

## KEYNOTE ADDRESS BY PETER ONG, CHAIRMAN OF ENTERPRISE SINGAPORE AT UOB SUSTAINABILITY COMPASS FORUM ON 18 AUGUST 2023

### *Introduction and Opening Remarks*

1. Good morning everyone. I would like to thank UOB for inviting me to the Sustainability Compass Forum this morning. I am very happy to see many industry friends and partners in the audience, and am encouraged by your interest in the topic of sustainability.

### *Global and local sustainability trends*

2. Sustainability has changed the way we work. Businesses recognise the long-term value of sustainability and are transforming themselves to become more sustainable.
  - a. According to a PwC study on sustainability reporting, among the top 50-listed companies by market capitalisation across the Asia Pacific, 92 per cent of companies disclosed sustainability targets to guide their future development.
  - b. For example, in Singapore, ST Engineering's 2022 sustainability report outlines its target to increase its sustainability-linked revenue to more than S\$3 billion by 2026, which makes up around 30% of their overall FY2022 revenue.
3. This is in part due to government policies to drive sustainability and meet ambitious climate commitments.
  - a. Earlier this May, the European Union implemented the Carbon Border Adjustment Mechanism (CBAM). What this means is that from 2026 onwards, EU importers will be required to declare and pay for carbon emissions embedded in their imports. This impact will also cascade to companies further upstream in the value chain that supply to EU importers, and these partners will likely be asked by their customers to report the embedded carbon emissions of their products.
4. Likewise, Singapore has developed our own plans to build a green economy.
  - a. We are committed to achieve net zero emissions by 2050, despite being a city-state with limited alternative sources of energy.
  - b. Singapore is also the among the first in Asia to propose mandatory climate reporting for non-listed companies. Just last month, the Sustainability Reporting Advisory Committee (SRAC), convened by ACRA and Singapore Exchange, recommended mandatory climate reporting for all Listed Issuers from FY 2025; and Large Non-Listed Companies from FY 2027.

- c. The government will also move to green its supply chain. From next year, tender evaluations for large government projects in two key sectors - construction and information and communications technology (ICT) - need to include environmental sustainability considerations, starting with up to 5 per cent of evaluation points. Construction and ICT sectors today account for more than 60 per cent of the value of government procurement contracts awarded.
- d. Collectively, these moves show our commitment to a sustainable economy.

*Sustainability is a necessary capability for SMEs to remain competitive and resilient*

- 5. What does that mean for SMEs? SMEs would therefore need to increasingly incorporate sustainability into their business operations and contribute to our economy's sustainability journey. I encourage everyone to consider the four key points.
  - a. First, many **large corporates** have made sustainability a core part of their business strategy. In 2022, more than 90 per cent of S&P 500 companies published Environmental, Social, and Governance (ESG) reports.
    - i. As SMEs largely comprise the value chains of these multinational corporations, they will be scrutinised for responsible supply chain practices too.
    - ii. Companies that comply and transform quickly can differentiate themselves from competitors and reap first mover advantages.
    - iii. For example, Panelogue, a local supplier of innovative and sustainable building materials, has attracted many multinational companies as customers, including Google, Meta, and PwC. Despite some initial reluctance of clients to pay more for sustainable materials, Panelogue has been able to attain profitability within three years of its launch.
  - b. Second, **consumers** are demanding for sustainable products.
    - i. A survey commissioned by UOB in 2021 found that about one in three respondents in Singapore are willing to pay more for sustainably sourced goods and services, while 36 per cent replaced their current purchases with more sustainable alternatives.
    - ii. Thus, sustainability is not always a cost centre, and companies can leverage sustainability to drive topline growth.

- c. Third, with the rise of green finance, **banks and investors** are integrating sustainability considerations into their loan and investment evaluation frameworks.
  - i. UOB's sustainable finance portfolio has nearly tripled from S\$6.6 billion at the end of 2019 to S\$18 billion in Q1 in 2022. The loans extended under UOB's sustainable finance frameworks are directed towards activities that can help combat the climate crisis and drive social development.
  - ii. Temasek, as an investor, has also aligned its investment activities to build a resilient and forward-looking portfolio with sustainable long-term returns. It has identified four structural trends – digitisation, sustainable living, future of consumption, and longer lifespans.
  - iii. Enterprise Singapore has also **supported about S\$290 million of green loans** via the Enterprise Financing Scheme-Green (EFS-Green), extended by partner financial institutions, which includes UOB, to over 40 enterprises spanning areas in solar energy, water treatment, and more.
- d. Lastly, there is a demand for green jobs among **the youth**.
  - i. An Accenture research study in 2022 showed that 77 per cent of APAC individuals aged 15 to 39 aspire to work in the green economy in the next decade. This is much higher compared to the 57 per cent in Europe and 52 per cent in the US.
  - ii. What this means is that job seekers today evaluate potential employers based on their sustainability practices. They are discerning and critical of greenwashing attempts by employers too.
- 6. So SMEs must thus act swiftly to win the trust of your clients, employees, and suppliers.
- 7. Nonetheless, SMEs cannot succeed alone and must work with other industry partners. The sustainability compass tool developed by UOB and PWC is a good example of how SMEs can work with corporates to drive the sustainability agenda.
- 8. I am heartened to see that all of you represented here have taken the first step with the UOB sustainability compass tool to kickstart your sustainability journey. Each generated report provides a customised roadmap and recommended action plan, based on the stage of your sustainability journey.

*Taking action: Understand, measure, reduce, disclose*

9. To follow through, I suggest embarking on the following four stages: **understand**, **measure**, **reduce**, and **disclose**.
10. The first stage is to **understand** what sustainability means to your business to prepare for this shift.
  - a. There are numerous courses, including those offered by EnterpriseSG's partners such as PwC, that can help you better understand how sustainability can be part of your business strategy. These courses are intended to educate SMEs on the importance of sustainability and would complement the guidance offered by the UOB sustainability compass tool.
  - b. By building stronger awareness in sustainability, SMEs will be better able to appreciate the key trends and actions that they can take to demonstrate their sustainability performance to stakeholders such as their corporate clients and investors.
11. Second, you must be able to **measure** your carbon emissions.
  - a. This allows accurate insight into your business' carbon footprint. This will then help to quantify your business' exposure to carbon-related policy changes and identify areas to decarbonise.
  - b. From an ecosystem perspective, measuring your emissions is especially vital today. Large corporates look to fulfil their net zero commitments and comply with sustainability reporting regulations. SMEs as part of global supply chains will increasingly be asked to report their Scope 1 and 2 emissions. Why? Because these emissions contribute to the Scope 3 emissions of these large corporates.
  - c. We understand that calculating your carbon footprint can be daunting. There, to support SMEs in measuring their Scopes 1 and 2 emissions, EnterpriseSG's Productivity Solutions Grant (PSG) will provide funding support for the adoption of selected carbon accounting solutions available.
12. The third stage is to **reduce** emissions. This is not easy but several SMEs have successfully done so.
  - a. An example is Mlion Corporation, is a Singapore foundation solutions provider in the steel construction industry that focuses on waterfront and underground construction markets in Asia. Last week, Mlion officially launched its GoListid platform, which is an innovative B2B steel marketplace that facilitates the

buying and selling of pre-owned construction steel materials. Instead of buying new steel, construction companies can now buy pre-owned steel. Mlion estimated savings of about 75,600 tonnes of carbon emissions from the trading of 40,000 tonnes of pre-owned steel during its first year. In addition, Mlion uses its proprietary MHZ Sheet Piles that are engineered to be stronger and lighter in weight, as compared to standard steel sheet piles, which led to lesser materials being used and reduction of 20% carbon emissions.

- b. To support enterprises in emissions reduction, UOB provides sustainable financing to companies. These solutions include integrated financing platforms for solar energy and energy efficient projects, as well as an integrated value chain solution for the electric vehicle ecosystem.

13. This brings me to the next stage of an SME's decarbonisation journey – **disclosure**.

- a. Disclosure protects and improves your business' reputation, uncovers business risks and opportunities, and allows you to benchmark against competitors.
- b. Through disclosure, commitment is demonstrated, and trust is won among customers and stakeholders, which will translate to financial gains and business growth.
- c. This is especially so for SMEs who are partners to corporate clients and investors that are actively 'greening' their portfolios. The act of disclosure and demonstrating improved performance over time will help your business remain competitive to these key stakeholders.

### *Closing remarks*

14. The long-term success of a business is inextricably tied to sustainability. It is crucial to collaborate with others in the ecosystem to respond to sustainability challenges. We must act quickly to remain competitive, resilient, and capture business opportunities in the green economy.
15. EnterpriseSG is here to help. For those interested to come on board their sustainability journey, our Enterprise Sustainability Programme provides resources and capability building support to help you in your journey. This includes sustainability playbooks and training courses, partner programmes in key areas such as decarbonisation and environmental disclosures, as well as funding support to embark on sustainability projects. I encourage all of you to come and reach out to us to discuss your plans.
16. Once again, I thank UOB for taking the leadership in this journey to help SMEs. I would also like to thank UOB for the opportunity to address you this morning and to let you know that you can find ready partners in driving sustainability in your businesses. I look forward to an insightful and robust panel discussion after this. Thank you.