

WITHOUT SUSTAINABLE SUPPLY CHAINS, BUSINESSES CANNOT THRIVE

“It is increasingly very clear to me, without this, there’s no business to do in the future.”

Melvin Tan, Group Managing Director of Cyclelect Group, shared this urgent observation about supply chain players having to meet sustainability requirements during a senior executive leadership forum organised by SCALA on 19 March 2024.

Speaking on a panel discussion during the forum entitled “Advancing Business with Sustainable Supply Chain”, Tan highlighted that many of the participants of the forum “are part of the big supply chains of the multinational corporations”.

“We have seen in the last five years, as a key supply chain partner for big and small companies alike, the demands for ESG reporting have been growing very steadily and very fully.”

Tan added that for his own firm, which has implemented environmental, social and governance, or ESG, practices over the past three to five years, he has opted for voluntary ESG disclosure to achieve an EcoVadis certification.

“If not, I don’t qualify for a lot of the projects that are coming into Singapore.”

Companies are scrutinising their suppliers

Earlier, SCALA CEO Ian Dyason shared during his welcome address the importance of taking steps towards a sustainable supply chain, as the carbon tax in Singapore will increase fivefold from \$5 per tonne of carbon dioxide equivalent, to \$25 per tonne, towards an ultimate tax of \$50 per tonne in 2030.

In line with Tan’s sharing, he said that this signals how larger companies are looking more closely at their suppliers and pulling them “onto the sustainability and decarbonisation bandwagon.”

Being a programme partner of Workforce Singapore, SCALA’s focus for 2024 and beyond is sustainability, and doing its part to collaborate with stakeholders, he added.

Mark Wong, SVP & Head Group Strategic Planning, ST Engineering, shared during the panel discussion that his firm, which has about 9,800 suppliers, had a strong belief that “business winners are those that care about sustainability.”

“We’ve tried to be very thoughtful about our supply chain,” he said. “We know our suppliers very well ... and we help them set up, get funding and bring them to the next level [in sustainability].”

Wong added that ST Engineering organises design thinking workshops with clients to highlight sustainability issues and to ideate solutions, and examines how to leverage technology to drive the sustainability agenda and promote greater circularity.

ESG requirements are de rigueur

Goh Hock Nguan, AVP for Sustainability Planning & Development at PSA Corporation, said that his organisation offers guidelines to its suppliers through a sustainability procurement framework.

“We also send them surveys, see where they are on their sustainability journey, and find out all the areas that they need help with, and how we can work together. It is also a way for us to let them know that in time to come, when it comes to procurement, all these ESG requirements will be part of it.”

He also shared that for PSA, the goal is to reduce Scope 1 and Scope 2 emissions by 50 percent by 2030, using 2019 emissions data as the baseline. Part of the strategy is to adopt digitalisation and emerging technologies such as AI.

Delivering her keynote speech, Fang Eu-Lin, Partner and Sustainability & Climate Change Leader at PwC Singapore, had some advice for leaders who have not yet embraced sustainability, or are struggling to do so.

When it comes to sustainability, whatever the type or size of organisation, she suggested that it would be worthwhile to first understand the regulations that are confronting you.

Then, consider if your resilience could be at risk due to the complexion of your supply chain, Fang said.

“Do you understand what are the hotspots [in your supply chain], do you have alternatives, are you able to develop a plan in terms of what your priorities are,” she asked, “and would you manage to tackle these issues, whether it’s the Scope 1 and 2 of your suppliers or manage some other environmental or social type or risk to your supply chain?”

Once you have decided on the priorities and assessed the risks in your supply chain strategy, said Fang, it is then important to hire talented people in your organisation.

Helping SMEs level up

In a fireside chat with Fang, Dyason highlighted SCALA's work with startups and SMEs, to help them level up through workforce transformations, and enquired what SMEs faced when grappling with sustainability.

"The first thing that SMEs face is, 'Where do I even start?' I think SMEs maybe don't really have the bandwidth to simply understand sustainability. And they might not be able to afford the extra headcount or the consulting needed."

Fang then highlighted Enterprise Singapore's Enterprise Sustainability Programme, where consultants teach SMEs some of the essential knowledge surrounding sustainability, as one of several programmes and grants that SMEs can tap on.

Dyason added that for many firms, if they can overcome the "cost, time, operations and people" considerations that hold them back from tackling sustainability issues, there can be clear benefits for their reputation and business.

"You get up there and play the right game, you get the opportunity to play the larger game."

Answering a question from the floor, about whether consumers would favour more sustainable products over brands, Fang said "I do think there is a shift [towards this] but ... I don't really see that cascading as a norm from a consumer behaviour perspective at this point in time."

Cyclelect Group's Tan called his firm's adoption of ESG reporting "a slow burn" as it took years to understand the practices and reporting requirements, and to learn how to analyse data before being able to disclose it.

Cyclelect has also had to scrutinise its own suppliers, to ensure that they are compliant.

"We have to look at every single component of our supply chain, because we need to know if anybody has, for example, goods coming from a slave-labour nation. This could become a huge problem for us - it could get us banned or barred, and our reputation smeared for a long time."

During another fireside chat, with Dr Nick Chapman, Regional Director at Aon, Dyason asked how organisations could mitigate the risk in their supply chains if they are operating with "unknown unknowns".

"Just because you know a problem doesn't mean you can avoid it," said Dr Chapman, who has investigated insurance losses in his line of work.

“Unfortunately, some people only gain knowledge after they experience a problem or a loss. But I think regulatory changes will put sustainability higher on the agenda for a lot more people.”

“And I think they can learn more through seminars, training and events such as this,” said Dr Chapman. “A lot of the people I engage with in this space are extremely thirsty for knowledge and want to understand how to do things better.”

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