



**SUSTAINABILITY HAS MOVED  
INTO CORE OF BUSINESS FOR  
SMES AND SMALLER PLCS**

*BY*

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## SUMMARY

*Sustainability is no longer a side issue for SMEs and smaller PLCs. It is increasingly shaping customer expectations, supply-chain requirements, financing conversations, energy efficiency decisions, and governance standards. Businesses do not need to begin with a complex reporting exercise, but they do need a practical and proportionate way to start. By understanding what is material, improving visibility over carbon and operations, and using frameworks such as ASEDG, the GHG Protocol, and the broader direction signaled by IFRS S1 and S2, smaller businesses can strengthen readiness, resilience, and commercial relevance.*

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# IT IS NO LONGER A SIDE ISSUE

For many SMEs and smaller PLCs, sustainability used to feel like something distant — something for large, listed companies, annual reports, or technical ESG teams.

That is no longer the case.

Today, sustainability is showing up in the middle of real business decisions.

Customers are becoming more selective. Employees are paying more attention to the values and practices of the companies they work for. Larger companies are looking more closely at the standards of their suppliers and partners. Banks, financiers, regulators, and governments are also shaping expectations in more visible ways. On top of that, rising energy and operating costs are making efficiency and resilience much harder to ignore.

This matters because SMEs are not a marginal part of the economy. The World Bank says they account for about 90% of businesses and more than 50% of employment worldwide

## THE PRESSURE IS ALREADY HERE

Many businesses still ask whether sustainability really matters for smaller companies. It does. But that is no longer the most useful question. The more useful question is where to begin without getting buried in jargon, frameworks, and reporting language.

That matters because most SMEs and smaller PLCs do not need to start with a polished sustainability report. They need to start by understanding where sustainability is already affecting the business today.

In many cases, the pressure is already visible in five areas: customers, supply chains, financing, operating costs, and business risk.

## START WITH WHAT THE BUSINESS CAN ALREADY SEE

A sensible starting point is not trying to do everything at once.



### Why this matters now

- Customers are becoming more selective
- Larger buyers are asking more from suppliers
- Banks and financiers are focusing more on resilience
- Rising energy costs are making efficiency more urgent
- Governance and disclosure expectations are increasing

It is starting with the areas that already connect to operations, cost, and management visibility.

One of the clearest examples is carbon.

Now, that does not mean a company needs a perfect emissions inventory on day one. But it does mean the business should begin to understand where electricity is being used, where fuel is being consumed, and where obvious inefficiencies may exist.

That is where the GHG Protocol becomes useful. It gives businesses a simple structure for thinking about emissions through Scope 1, Scope 2, and Scope 3. More importantly, it helps management see the operational footprint of the business more clearly.

At the global level, the IPCC provides the scientific foundation for understanding climate change and greenhouse gases. For businesses, frameworks such as the GHG Protocol and ISO 14064-1 offer practical approaches to carbon accounting and reporting. For SMEs, the ASEAN Simplified ESG Disclosure Guide (ASEDG) provides a more proportionate starting point for ESG disclosure, while IFRS S1 and IFRS S2 reflect the broader direction of more structured sustainability- and climate-related reporting. Together, these reference points help explain why sustainability is increasingly moving into the core of business.

For many businesses, carbon visibility is not just about carbon. It is also about cost discipline, energy efficiency, internal controls, and better management information.

The energy-efficiency case is also commercially compelling. The IEA says industrial energy management can deliver more than 10% annual energy cost savings within three years, with larger gains possible over time.



## The Global Sustainability Framework

- **IPCC**

Provides the scientific foundation for understanding climate change and greenhouse gases

- **GHG Protocol / ISO 14064-1**

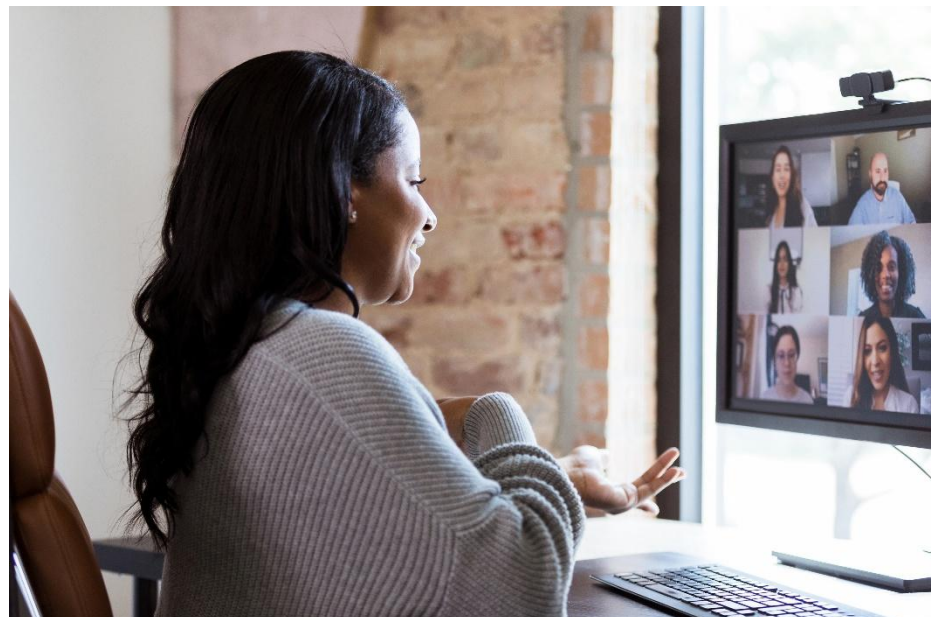
Offer practical approaches to carbon accounting and reporting

- **ASEDG**

Provides a proportionate ESG starting point for SMEs

- **IFRS S1 / IFRS S2**

Reflect the broader direction of structured sustainability and climate-related disclosures





### Key Greenhouse Gas (GHG )

- carbon dioxide (CO<sub>2</sub> ),
- methane (CH<sub>4</sub> ),
- nitrous oxide (N<sub>2</sub> O),
- hydrofluorocarbons (HFCs),
- perfluorocarbons (PFCs), and
- sulphur hexafluoride (SF<sub>6</sub> ).

### **Sustainability is moving through the supply chain**

This is also why sustainability is no longer just a “big company” conversation.

Even where a smaller business is not directly regulated, it may still feel the pressure through customers, buyers, or supply-chain partners. Larger companies are increasingly expected to understand the sustainability profile of their value chains. That expectation does not stay at the top. It moves downwards.

There is a strong reason for this. CDP reports that corporate supply-chain emissions are, on average, 26 times greater than direct operational emissions

So an SME may suddenly be asked for information on energy use, carbon, sourcing standards, or governance practices — not because it chose to enter the ESG conversation, but because the market brought the conversation to it.

That is how sustainability becomes commercial reality.

### **Financing, resilience and credibility are increasingly linked**

This is why proportionate starting points matter

Most SMEs and smaller PLCs do not need a highly technical system from the outset. They need an approach that is manageable, relevant, and realistic for their stage of growth and maturity.

That commercial reality also links directly to financing. The World Bank says SMEs face a US\$5.7 trillion finance gap across 119 EMDEs, which underlines why business credibility, resilience, transparency, and readiness increasingly matter in access to finance.

This is where the ASEDG is helpful.

It gives businesses a structured but more practical way to begin. It helps management identify what matters, organise information, and build internal understanding without expecting the company to operate like a large multinational from day one.

For many smaller businesses, that is exactly the right starting point. The first step is not perfection. The first step is structure.



### Where businesses should begin

- Understand energy and fuel use
- Identify obvious inefficiencies
- Focus on the issues that are most material
- Organise internal ESG and carbon data
- Build a practical starting structure



Sustainability is becoming a business issue

Sustainability is increasingly linked to:

- cost management
- customer expectations
- supply-chain access
- financing credibility
- operational resilience



Questions management should ask

- Where are our biggest energy and cost pressures?
- What are customers or larger buyers asking for?
- What risks could affect operations or reputation?
- What data do we already have?

### **The market is moving in a more structured direction**

At the same time, businesses should keep an eye on the broader direction of travel.

Frameworks such as IFRS S1 and IFRS S2 may appear to sit mainly in the world of large issuers and investor-oriented disclosures. But their influence is spreading more widely. Customers, financiers, investors, and larger business partners are increasingly shaped by these frameworks and by the wider movement towards more structured sustainability-related information.

That does not mean every SME or smaller PLC needs to become an overnight technical expert.

It does mean businesses should start understanding where the market is heading — especially on climate, governance, resilience, and risk.

Because over time, even smaller companies may be expected to respond more clearly to these issues.

### **Focus on what is material**

Another common mistake is trying to cover too much, too soon.

Sustainability is not useful when it becomes a broad checklist with no clear priorities. The better approach is to focus on materiality.

What actually matters most to the business?

What is most likely to affect revenue, cost, profits financing and enterprise value over the short, medium and long term?

For one company, the key issues may be energy, waste, and safety.

For another, it may be workforce capability, governance, documentation, and internal controls.

For some businesses, the immediate issue may simply be carbon data because a customer, lender, or supply-chain partner is already asking for it.

This is where sustainability starts becoming genuinely useful. It stops being a generic concept and starts becoming connected to how the business actually works.

Why acting earlier makes business sense



There is also a cost to delay.

CDP reports that failure to address climate-related risks in supply chains can cost nearly three times more than the action needed to mitigate those risks.

So, the businesses that move earlier — even in a simple and proportionate way — are likely to be in a much stronger position than those that wait until the pressure becomes unavoidable.

By then, the questions may already be coming from customers, banks, investors, or regulators. And late responses are often more expensive than early preparation.

For SMEs and smaller PLCs, sustainability is no longer just about saying the right things. It is about understanding the business more clearly, responding more credibly, and being better prepared for what comes next.

For many businesses, the next practical step after understanding sustainability is understanding carbon. In a follow-up article, the author will look more closely at carbon calculation, including the basics of Scope 1, Scope 2, and Scope 3 emissions, and why this is becoming an important area of business visibility.



Selected references: World Bank, IEA, CDP, IPCC, ACMF/ASEDG, IFRS Foundation.