

Attaining sustainable supply chain module towards a green economy

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By Dr Koh Poh Koon, Senior Minister of State for Sustainability and the Environment, Singapore_ Agrospectrum Asia Coverage



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Climate change poses unprecedented challenges, and its impact is already felt globally. Just look at the number of news articles on a daily basis that you read about climate disasters happening all around the world. Many countries have seen record-high temperatures, intense heat waves and severe flooding. Severe weather events have also affected energy and food production, shipment of essential resources and critical components, and economic activity worldwide. As a response to these challenges, countries around the world are increasingly focusing their attention on the transition towards a green economy, which prioritises sustainable development and environmental stewardship while pursuing economic growth. We can no longer pursue economic growth at the expense of environmental sustainability.

The logistics industry has been instrumental in the development of Singapore's economy. From our humble beginnings as a trading port when Sir Stamford Raffles discovered us in 1819, the logistics industry has supported Singapore's growth into a global sea and air logistics hub, and a key player in international trade and supply chain management. Today, Singapore is a prime location for major logistics firms, with the top 25 global players anchored here.

The need to incorporate sustainability into supply chain management

Amidst the shift towards a green economy, it has become imperative for our Singapore companies to incorporate sustainability into their supply chain management. Let me explain further.

First, ensuring a sustainable supply chain, which involves minimising the environmental and human impact of products at various stages - from sourcing, production, manufacturing processes, storage, and eventually delivery - **will help to enhance business reputation and boost competitiveness.** Traditionally, corporate supply chain concerns revolved around revenue and profit. However, consumers and investors today are increasingly more discerning and place greater emphasis on the value of sustainable products and services. More stakeholders are also moving towards mandating green procurement and decarbonising supply chains. Adopting sustainable practices is especially important for our companies, who are often suppliers for multinational firms, and account for the latter's Scope 3 emissions. Companies can no longer say they are just a small player and that sustainability is not relevant to them if they want to be partners for many of these multinational firms. Companies will need to ensure that they have the capabilities to conduct sustainable procurement, resourcing and logistics, and that these become a core part of their businesses, otherwise they would be replaced.

Second, building a sustainable supply chain can also **future-proof business operations in the face of an increasingly carbon-constrained economy.** Moving forward, we can only expect more regulatory risks as Governments around the world implement policies to decarbonise their economies. The US's historic Inflation Reduction Act is one example, the EU Cross Border Adjustment Mechanism is another. The operating context around the world will be changing for a long time to come, and unless our companies adapt to this, they will not be able to compete. In Singapore, SGX requires all Singapore-listed companies to incorporate climate-related disclosures into their sustainability reports on a "comply or explain" basis, starting from FY 2022. A phased approach to mandatory climate reporting will commence from FY 2023. Large non-listed companies may also have to make these disclosures from FY 2027. The regulatory risks that come with climate change can no longer be ignored by businesses, as the operating context has changed. Embedding sustainable practices can help companies achieve cost savings and resilience across the supply chain, and to better navigate new and increasing regulations that support sustainability.

Third, taking a broader perspective, **decarbonising supply chains will contribute towards our Paris Agreement target to limit global warming to 1.5 degrees Celsius above pre-industrial levels.** Globally, the transport and logistics sector accounts for over a third of carbon emissions. According to the International Energy Agency, in 2022, the rebound in passenger and cargo transport activity following the pandemic led to a three percent increase in transport carbon emissions as compared to the previous year. In order to reach net zero by 2050 globally, the transport sector needs to reduce its carbon emissions by over three percent annually until 2030. Research has shown that for most companies, their supply chain is responsible for the bulk of their environmental impact. By incorporating sustainable practices into their supply chain management, companies can effectively reduce their Scope 3 emissions and make a positive difference in our fight against climate change.

Driving sustainable supply chains

The Government is committed to strengthening the sustainability capacities of our companies, especially the SMEs. Support for companies include grants to facilitate the transition towards more sustainable business models, and capability-building initiatives such as the Enterprise Sustainability Programme. However, Government efforts alone would not be enough. **Partnerships, innovation and commitment from companies will be key in driving sustainable supply chains.**

Partnerships help foster the exchange of ideas and best practices, and overcome common challenges that companies face as they decarbonise their supply chains. I am happy to note that Enterprise Singapore is working together with the Singapore Logistics Association on a Logistics Sustainability Playbook, which will explain key concepts and outline steps that logistics companies can take to be more sustainable. There are also good collaborations between our companies to drive sustainability in the land transport, maritime and aviation space. For example, the Coastal Sustainability Alliance formed by Kuok Maritime Group and 17 other partners aims to electrify, digitalise and decarbonise our coastal vessels, to strengthen marine supply chains and build Singapore's next generation coastal logistics ecosystem. I encourage our companies to work together as Singapore Inc. to capture more opportunities in this era of green growth.

Innovation and new technologies are also crucial in building sustainable supply chains. We must continue to seek and develop new technologies, processes, and business models to reduce waste, enhance resource efficiency, and promote circularity. By innovating green solutions to address new demands, our companies can also capture new opportunities that arise. For instance, Singapore's EY Center for Sustainable Supply Chains launch on 21 Aug 2023 is part of EY's broader ecosystem approach to develop innovative and scalable solutions to tackle supply chain ESG-related risks. I commend EY for setting up the Center to help companies explore different solutions to gain better visibility of their supply chains and emissions data, and to promote the sharing of best practices on supply chain management in this region.

Finally, we will need **commitment** from companies to drive tangible changes in supply chains to make a real impact. At this point, I would like to invite every one of you to make a Green Nation pledge. This pledge was launched by my Ministry as part of our ongoing Forward SG exercise. You can take the pledge both as an individual and on behalf of your organisation to undertake various actions that contribute to Singapore's green future. Companies can also pledge to reach net zero by 2050 as part of their efforts to green their supply chains.

Conclusion

While the logistics industry is a contributor towards climate change, it can also be an important enabler for climate action. For example, the transportation of new green fuel such as hydrogen, or green products like electric vehicles (EVs) help to catalyse the green transition around the world. As an aviation, maritime and logistics hub in the region, many R&D projects are also underway in Singapore to decarbonise our logistics industry, such as the use of sustainable aviation fuel.

Amidst the green transition, the logistics industry present numerous opportunities for companies to pursue. To better seize these opportunities, I urge companies to take a serious look into decarbonising your supply chains. By championing sustainability in our logistics practices, we can also safeguard our businesses against the uncertainties of an ever-changing world, showcase our commitment towards a green sustainable future, and continue to thrive as a global logistics hub for many years to come.