

EnterpriseSG x SBF x Bain

Introduction to SME Sectoral Net Zero Transition Programme



Join us in shaping a sustainable future for your business

- **Background:** We're excited to invite you to join the "SME Sectoral Net Zero Transition Programme" provided by Singapore Business Federation, Enterprise Singapore, and Bain & Company, to support small and medium sized enterprises in decarbonising their business. SMEs can send up to 2 representatives to participate in 3 half-days workshops over the course of 6 weeks.
- **Benefit:** Participants will get help to establish a carbon baseline, identify decarbonisation levers, and create an actionable decarbonisation plan, through a combination of workshops, a GenAI-based decarbonisation tool, and support from the SBF & Bain decarbonisation teams. The programme will also help facilitating access and suppliers.
- **Timeline:** The next cohort of our programme will start in January 2025. More cohorts are being planned throughout 2025.
- **Next steps:** Confirm your interest by filling up the form in slide 9.

Why decarbonisation is important for SMEs

01 Regulatory pressure



- Phased implementation of **mandatory climate-related disclosures reporting** starting with listed firms in FY2025
- Gradual increase in **mandatory carbon tax in Singapore** to S\$50–80/tCO₂e by 2030
- Exposure to **international regulations** by Europe and US

02 Access to finance



- Enhanced government grants – for e.g., **S\$5 billion Future Energy Fund** to support low-carbon energy infrastructure projects
- Involvement from local banks with **DBS’s \$70 billion sustainable financing commitments**

03 Customer demand



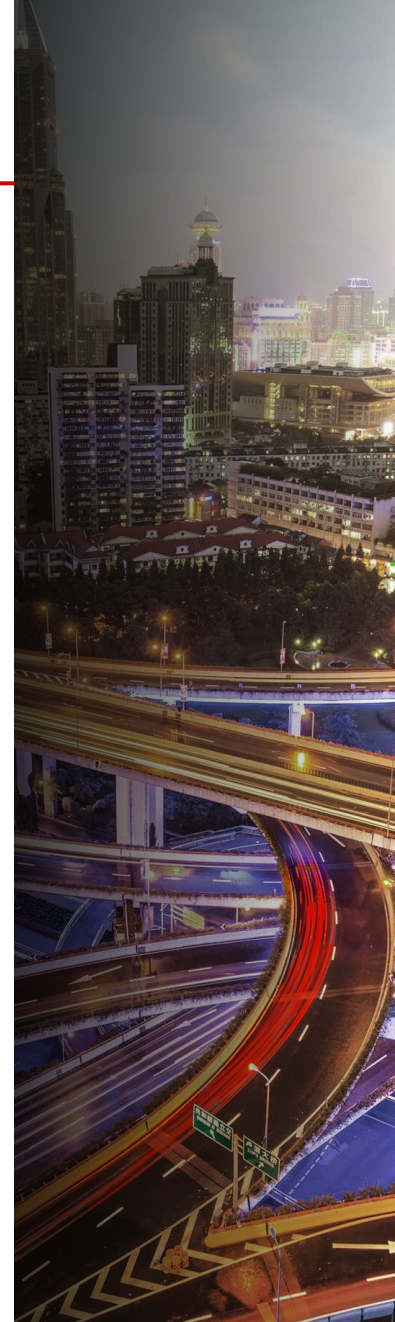
- From a WWF Singapore study
- **35% are willing to pay ~10% more** for sustainable alternatives
 - **30% ranked sustainable ingredients** and packaging as top priority in everyday shopping

Importance for SMEs

- Avoid regulatory **penalties**
- Maintain **access to markets**

- **Unlock** government & private **funding** to reduce decarb. costs

- **Attract and retain** consumers who prefer sustainable brands



Programme components

COMPRISES 4 COMPONENTS:


1



Workshops

- Establish emission baseline for reporting
- Tailor decarbonisation pathway and immediate actionable plans


2



AI Tool

- Create “sustainability officer-quality” decarbonisation plans, ~75% quicker than traditional manual process
- Continuous “helpline” support for decarbonisation


3



Access to ecosystem

- Matchmake with network of financial institutions and green solution providers

4



Advisory

- Singapore-specific guidance (e.g. supplier evaluations, cost estimations) from decarbonisation experts

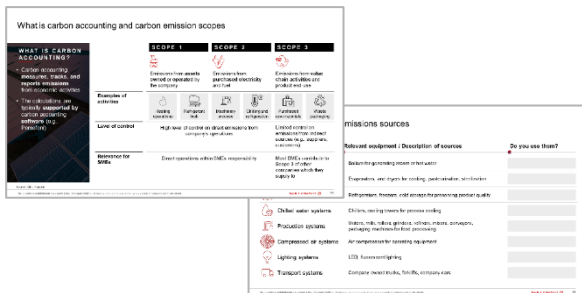
Develop an actionable decarbonisation plan over 3 workshops

Workshop #1 (Baselining)

STEP 0

Understand carbon emissions basics and case for change

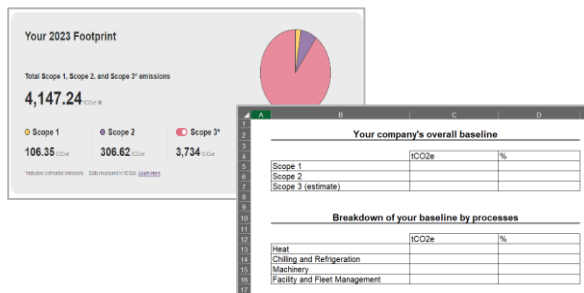
- Main drivers for change from regulatory and market angle
- Carbon accounting and emissions (Scope 1 to 3)
- **Material emissions sources for your company** across heating, chilling refrigeration, machinery, etc.



STEP 1

Establish carbon emissions baseline

- Estimation of **company's Scope 1 and 2 emission baseline** based on operational activities

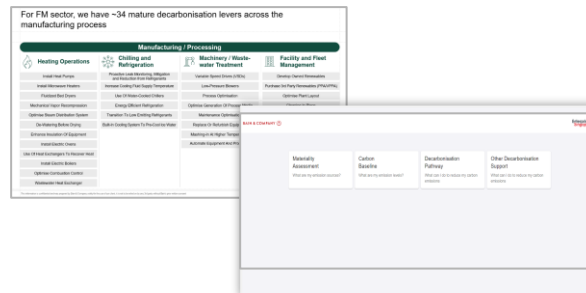


Workshop #2 (Pathways)

STEP 2

Identify decarbonisation levers and pathways

- **Sector specific specific decarb levers with key details** (e.g., abatement potential, time to deploy)
- **Customised decarb plan** based on lever prioritisation using GenAI tool

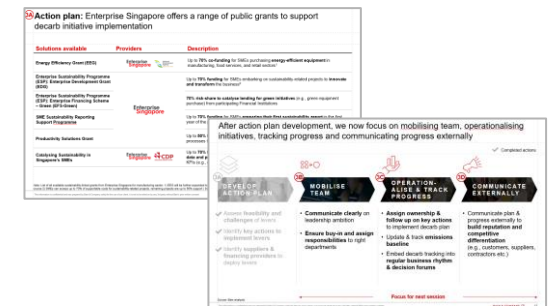


Workshop #3 (Mobilisation)

STEP 3

Develop implementation plan

- Steps for **action plan development, team mobilisation, progress tracking and external communication**
- Introduction to **green financing and green solutions** options



Source: Bain analysis

SMEs can reap multiple benefits by participating



Establish your emissions baseline

Be better prepared for reporting to customers and financial institutions.



Embark on a guided decarb journey

Receive immediately actionable and bankable plan tailored by experts



Be an early mover in sustainability

Gain competitive advantage by adopting a proactive role



Benefit from subsidised programme cost

Get up to 70% subsidies for this programme.

Pilot cohort with 21 SMEs demonstrated clear value

BEFORE



...ESG feels like a priority only for bigger MNCs. **Most SMEs are unsure of where to start** given the extremely manual data collection process...

Sr. Executive, Noodle manufacturing SME



...we don't have a clear understanding of how sustainability efforts will bring cost savings for our company, and there are **no mandatory requirement yet...**

Sr. Executive, Noodle manufacturing SME



...Capex investments for new equipment face **high business scrutiny** due to long payback; approval is easier if costs are comparable to existing solutions...

Sr. Executive, Noodle manufacturing SME

AFTER

Testimony on the programme:



Great initiative for SMEs who **may not have the time/ resources/ know how** on how to embark on this journey...

Sr. Executive, Food Manufacturing SME

Testimony on the gen-AI enabled tool:



...this software is a **good handholding tool** for those of us starting from step zero of decarbonisation...

Sr. Executive, Noodle manufacturing SME



...the **dashboard is very impressive; more details would be helpful on how levers work** and can be applied to my company's specific situation...

Sr. Executive, Beverage manufacturing SME

RESULTS



80%

of participating SMEs established their emissions baseline for the first time



50%

Reduction in carbon emissions were targeted by participating SMEs

Our programme was featured in various local news articles

THE BUSINESS TIMES

SBF and Bain launch decarbonisation-focused programme for SMEs

Initiative will link businesses with experts and funding providers with green financing solutions

By Janice Lim
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SMALL and medium-sized enterprises (SMEs) in Singapore will be able to tap into a programme specially catered to support those looking to decarbonise their businesses.

Launched by the Singapore Business Federation (SBF) and management consulting company Bain on Thursday (Oct 3), the programme aims to tackle the main barriers SMEs face in their decarbonisation efforts.

The lack of in-house capability, limited awareness of existing solutions, as well as a lack of financing support were cited by SMEs as the main challenges in a survey jointly conducted by SBF and Bain.

The training programme aims to support SMEs by linking them up with decarbonisation experts specific to their sector, as well as with financial institutions and other funding providers with green financing solutions.

The programme also plans to use a tool powered by artificial intelligence that could shorten the time required for materiality assessments and the development of decarbonisation pathways, strategies and targets that are sector-specific.

This tool is supposedly 75 per cent faster than the traditional process, which would typically require SMEs to hire a dedicated officer focused on environmental, social and governance responsibilities to do the same work, noted Hu Ching, head of SBF's net-zero transition programme office during a media conference.

After the completion of the eight-week programme, there will be ongoing guidance for SMEs to track their progress and refine their plans if needed.

Pilot run

There was a pilot run with 21 food manufacturing companies between July and August this year, resulting in 80 per cent of them establishing their emissions baseline for the first time. The decarbonisation levels identified for companies in the pilot could potentially reduce their Scope 1 and 2 emissions by between 50 and 70 per cent, increase their margins by between 4 and 5 per cent, and lower energy costs per unit by between 40 and 50 per cent.

Scope 1 and 2 emissions refer to



Over 34% of 476 SMEs polled are assessed to be at the "mild" or "advanced" stage in their decarbonisation journey, having started emissions reporting or committing to emissions reduction targets. PHOTO: BT FILE

emissions derived from a company's operations and its purchase of electricity.

SBF and Bain intend to expand the programme to more SMEs in the food manufacturing industry, as well as those in two or three other sectors next year.

While SBF's chief executive Kok Ping Soon did not want to specify the sectors, he said during the same media conference that they are looking to support between 800 and 1,000 companies over the next five years. The sectors will be decided based on whether they have substantive operations in Singapore, and the level of carbon emissions they are generating.

"So the selection would be based on the impact, the maturity of the sector, and also – because we do want to work through the trade association and chambers – we want to find trade associations and chambers that are ready to work with us in order to mobilise their businesses to come on board this programme," said Kok.

When asked why the pilot decided to start with food manufacturers, instead of other sectors with higher carbon emissions, Hu said that SBF found out – through its engagement with Enterprise Singapore and the trade associations and chambers – that the sector was found to be receptive and interested in learning about decarbonisation.

In addition to the challenges SMEs faced on decarbonisation, the survey found that about one in two

of these companies that have embarked on their decarbonisation initiatives were able to achieve benefits from value creation.

Among SMEs that were further along their decarbonisation journey, a higher proportion (58 per cent) were able to reap these benefits. Even then, about 37 per cent of SMEs that have taken the initial steps have been able to see the higher.

Benefits

Companies were able to derive these benefits mainly from having more sustainability-focused customers, generating cost savings by being more operationally efficient, as well as avoiding higher compliance costs set to come through regulations.

The survey, also released on Thursday, polled 476 SMEs from more than 20 sectors, including wholesale trade, professional and business services, as well as industrial and manufacturing.

More than 34 per cent of these SMEs were assessed to be at the "mild" or "advanced" stage in their decarbonisation journey. These SMEs are deemed to have taken moderate or strong actions, such as starting emissions reporting or committing to science-based emissions reduction targets, or even developing a long-term sustainability strategy.

More than 32 per cent of SMEs have taken basic or initial steps, such as undergoing sustainability training or introducing the concept

of decarbonisation within the company. The rest have not made such efforts.

The survey found that the size of the company and the sector they are in makes a difference in their ability to develop more sustainable business models.

While one-third of SMEs were found to have made significant progress, the proportion is much higher among large companies at 80 per cent. Consumer-facing SMEs showed about two times less decarbonisation progress compared to business-to-business sectors, due to a perception of lower customer pressure.

SMEs that have started their decarbonisation journey were found to be more focused on short-term priorities, such as identifying reduction initiatives and training, compared with setting long-term emission reduction targets or designing a sustainability strategy.

Regulatory compliance remains the top motivator for SMEs to decarbonise at 47 per cent. Client sustainability requirements came in next at 35 per cent, while cost savings were cited by 32 per cent of respondents.

The survey also noted that there was low awareness, and therefore low uptake of sustainability initiatives provided by the government.

While 67 per cent of SMEs needed public funding support and green financing, 87 per cent of the energy efficiency fund – which has a budget of \$527 million – is still available.

THE STRAITS TIMES



Transport Minister Chee Hong Tat (left) and UN Global Compact Network Singapore president Ricky Bhanu in a fireside chat on accelerating corporate action for sustainable development during the UN Global Compact Network Singapore Summit at One Farrer Hotel on Oct 3. ST PHOTO: ERHAN TED

Singapore SMEs to get more targeted help to go green in next 5 years

Sue-Ann Tan
Business Correspondent

Around 1,000 small and medium-sized companies (SMEs) here will get targeted, sector-specific help to go green in the next five years.

They will also get to use an artificial intelligence (AI) tool that helps them assess their carbon emissions since many small firms do not have a dedicated sustainability officer to generate such reports for them.

Called the SME sectoral net zero transition programme, the initiative will also match companies with partners for funding and provide them with green solutions that meet their needs.

The programme was announced by Transport Minister Chee Hong Tat at the UN Global Compact Network Singapore Summit on Oct 3. It is a joint effort by the Singapore Business Federation (SBF) and leading management consulting firm Bain & Co.

They have already conducted a pilot project with 21 food manufacturers from July to August and helped 80 per cent of them to establish their emissions baselines for the first time.

Mr. Chee, who is also Second Minister for Finance, said "I am heartened to hear of the pilot's success and we are now going to expand this to support more SMEs in food manufacturing, and later on to scale up to other sectors."

He noted that a new survey by the SBF and Bain found that SMEs further along in their decarbonisation journeys were 1.5 to two times more likely to realise benefits.

For example, People Box Hoon Factory was able to reduce electricity costs by 30 per cent by installing solar panels, Mr. Chee said. The company also optimised its washing process and used thinner



(From left) Brewerkz co-owners Tan Wee Tuck, Tan Wee Lee and Tan Wee Han. Brewerkz had participated in a pilot by SBF and Bain which helps food manufacturers set up their emissions baselines. PHOTO: THE BUSINESS CORNER

packaging material, resulting in a 50 per cent reduction in water consumption.

Craft brewery Brewerkz also participated in the pilot. Its managing director Tan Wee Tuck said: "The programme answered all the questions that we had about decarbonisation but were too afraid – or too busy, or too apathetic – to ask. It should be basic education for all business owners, just as knowing how to read a profit and loss statement."

SBF chief executive officer Kok Ping Soon noted that only one-third of SMEs have made significant decarbonisation progress, as compared with 80 per cent of large enterprises.

He said the programme will give SMEs ongoing advisory support from experts and guide them in navigating changing regulations, helping them to meet their decarbonisation goals.

Mr. Gerry Mattios, co-director of the Global Sustainability Innovation Centre at Bain, added that SMEs are the backbone of Singa-

pe's economy, and are also significant contributors to greenhouse gas emissions.

"The decarbonisation pathway for SMEs is fraught with challenges, from financial constraints and limited capability to the complexity of integrating sustainable practices into existing business models that perhaps have different sets of priorities," he said.

"We, it is within these challenges that we find immense opportunities," he said.

The SBF and Bain survey also found that the top three challenges faced by SMEs were a lack of awareness, in-house capability and financial support. Nearly 500 SMEs were surveyed across more than 20 sectors in Singapore.

Hence, SBF and Bain developed a unique AI tool to help SMEs make sector-specific assessments such as identifying their emission sources and creating "chief sustainability officer-quality" sector-specific decarbonisation strategies with minimal expertise and effort.

Mr. Chee said: "New technologies

like AI can also be a powerful enabler to unlock the benefits of decarbonisation and tackle challenges in areas like manpower and cost." He noted that all this is part of preparing businesses for a low-carbon future, especially as Singapore has set a net-zero emissions target by 2050.

Mr. Chee outlined three ways to achieve the global green transition. One is leveraging technology. "Businesses that adopt sustainable technologies, such as energy-efficient equipment and carbon accounting software, reap more than just environmental benefits. They can reduce costs and sharpen their competitive edge," he said.

The second way is through talent. Firms can tap Singapore's growing pool of green talent, and take steps to integrate green skills into roles that are not traditionally green, said Mr. Chee.

Lastly, he noted that balancing trade-offs is important. "In the long run, a prosperous global economy must be an environmentally sustainable one," he said.

"We must ensure our businesses are resilient and can compete and thrive as we move in tandem with global developments in sustainability," he said.

At the summit, the UN Global Compact Network Singapore also launched a web-based solution designed to streamline carbon emissions tracking and reporting for Singaporean businesses, called the digital carbon emission recording tool.

De Ricky Bhanu, president of the UN Global Compact Network Singapore, added: "We must work to level the playing field for businesses of all sizes can compete, innovate and thrive."

GETTING AHEAD WITH
THE EDGE
SINGAPORE

SBF, Bain & Co launch SME-focused decarbonisation programme, starting with food manufacturers



Jovi Ho

Thu, Oct 03, 2024 • 10:02 AM GMT+08 • 4 min read

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The eight-week programme will be expanded to support more SMEs and sectors to decarbonise, and aims to support up to 1,000 companies within five years. Photo: Bloomberg

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The Singapore Business Federation (SBF) and Bain & Company will provide Singapore's small- and medium-sized enterprises (SMEs) with advisory services on decarbonisation, access to ecosystem partners like banks and a new sustainability reporting tool powered by artificial intelligence (AI).

Unveiled on Oct 3, the SME Sectoral Net Zero Transition Programme will first target local food manufacturers. The eight-week programme is designed to tackle the "unique challenges" faced by SMEs by providing a "cost-effective, scalable and action-oriented decarbonisation solution", say the two parties.

In addition to advisory and matchmaking services, participating SMEs will be offered access to the AI-powered DecarboniSME tool. It provides SMEs with sector-specific materiality assessments to identify relevant emission sources, and reportedly generates "chief sustainability officer-quality" sector-specific decarbonisation strategies, pathways and targets.

Next steps

1

What is expected from participants:

- Commit 1 to 2 person(s) to represent your company
- Attend all 3 workshops physically
- Prepare all necessary data between each workshop
- Fill in to indicate interest:



2

For any queries, please reach out:



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THANK YOU!

