

## Sustainability key to business growth for three in five Singapore SMEs

*UOB's suite of sustainable financing solutions aims to support SMEs looking to seize opportunities in the green economy*

**Singapore, 1 March 2022** – Three in five (60 per cent) small- and medium-sized enterprises (SMEs) in Singapore believe in the importance of incorporating sustainable practices in their businesses, according to the *UOB SME Outlook Study 2022*<sup>1</sup>. They said having sustainability core to their business will help to improve the company's reputation (54 per cent), make it easier for them to work with multinational corporations (MNCs) who care about their sustainability goals (45 per cent) and enable them to help build an environmentally- and socially-responsible Singapore (44 per cent).

On their sustainability journey, SMEs are integrating environmental, social and governance (ESG) considerations into various aspects of their business. The key ESG-related practices SMEs plan to implement include clear operational policies and processes such as risk management and financial control (45 per cent), more efficient use of resources to minimise waste (43 per cent) and use of energy-efficient equipment and technologies (35 per cent).

In addition, SMEs are responding to the call for a more sustainable future by aligning their initiatives to the Singapore Green Plan 2030. In particular, almost all of the wholesale trade companies (98 per cent) in the study plan to do so by stepping up recycling efforts (60 per cent), training employees in climate risk or environmental protection (60 per cent) and switching to energy-efficient sources to reduce carbon footprint (56 per cent).

Companies in construction and infrastructure (98 per cent) as well as real estate and hospitality (98 per cent) are also actively aligning their practices to the Singapore Green Plan 2030. Construction and infrastructure companies are focused on increasing their recycling efforts (41 per cent) and applying for green certification schemes (39 per cent), while real estate and hospitality companies are looking mainly to reduce packaging waste (42 per cent) such as single-use plastic.

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<sup>1</sup> The survey was conducted from late December 2021 to early January 2022 among 800 local SMEs with revenue less than S\$100 million to understand the business outlook and key expectations among SMEs in Singapore.

### **More support needed on the sustainability journey**

When implementing sustainable practices, small businesses<sup>2</sup> face challenges such as insufficient knowledge to identify and to execute relevant initiatives for the organisation (40 per cent), as well as inadequate non-financial support such as sustainability training (33 per cent). They are also concerned about the potential increase in cost for end customers (31 per cent) and inadequate financial support from the government and banks for such initiatives (31 per cent). In comparison, medium-sized businesses<sup>3</sup> said inadequate non-financial support (47 per cent), insufficient knowledge (46 per cent) and the possible impact to short-term revenue (44 per cent) are their key barriers to adopting sustainable practices.

Mr Lawrence Loh, Head of Group Business Banking, UOB, said, “While SMEs are increasingly embracing sustainability as an important business growth driver, many of them have limited resources and lack the knowledge to implement relevant strategies and practices. They are also not quite sure of how they can do so in a cost-efficient manner. At UOB, we draw on our expertise to bridge this gap by offering advisory and suitable financial products that will support SMEs in making the transition to a greener business and to forge a sustainable future for all.”

The Bank currently has four sustainable financing frameworks to support businesses in the areas of real estate, circular economy, green trade finance, as well as those contributing to the creation of smart and sustainable cities.

Through the Sustainability Innovation Programme run by UOB’s innovation accelerator, The FinLab, SMEs can also gain insights into how they can build sustainable businesses with the right technology solutions. This form of support, which goes beyond banking, adds to the suite of sustainable financing solutions UOB offers to address SMEs’ needs.

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<sup>2</sup> Defined as those with turnover of less than S\$10 million.

<sup>3</sup> Defined as those with turnover of between S\$10 million and S\$100 million.

### **Seizing opportunities as Singapore scales up green initiatives**

In advancing their sustainability journey, SMEs are also on the lookout for collaboration opportunities with industry bodies, government-linked companies or large businesses (43 per cent). They also want connections to industry peers and ecosystem partners (39 per cent), as well as training or solution providers (38 per cent) to deepen their capabilities.

At the recent Singapore Budget 2022, the Government announced that it will issue \$35 billion of green bonds by 2030 to fund green infrastructure projects and publish a Green Bond framework later this year. The injection of fresh capital to anchor Singapore as a green finance hub is also aimed at attracting issuers, capital and investors. The increased liquidity and focus will drive new opportunities for SMEs, from collaborations with government agencies or large corporates to develop or implement green technologies, to knowledge transfer within a larger ecosystem of industry players.

With a continued focus on building a low-carbon economy, Singapore has also detailed plans to raise carbon tax in phases to reach net zero targets around 2050.

Mr Eric Lian, Managing Director, Group Commercial Banking, UOB, said, “Pressing global issues such as climate change and the COVID-19 pandemic have brought environmental and social considerations to the fore. With tougher net zero targets now front and centre in the minds of government and industry leaders, large corporates may start to move faster on working with SMEs that are compliant with sustainability standards within their supply chains. At UOB, we will continue to simplify sustainable financing for SMEs looking to gain a competitive edge to build resilient businesses.”

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#### **About UOB**

United Overseas Bank Limited (UOB) is a leading bank in Asia with a global network of around 500 branches and offices in 19 countries and territories in Asia Pacific, Europe and North America. Since its incorporation in 1935, UOB has grown organically and through a series of strategic acquisitions. UOB is rated among the world’s top banks: Aa1 by Moody’s Investors Service and AA- by both S&P Global Ratings and Fitch Ratings. In Asia, UOB operates through its head office in Singapore and banking subsidiaries in China, Indonesia, Malaysia, Thailand and Vietnam, as well as branches and representative offices across the region.

Over more than eight decades, generations of UOB employees have carried through the entrepreneurial spirit, the focus on long-term value creation and an unwavering commitment to do what is right for our customers and our colleagues.

We believe in being a responsible financial services provider and we are committed to making a difference in the lives of our stakeholders and in the communities in which we operate. Just as we are dedicated to helping our customers manage their finances wisely and to grow their businesses, UOB is steadfast in our support of social development, particularly in the areas of art, children and education.

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