopters reduce compliance costs by up to **40%** compared to late movers (Deloitte, 2023).
- SMEs with strong ESG practices are **2x more likely** to win government and corporate contracts (Grant Thornton, 2024).

Australia's ESG Disclosure Landscape

Timeline of Rollout



What This Means for SMEs

Supply chains, banks, and investors will require ESG data - SMEs that prepare early will stand out.

Measuring emissions and risks builds credibility and resilience.

Early action ensures SMEs are tender-ready and finance-ready.

Why SMEs Can't Ignore Climate Disclosures

Pressure from Supply Chains

Large companies will require emissions and climate data from SME suppliers.

70% of SMEs already face ESG requests from large customers (KPMG, 2024).

Access to Finance & Insurance

Banks and insurers are pricing in climate readiness.

82% of banks globally now assess ESG risks in lending (PwC, 2023).

Winning Customers

Consumers favour businesses with transparent sustainability practices.

3 in 4 Australian consumers prefer sustainable brands (EY, 2023).

Stand Out From Competitors

Proactive SMEs secure contracts, funding, and differentiation.

SMEs with ESG credentials are 2x more likely to win tenders (Grant Thornton, 2024).

Why Readiness Delivers Results

Smarter decisions

Data-driven insights on energy, emissions, and risks.

SMEs that track energy use cut operating costs by up to 15% within 12 months.

Greater trust

Transparency builds credibility with customers and lenders.

Over 70% of banks now include ESG criteria in SME lending assessments.

Less stress

Avoids rushed and costly compliance later.

Companies that prepare early save up to 40% in compliance costs compared to late adopters.

Competitive positioning

Stronger case for tenders, funding, and partnerships.

SMEs with ESG credentials are 2x more likely to win corporate and government contracts.

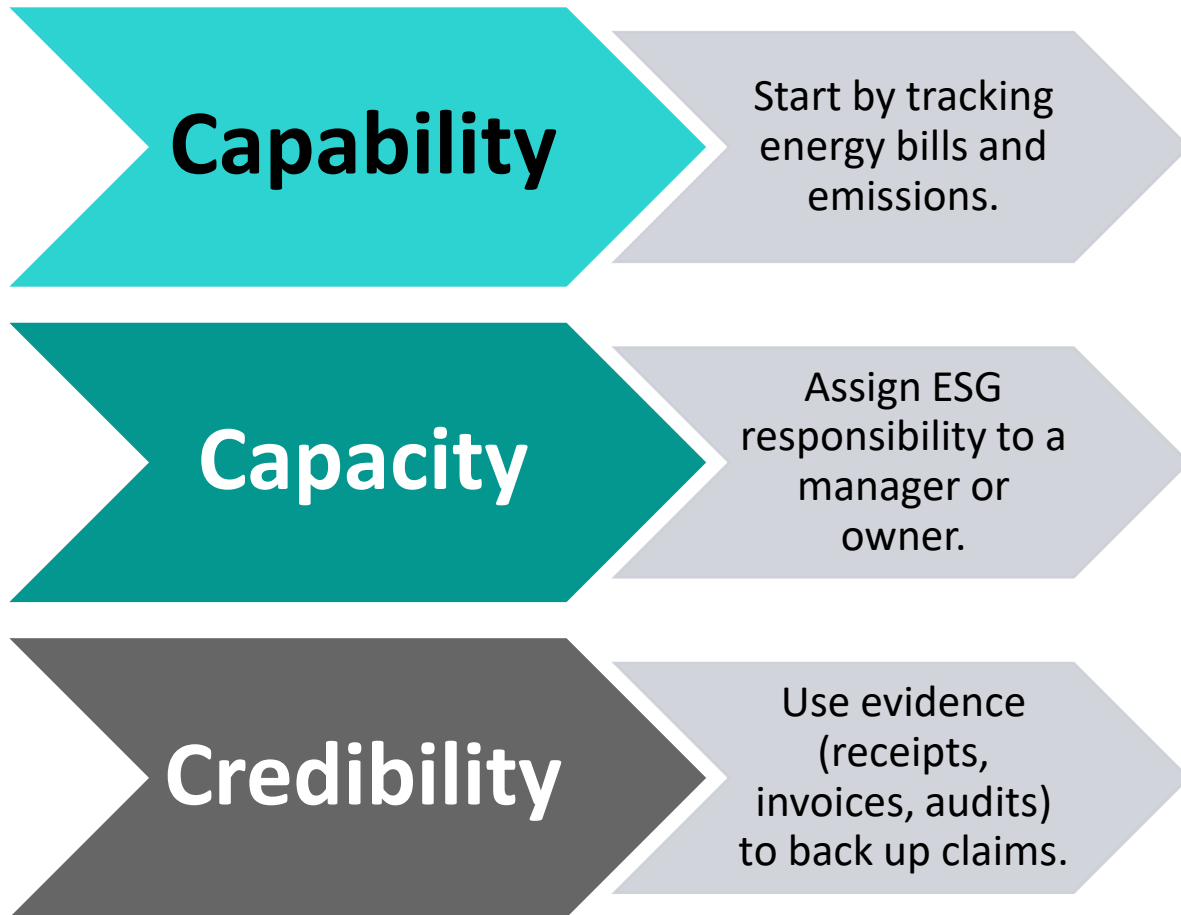
Quick wins

Tracking basics (e.g., electricity, waste) saves money immediately.

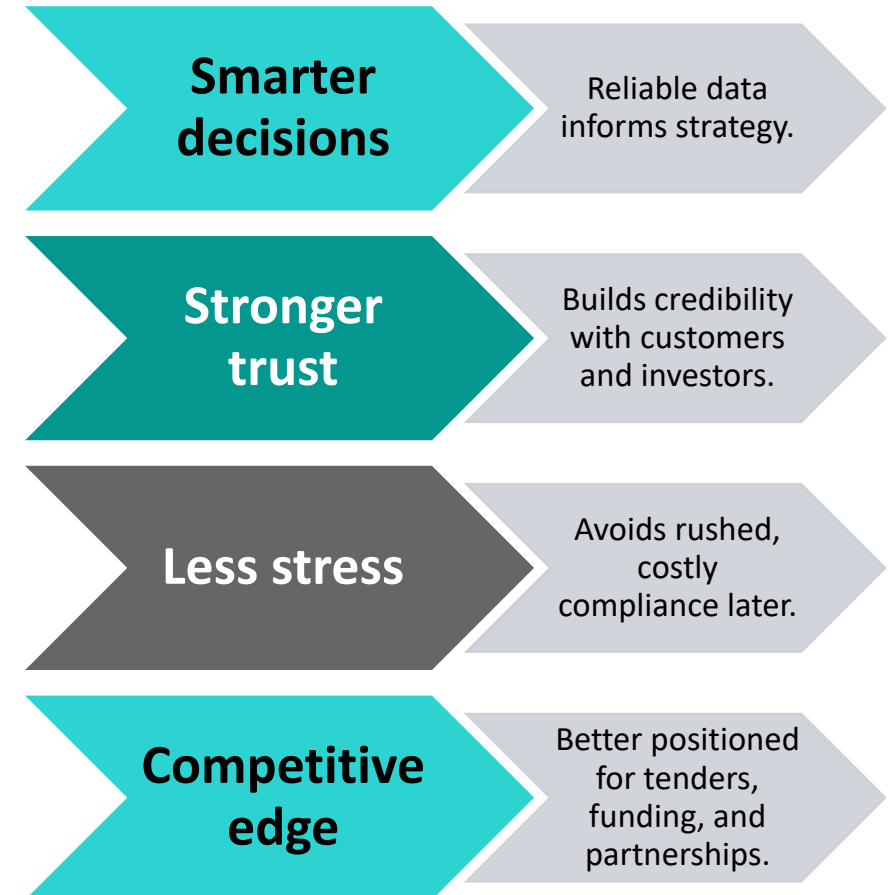
Simple efficiency measures can deliver 5-10% cost savings within the first year.

Readiness Beyond Compliance

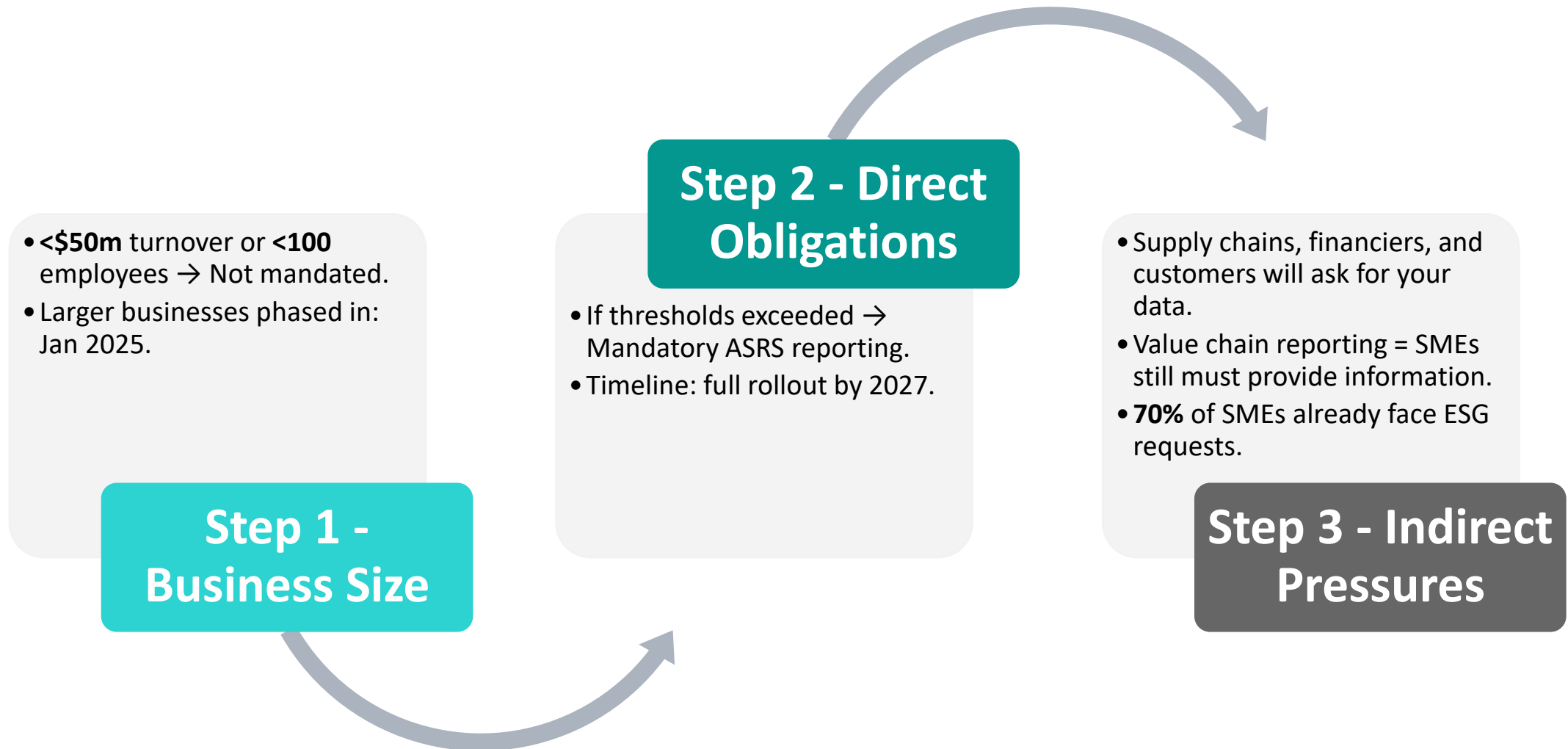
What “Readiness” Means for SMEs



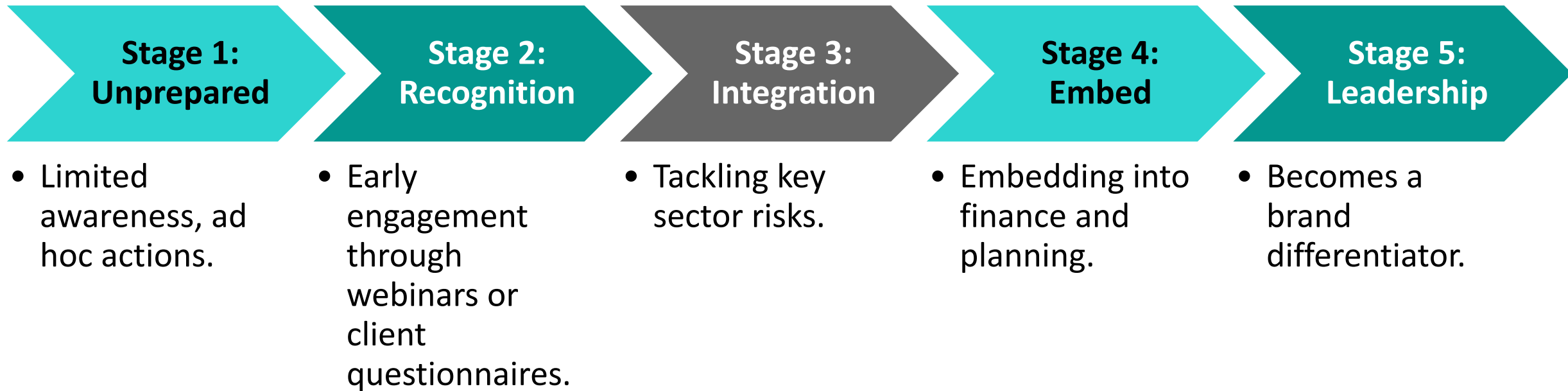
Benefits of Readiness



Are You Affected? Quick-Read Cheat Sheet



5 Stages of SME Readiness



Building Blocks for Climate Reporting Readiness

Data

Start with simple metrics (electricity bills, fuel receipts, waste invoices).

Tool: Free calculators from SME Climate Hub.

Governance

Assign Climate Reporting responsibility to one manager or board member.

Tip: Add “Climate update” as a standing agenda item at monthly meetings.

Scenario Analysis

Test resilience against physical risks (flood, heatwave) or transition risks (carbon tax).

Tool: Use free climate risk toolkits for SMEs.

Communication

Share actions in plain English with staff, customers, and financiers.

Tip: Use one-page summaries or website updates instead of lengthy reports.

Materiality & Self-Assessment

1. Materiality Assessment

- List your **top 10** ESG/climate issues (e.g., energy, waste, packaging, employee wellbeing).
- Ask: **Which 3-5 matter most** to our customers, financiers, and community?

Tip: Use a simple 2x2 grid (impact on business vs importance to stakeholders) - focus where both are high.

2. Climate Readiness Scorecard

- Create a **checklist of basics**:
Do we track energy use?
Do we know our emissions? Is someone accountable?
- Do we communicate progress to staff/customers?

Tip: Score yourself (e.g., 1 = not started, 2 = partly done, 3 = fully in place). The lowest scores highlight priority actions.

3. Gap Analysis

- Compare what you currently do against common ESG frameworks: GRI / ASRS = reporting standards.
- Check if you disclose risks, governance, and targets.

Tip: Identify 2-3 “quick wins” (like tracking electricity bills, adding an ESG update to board meetings, or sourcing local suppliers).

Common Pitfalls to Avoid

Waiting for mandates

By then, it's too late (data takes time to build).

Doing everything at once

Focus on 3-5 priorities, not 20.

Greenwashing

Don't overclaim; credibility matters more than perfection.

Ignoring your people

Employees are often the best source of ideas.

Not tracking costs/benefits

Missed chance to show 'ESG = business value'.

Communicating Readiness

Different stakeholders care about different things - tailor your message.

Customers

Show how your products/services are lower carbon, responsibly sourced, or waste-reduced. Keep it clear and jargon-free.

Investors & Financiers

Provide data on emissions, risks, and targets. Link ESG actions to financial performance and resilience.

Employees

Highlight workplace initiatives (energy saving, recycling, wellbeing). Make them part of the story.

Community

Share local benefits (supporting suppliers, reducing environmental impacts, community engagement).

Sector Priorities

Manufacturing SMEs	• Focus on energy efficiency + tracking Scope 1 & 2 emissions.
Professional Services	• Reduce office energy use, manage waste, implement green procurement.
Retail & Hospitality	• Prioritise packaging, sustainable sourcing, and food waste.
Agriculture & Agribusiness	• Manage soil health, reduce fertiliser use, measure methane emissions, adopt regenerative practices.
Construction & Property	• Track embodied carbon in materials, adopt green building standards, minimise on-site waste.
Transport & Logistics	• Transition to low-emission vehicles, optimise routes, monitor fuel use, prepare for Scope 3 requests.
Healthcare & Aged Care	• Improve energy efficiency in facilities, reduce single-use plastics, focus on community resilience.
Education & Training	• Cut campus energy use, sustainable procurement, engage students/staff in climate initiatives.
Mining & Resources	• Focus on water use, biodiversity, and emissions tracking; prepare for investor scrutiny.
Technology & Startups	• Minimise data centre energy use, promote circularity in electronics, build ESG into scaling models.

30-60-90 Action Plan



First 30 Days – Get Started

Identify your top 3-5 ESG & climate priorities (e.g., energy, waste, supply chain).

Start tracking simple metrics (electricity bills, fuel receipts, waste invoices).

Nominate an internal ESG lead (owner, manager, or board member).



By 60 Days – Build Systems

Set up a basic reporting process (spreadsheet or simple dashboard).

Engage stakeholders: talk to your bank, major customers, or suppliers about ESG expectations.

Establish short-term goals (e.g., 10% reduction in electricity use).



By 90 Days – Communicate & Commit

Publish a short update (1-page ESG summary, website statement, or client pack).

Align your actions with recognised frameworks (Climate Active, TCFD, ASRS).

Set a 12-month roadmap for improvement and monitor progress quarterly.

Start Small. Build Capability. Integrate ESG.

Climate disclosure is here to stay - SMEs who act now will be better prepared.

Small, practical steps build capability, reduce risk, and open new opportunities.

ESG should not be a side project - integrate it into everyday planning, governance, and customer engagement.

Readiness today is resilience tomorrow.

Researchers



Pooja Talekar

ESG & Sustainability Analyst at Orka Advisory with prior experience in corporate ESG strategy, regulatory reporting, and community impact initiatives across India and Australia.



Zilip Yeoh

Graduate Certificate student in Business Administration at Kaplan Business School, with a Bachelor of Business in International Trade & Supply Chain Logistics from Victoria University.



Hasina Harinambinina

Technical Writer with a background in civil engineering, economics, and ESG.



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