



Economic and Social Commission for Asia and the Pacific
Committee on Trade, Investment, Enterprise and Business Innovation**First session**

Bangkok and online, 22–24 February 2023

Item 3 of the provisional agenda*

Advancing public-private partnerships and private sector networks to accelerate climate action and the implementation of the 2030 Agenda for Sustainable Development**Outcome of the Asia-Pacific Business Forum 2022*****Summary*

The seventeenth Asia-Pacific Business Forum (APBF) was held in hybrid format on 26 August 2022. The theme of the Forum 2022 was “Towards an Asia-Pacific Green Deal for Business”. The forum’s participants, including members of the ESCAP Sustainable Business Network (ESBN), heads of sustainability at Asia-Pacific companies, researchers, and civil society stakeholders, discussed the contributions that the private sector can make to a green transformation. The present document contains the report of the Forum as prepared by the secretariat.

Summary recommendations

The theme of the Asia-Pacific Business Forum 2020 was “The Future of Value Chains and Implications for Small- and Medium Sized Enterprises”. Under this theme, participants discussed the challenges and opportunities for value chains and small and medium-sized enterprises (SMEs), including issues related to sustainability, connectivity, competitiveness and women-led SMEs. Some of the most important observations and messages emanating out of the Forum with high relevance for policymakers in Asia and the Pacific include the following:

- Due to the coronavirus disease (COVID-19) pandemic, progress on certain Sustainable development Goals (SDGs) has stagnated, and with fewer than 10 years to achieve SDG targets, there is an urgent need to recover momentum toward achieving the SDGs. The private sector is expected to play a vital role by leading the region’s green transformation.
- The region needs to translate the Paris agreement into effective climate policies with clear decarbonisation and financing plans. These policies must be coupled with more ambitious nationally determined contributions.

* ESCAP/CTIEBI(1)/1/Rev.1.

** The present document is being issued without formal editing.

- To incentivise businesses to cut their emissions, the public sector must look beyond “carrot and stick” policies to create a practical support ecosystem. Advantages and incentives for a green transformation can be embedded in such a way that consumers embrace sustainability.
- The competitive environment for businesses will not permit businesses to stretch their sustainability goals too far in advance of their competitors. Investing in sustainability costs money, and businesses will make these investments as long as the business case is solid, and it does not disadvantage them relative to their competitors.
- It is critical that investment in renewables and transition fuels progresses rapidly, and that investment in coal power ceases, and that coal power is definitively phased out.
- There are risks associated with investing in green transformation, including political, social, technical and the financial risks. Financial institutions must investigate ways to mitigate all of these investment risks.
- There are over 71 million SMEs in the Asia-Pacific Economic Cooperation (APEC) region, the majority of which have between 10 and 20 employees. Friends and family, business chambers, and government organisations are seen to be the most trustworthy sources for reliable information on green economy, and tapping into these networks will help to accelerate the shift to developing sustainability and resilience.
- Micro-, small and medium-sized enterprises (MSMEs) face several challenges, including a lack of access to finance and markets, which the pandemic has further aggravated. SMEs still struggle to access to green financing. Furthermore, favourable legislation and business models should be developed to assist small firms in scaling up climate solutions in the battle against climate change.
- Ensuring profitability while embracing sustainability is possible, and Economic and Social Commission for Asia and the Pacific (ESCAP) can play an important role as a coordinator and facilitator to encourage regional collaboration.
- The effects of climate change are resulting in increased rainfall, floods, cyclones, and typhoons. The majority of SMEs do not have organized plans to develop disaster resilience and their approach is more reactive than preventive. The major obstacles preventing SMEs from addressing climate change are their poor profit margins, a lack of internal resources, and a lack of knowledge.
- There is an urgent need to promote zero-carbon, affordable, and resilient energy systems by boosting renewable energy resources and increasing energy efficiency, while ensuring universal access to inexpensive energy. The energy sector is now undergoing transition. The transition risks associated with the green transformation must be understood by policymakers.
- The use of artificial intelligence and digital technology may considerably cut the cost of transitioning to green industries. The solutions can be frugal and need not be capital-intensive projects.

- The Asia-Pacific Green Deal for Business is designed to align private sector and government stakeholders with the green transformation, and over time, it will become a guiding force for green transformation in the region.

I. Organization of the Forum

1. The Asia-Pacific Business Forum (APBF) has been held annually since 2004, with the exception of 2021 due to COVID-19 disruptions. The seventeenth session of APBF was held in hybrid mode, both in Bangkok and virtually on 26 August 2022 by ESCAP in cooperation with the ESNB. The Forum introduced the Asia Pacific Green Deal for Business, an initiative of the ESNB that aims to spur on businesses towards a green transformation.

2. The welcome statement for the APBF was delivered by Mr. George Lam, Chair of the ESNB and President of the Hong Kong-ASEAN Economic Cooperation Foundation. Ms. Armida Salsiah Alisjahbana, Under-Secretary-General of the United Nations and Executive Secretary of ESCAP delivered the opening statement. H.E. Mr. Arkhom Termpittayapaisith, Minister of Finance, Royal Government of Thailand delivered the inaugural address. After the inaugural address, Dr. Tavida Kamolvej, Deputy Governor of Bangkok, Thailand delivered a special address. This was followed by a keynote address by Mr. John W.H. Denton, Secretary-General, International Chamber of Commerce.

3. Following the opening session, special guests and experts discussed the themes of the forum organised via three roundtables. These roundtables were held on the topics:

- Asia-Pacific Green Deal for Business: Aligning business action and innovation in support of sustainable development;
- Asia-Pacific Green Deal for Business: Priority Action Areas for Business;
- Environmental, Social and Governance (ESG) for Small and Medium-Sized Enterprise.

II. Conclusions, recommendations and outcomes of the substantive deliberations

A. Opening session

4. **Welcome Statement** by Dr. George Lam, Chair, ESCAP Sustainable Business Network and President, Hong Kong-ASEAN Economic Cooperation Foundation

Dr. Lam addressed the forum, noting that it was the first since 2020 due to the interruptions of the COVID-19 pandemic. The APBF 2022 is focused on launching the Asia-Pacific Green Deal for Business. The Green Deal calls on the business sector to launch smarter and greener efforts to find solutions for sustainable development. There is a need for businesses to wholeheartedly adopt and implement the new Asia-Pacific Green Deal for Business through taking specific actions towards achieving the 2030 Agenda for Sustainable Development. Dr. Lam enumerated five green pillars for the Asia Pacific green deal for business, these being:

- i. Green energy
- ii. Green infrastructure and Logistics
- iii. Green finance
- iv. Green innovation
- v. Green production, consumption and waste.

He further emphasised that bringing SMEs into the green fold is crucial for green transformation, as they constitute the bulk of the economy. Dr. Lam observed that the three roundtables of the APBF 2022 will provide many ideas and valuable discussion on what actions businesses can undertake to promote sustainable development.

5. **Opening Statement** by Ms. Armida Salsiah Alisjahbana, Under-Secretary-General United Nations and Executive Secretary of the Economic and Social Commission for Asia and the Pacific (ESCAP).

In her opening statement, Ms. Alisjahbana mentioned that as countries emerge from the pandemic, inflationary pressures and a surge in the prices of agricultural commodities and energy are challenging recovery efforts, particularly in developing countries, where high food and energy prices could push many into poverty. This is complicating the situation in all countries that are trying to adapt to changes in societies and markets following COVID-19 disruptions. The progress made across some SDGs has stalled due to the pandemic, and there is an urgent need to redouble efforts to regain the momentum to achieve the SDGs. The crisis has brought to light the importance of addressing problems in health infrastructure, digital divide, and trade, transport, and energy connectivity.

Ms. Alisjahbana recognized the role of the private sector in addressing these global challenges to advance the SDGs and take climate action. Cognizant of the role that the private sector can play in scaling up climate action, the ESCAP Sustainable Business Network (ESBN) adopted the Asia Pacific Green Deal for Business declaration. The Green Deal for Business encourages companies to go greener, to work to decarbonize both their own operations as well as supply chains, mitigate other negative environmental impacts, and act responsibly toward workers and communities.

She further emphasised three key areas which require more detailed discussions:

(a) First, there is an urgent need to advance zero carbon, affordable and resilient energy systems by scaling up renewables in the energy mix and increasing energy efficiency while ensuring affordable energy access for all;

(b) Second, the digital divide must be addressed. Large sections of the region's population do not have access to high-speed and affordable internet, and the situation may have worsened due to the COVID-19 pandemic. There is an urgent need to scale up investments in next-generation networks and technologies to address the digital divide;

(c) Third, improving support for MSMEs. MSMEs account for more than 95 per cent of domestic enterprises in Asia and the Pacific and are the backbone of the private sector, representing a wide range of businesses that can contribute to the SDGs. However, they face several challenges, including a lack of access to finance and markets, which the pandemic has further aggravated.

She informed the forum that the ESNB is working on a rollout plan for the Green Deal for Business and is open to new members to further enrich this active and dynamic community of business leaders and participants.

6. **Inaugural address** by H.E. Mr. Arkhom Termpittayapaisith, Minister of Finance, Royal Government of Thailand.

In his inaugural address, H.E. Mr. Arkhom Termpittayapaisith informed the forum that as Thailand gradually recovers from the impact of the pandemic, the Government has taken this opportunity to reassess its growth model and priorities. The Thai government is implementing strategies to transform the Thai economy into a high-value-added economy, one that is more balanced, inclusive and greener in its economic growth. He observed that economic growth that leaves people behind and impedes the global effort to combat climate change cannot be the accepted way forward.

He further reiterated the strategies being adopted by the Thai Government:

(a) Introducing the bio circular green (BCG) economy model as the guiding policy of the national agenda. The government is committed to a net zero carbon emissions target by the year 2065 and has set up an immediate target of converting 20 per cent of internal combustion engine (ICE) vehicles into electric vehicles (EVs) by 2030;

(b) The Eastern Economic Corridor of Thailand will be a future growth engine for the country. Thailand needs to focus on higher value added and higher technology production for export. Coinciding with the country being an automotive manufacturing hub for the region, the government is looking at taxes and non-tax measures around EVs to encourage both their use and their manufacture;

(c) Finance should not be a topic that is left for last, but rather should be a primary consideration for setting the country's agenda for green policies. Aligned with UN SDGs, the Government has issued the Kingdom's first sustainability bonds in August 2020. The Government is working with international finance institutions on issuing further green bonds;

(d) The country must prepare itself for an ageing society. Policies should encourage the integration of all ages into society, and in particular, the government is attending to concerns over how retirees can fund their continued healthy lifestyles as they age. Connected with concerns over healthy ageing, the government is renewing its investment in healthcare, and particularly hospitals across the country;

(e) Digital technology and smartphones have enabled faster provision of government services, particularly throughout the two years of the pandemic. Beneficiaries could receive payments and support directly through digital payments, and the government continues to look at how digital policies can make contributions to a greener economy.

H.E. Mr. Arkhom Termpittayapaisith noted that frequently, the private sector, and in particular listed companies move faster on green financing issues than the Government. He encouraged the innovative private sector to work together with the government where possible to remove barriers to green transformation.

He further stated that the adoption of artificial intelligence and digital technology can significantly reduce the cost of transition towards sustainable business practices. He informed the session that, in the upcoming APEC

summit, the discussion will be focused on Sustainable Finance and Digital Transformation. H.E. Mr. Arkhom Termpittayapaisith ended his address by encouraging businesses and governments to look for ways to work together to advance the Green New Deal for Business.

7. **Special address** by Dr. Tavida Kamolvej, Deputy Governor of Bangkok, Thailand.

In her special address, the Deputy Governor emphasised that Bangkok's city government is dedicated to green policies. The government is trying to integrate SDGs into the daily life of citizens and the Government policy is to educate citizens on green behaviour and change their way of living towards sustainability. Incentives put in place by the government are essential to move towards this goal. People should care about waste management, and space management, and consider the life of their neighbours when making decisions. The urban culture of Bangkok actually needs to change, and this is difficult for a government to address.

Rather than building huge structures for automation, the government is more focused on frugal solutions and understanding people at the ground level. The government has devised strategies in nine sectors which covers the Safety, Health, Construction, Environment, Transportation Mobility, Education, Management, Creativity, and Economy sectors. These things are all connected and need to be addressed jointly. Green strategies, finance and regulations will be required to achieve the aims of these strategies. There are things that the metropolitan authority can, and also cannot do. The government cannot achieve all of its aims alone. The support received from the private sector and civil society is overwhelming and it reduces the burden on government coffers.

Ms. Kamolvej urged local authorities to carry out capacity and capability analyses to ascertain the practicability of green solutions. Connected, holistic solutions are being implemented such as building a sandbox which connects Primary, Secondary and Tertiary care. A combination of telemedicine and motorcycle ambulances are also being tested in the city to try to reach people quicker in emergencies. Incentivising the use of public transport and building EV charging infrastructure is expected to reduce overall issues of traffic and pollution in Bangkok. These initiatives improve citizens' incentives to use green transport. Strengthening the community and making it aware of its collective responsibility is the way forward. The volunteer system was vital during the COVID-19 pandemic in Thailand and the same can be harnessed for fulfilling SDGs.

Enabling digital and technological solutions for Bangkok requires more than just a build out of infrastructure. It actually needs to take into account human needs and human capabilities. Without the requisite skills to take advantage of new technologies, the investment in infrastructure won't be productive, so governments must be mindful to build these skills alongside granting access via physical infrastructure.

8. **Keynote address** by Mr. John Denton, Secretary General, International Chamber of Commerce on "Aligning business action and innovation in support of sustainable development."

In this keynote address, Mr. John Denton spoke about how to align business actions and innovation in support of sustainable development. He emphasised that with less than ten years to go to deliver on SDG goals, private sector ambitions and action must be scaled up, and Asia Pacific businesses have an important role to play by taking a leadership role in the green

transformation of the region. Through advocating business action and innovation to transition to a low carbon, climate-resilient and sustainable new economy, businesses in the region can raise awareness and accelerate action in support of sustainable development. Mr. Denton noted that inflation, the pandemic, economic slow down, and the ongoing war in Ukraine have placed grave challenges in front of us and it is important that the world together moves ahead. These challenges have derailed many global and regional plans for development, and thus we all need re-evaluate and successfully get these plans back on track.

Three facts need to be considered carefully before moving ahead with the Green Deal:

(a) The private sector comprises the largest part of global economic activity, as a result, their share in emissions is the most important;

(b) There is a need to bring the private sector into the fight against climate change in a meaningful way;

(c) The private sector is the part of the economy that predominantly brings online innovative solutions and new technologies, and this can be harnessed to fight climate change and achieve meaningful development outcomes.

We need to build an effective mechanism and long-term strategy against global warming. The region needs to translate the Paris Agreement into effective climate policies with clear decarbonisation and financing plans. These policies must be coupled with more ambitious nationally determined contributions. We need ambition for greener energy, greener infrastructure, greener production, consumption and waste. All these things are considered by the Asia Pacific Green Deal for Business. It is the private sector that innovates and can finance great investments in the ESG sector by bringing onboard investors. The private sector understands that runaway climate change will hamper its plans and profitability. The untapped potential of the International Chamber of Commerce network needs to be harnessed to support green initiatives. The International Chamber of Commerce will be a voice to Governments urging them to advance action against climate change.

In order to encourage businesses to reduce their emissions, the public sector needs to move beyond a mindset of “carrots and sticks” to get the incentives right. They are also expected to be involved in partnerships in bringing stakeholders together to make policy setting more practical and mobilise companies for more ambitious climate change targets. Small and medium-sized businesses which are the lifeblood of Asia-Pacific are the most likely to develop innovations. These innovations will help in reducing emissions or hopefully even reverse climate change. To induce these innovations, we need to facilitate access to green finance for SMEs. Further, conducive regulations and business models are required which will help businesses to scale up climate solutions in the fight against climate change

B. Roundtable 1: Asia-Pacific Green Deal for Business: Aligning business action and innovation in support of sustainable development

With less than ten years to go to deliver on the 2030 goals, there is a need to scale up ambition and action in support of the SDGs. The private sector has an important role to play by taking a leadership role in the green transformation of the region. The forum discussed how, by advocating business action and innovation to transition to a low carbon, climate-resilient and sustainable new economy, businesses in the region can raise awareness and accelerate action in support of sustainable development

Moderator: Ms. Deborah Biber, Chief Executive, Blue Moon Advisory, Hong Kong, China

Speakers:

- Ms. Ruenvadee Suwanmongkol, Secretary-General, The Securities and Exchange Commission, Thailand
- Mr. David Morris, Vice Chair of ESNB and ESNB Green Economy Task Force

9. The green transformation is the only way forward, this is no longer a matter of debate. The world has realised the importance of a shift toward a new way of living on this planet. There is a need to act fast and more effectively than we did in recent decades.

10. Businesses are expected to be at the centre of the action agenda. For the last few decades, private sector-driven investments have led the development agenda in the region. The synergy between the private sector and governments is visible across sectors. Now, similar synergy is expected, to move onto a sustainable development path.

11. The responses to climate change are expected to be inclusive of the diversity of political systems and having businesses at the centre of the process will make it more meaningful and practical.

12. A ready reference checklist needs to be prepared for SMEs on “green” business practices. Governments are expected to provide institutional support in promoting the use and production of environmentally sustainable products and services, augmenting the use of renewable energy sources, maximizing energy efficiency, and improving recycling and re-use of resources.

13. In Thailand, regulators and businesses are working together to bring synergy toward environmental protection. Thailand stock market regulators have moved away from the concept of approvals to the concept of filing to ensure things are disclosed in the right spirit. In addition to financial disclosures, sustainability disclosures were made mandatory.

14. It has been observed that big firms adopt sustainable practices early. However, getting firms of all sizes into the sustainability disclosure fold is a challenging task as SMEs are always busy dealing with day-to-day operational challenges.

15. This year, all 700 plus firms listed on the Thai stock exchange have disclosed their required information for two sustainability factors, firstly on climate change and secondly on human rights. This did not happen overnight, but happened because businesses were engaged and built awareness over two years. We need to build capacity to bring small firms into the sustainability nets. This will be helpful for investors to understand and appreciate ESG information.

16. During the Association of Southeast Asian Nations (ASEAN) Summit in 2019, the ASEAN Capital Markets Forum (ACMF) sustainability roadmap for the sustainable capital market was launched. This framework included taxonomy as part of disclosures. As a result, now the Dow Jones Sustainability Index includes more than 20 Thai companies.

17. SMEs, which make up almost 90 per cent of the economy of Thailand as well as the Asia-Pacific regions, are facing challenges to shift towards sustainability. Support and incentives provided by the public sector are a pre-requisite for SMEs to be able to walk the path of sustainability.

18. Small firms are part of the supply chain and part of the operations of large firms, and therefore it is prudent for larger companies to play the role of mentors for these small businesses to move towards sustainability. Building a long-term institutional framework will help the transition of SMEs towards sustainable practices.

19. ESBN envisages rolling out the Asia-Pacific Green Deal for Business over the year ahead by building new partnerships, building green value chains and getting green finance into businesses. The first step is to build momentum for the discussion and sign up for the Green Deal. Businesses are being connected to drive partnership projects and more partnerships, projects, and outcomes are expected by next year.

20. There are multiple crises facing us at the moment, but underlying all the other geopolitical concerns is the climate crisis. The climate crisis will remain a major concern in the coming decades, and we need to find technological solutions to make things move smarter, and move faster, shortening and diversifying supply chains to ensure business is conducted in greener, more sustainable ways.

21. Conducive regulations should bring more small businesses into ESG. As far as Thailand is concerned, there are three forces at work: self-motivation, market forces and regulatory forces. It is preferable for the first two forces to work together, and regulation if necessary, should come later. There are sufficient regulations present and now willingness is more important. Better ESG should also be recognised as part of prudent risk management by firms.

22. The need for businesses and governments to act together has never been more important than today. The global effects of the COVID-19 pandemic is likely to affect economies and businesses for years to come. Only by harnessing the combined power of business and governments can the climate crisis possibly be averted.

C. Roundtable 2: Asia-Pacific Green Deal for Business: Priority Action Areas for Business

The Asia-Pacific Green Deal for Business proposed five priority areas for action by the businesses in support of the sustainable development goals and to transition businesses in the region to a greener, resilient low carbon pathway. The discussion was focused on the priority action areas and initiatives by the private sector in the Asia Pacific region that are already delivering an impact in these priority areas

Moderator: Mr. Kaveh Zahedi, Deputy Executive Secretary of ESCAP

Speakers:

- Mr. Hendrik Rosenthal, Sustainability Director of CLP Group, Hong Kong, China
- Mr. Daniel Ross, Chief Investment Officer, BTS Group Holdings Public Co., Ltd., Thailand
- Mr. George Yuen, ICBC (Asia), Hong Kong, China
- Mr. N.R. Narayana Murthy, Founder, Infosys, India
- Ms. Ratanasiri Tilokskulchai, Managing Director, Tetra Pak, Thailand

23. Achieving a sustainable planet is perhaps the most important and urgent action of the day. One way of improving sustainability is by improving efficiency and productivity. An ecosystem for innovation is required to progress.

24. In the transition towards sustainable development, digital innovations and solutions will play an outsized role. The example of the transition of Infosys, a software giant, towards a sustainable business environment is worth following by other firms.

25. Infosys, which is recognised as a leader of green innovation, had set a vision to achieve a net zero environmental footprint by 2020, which included net zero non-renewable energy, net zero emissions, and zero discharge of wastewater. This has been achieved. Further, despite the 166 per cent growth in employees, electricity consumption increased only by 20 per cent. Most of the offices are platinum rated for low carbon footprint with 44 per cent of the energy sourced from solar energy.

26. Innovation in Technology and Management is required to reduce the use of raw materials and reduce waste. The requirements for constant progress to reduce energy use and waste should be:

- (a) First, focused attention by top management;
- (b) Second, progress in sustainability should be part of the company's overall scorecard at the board level;
- (c) Third, innovation should not be just the preserve of a chosen few in the research department: rather, everybody in the hierarchy should be involved in it. An open mindset is required to move forward.

27. ESCAP and ESNB are expected to play an important role in enhancing innovation in organizations by building capacities on sustainability through workshops and the like. ESNB can also create a repository of knowledge for corporations to achieve sustainability.

28. There is a need to understand the challenges businesses are facing in embracing circular economy practices. Business processes and forward and backward linkages must be well-understood.

29. Based on this philosophy, Tetrapak, a leading packaging firm in Thailand is working with partners to protect food, people and the planet. The firm is trying to build products on a sustainable platform to help people, communities and the markets in which tetra pack operates.

30. During the last few years, due to covid induced slowdown, the industry has experienced issues with raw materials, and supply chains and faced logistic disruption. The cost of raw materials in the circular economy is higher and adopting a circular economy is definitely more costly than practising traditional business practices. Managing these costs is a key business challenge and more importantly, it's about continuous collaboration.

31. In the long run, it makes sense to adopt circular practices, however, in the short run, it's difficult to manage and convince the businesses as they are more concerned about business continuity and operational matters. The only way to make sustainability sustainable is by scaling it up by getting all the stakeholders to work together.

32. Energy is the biggest piece of the sustainability puzzle and it's a crucial parameter to moving toward the Paris Agreement compliance. To manage the transition well, companies should not focus so much on just implementing a sustainability strategy, but rather think that there needs to be a whole change in business strategy. Policymakers need to understand the transition risks of the transformation which include physical risks, physical climate risks and how we manage them.

33. Decarbonisation of electricity production needs to be the main focus. Last year, CLP, Hong Kong, China, launched a new climate vision. The company has made a commitment to accelerate the coal phase-out from 2050 to 2040, and has agreed to new science-based targets. It was a bottom-up approach and business processes were analysed for accelerating a green business strategy.

34. There has been a lot of commitments and discussion from the private sector so far but there has been less real action. Further, there is a need to realise that it has to be a level playing field to ensure that early adopters are not punished.

35. For the transport sector, there is a need to break the targets into more realistic short-term quantified targets and different activities. This will ensure a higher share of renewable energy, public transit, product electrification, shared journeys, and in the long term, potentially less transport.

36. There are a lot of challenges in the public transport space for governments, the private sector, and even passengers. Deciding factors are price, convenience, and safety. Accessibility and affordability of public transport is still an issue. Coordinating the decarbonization of transport is a very difficult task as there are multiple stakeholders involved.

37. The Government must lead the transformation to ensure that all private sector actors are pushed to green their operations simultaneously, and a high-level vision encourages appropriate coordination. The private sector exists in a state of competition: it needs to be pure competition with everyone

following the same regulations. Considering the competition, collaboration is difficult to manage.

38. There are four main risks in investing in green transformation; the first is political risk, the second is social risk, the third is technical risk and the fourth is financial risk. Financial institutions will have to work to manage and reduce all these risks, but recognise that governments also can influence these risks.

39. In Asia, it is critical that investment in renewables and transition fuels progresses rapidly, and that investment in coal power ceases, and that coal power is definitively phased out.

D. Roundtable 3: ESG for Small and Medium-Sized Enterprises

Small and Medium Enterprises (SMEs) are increasingly looking at ESG principles and sustainability reporting to improve their competitiveness and attract investments and capital. As corporations move to decarbonize supply chains, SMEs are increasingly being called upon to provide ESG data on their operations. SMEs that track and report on sustainability metrics have a competitive edge. At the same time, investors around the globe are increasingly looking at directing their investments into such ESG-compliant companies. In the session, panellists discussed how SMEs can focus on ESG principles to improve their competitiveness.

Moderator: Dr. Tientip Subhanij, Chief of Investment and Enterprise Development, Trade, Investment and Innovation Division, ESCAP

Speakers:

- Professor Louis Cheng (Dr. S H Ho), Professor of Banking and Finance; Director of the Research Centre for ESG; The Hang Seng University of Hong Kong
- Mr. Gabriel Tan, CEO, Guava Amenities Pte. Ltd, Singapore
- Datuk William Ng, Chairman, Central Region, the Small and Medium Enterprises Association, Malaysia
- Mr. Kelvin Teo, Group CEO of Funding Societies | Modalku
- Dr. Michael Schaper, Board Member, Small Business Development Corporation of Western Australia, and Adjunct Professor, Curtin University. Former Deputy Chair (Small Business) of the Australian Competition and Consumer Commission, Australia

40. Governments should provide the push for SMEs to get started in the ESG space, with suitable coordination of international institutions like ESCAP, as well as banks. This can include financing, funding, support for the necessary services, and regulation or standard-setting.

41. Each country has its own unique geographical and economic setting and its own trajectory. Accordingly, each nation has evolved its own standards, and those need to be somehow aligned with global standards.

42. Bringing SMEs into an ESG framework must use technology to increase ease of use, and reduce costs. The use of AI and the incorporation of digital finance and blockchain technology will be useful to ensure efficiency

and accuracy in the verification and monitoring process in the overall decision support system. Large corporations are expected to play the role of a mentor.

43. With ESG metrics being an increasingly important strategic focus of larger firms, this presents a business opportunity for SMEs seeking to engage with global value chains. By offering larger companies a value proposition that includes a serious focus on sustainability, smaller businesses can find opportunities for differentiation from their competitors. This can be especially true for businesses explicitly targeting high-value and green-conscious consumers.

44. Many countries are increasing obligations on companies to report on their sustainability measures. For example, Malaysia has committed to being carbon neutral by 2050. The Malaysian stock exchange has announced a voluntary carbon market exchange, but it is anticipated that this will be compulsory in the future. Investors in Malaysia expect the announcement of a national ESG framework coming around the end of 2022.

45. There is a need to keep the targets quantifiable and having short, medium, and long-term targets helps businesses to devise multi-layered strategies. Localization and customisation as per the context of each individual country makes it easy to adopt and affordable at the same time globally scalable.

46. Challenges for SMEs to better adapt to sustainability demands are threefold, and include:

47. Know-how in management. Regulators who are moving forward with plans to demand higher standards of reporting from small companies must be generous with timelines and help SMEs to prepare.

48. The availability of technology and solutions that help businesses to enhance their ESG credentials.

49. Financing for better sustainability standards is always a challenge, and SMEs often do not know where they can find funding to make green improvements. Governments can definitely play a role here.

50. There is a structural issue in sustainability funding and it often does not benefit SMEs. When discussing schemes and programs to improve SME funding issues, there is often a focus on how banks and larger firms can be intermediaries to better serve SMEs, without necessarily going straight to the source. Loans and financial support policies are more focused on large firms and SMEs don't have many assets ready for getting a mortgage. As a result, they face problems getting loans from traditional institutions, and adding an additional green layer will make loans even dearer.

51. There are around 71 million SMEs in the region and most of them are very small, manned by 10-20 staff. There is a need to keep in mind that we are not dealing with large businesses with all the apparatus skill sets, manpower, access to finance and sophistication. Government agencies, business chambers and friends and families are considered as the most reliable sources and can act as a catalyst in the transition towards sustainability and resilience building.

52. Along with sustainability, the issue of resilience needs to be added to the plan of action. The procedure may include simple restructuring or re-configurations of operations with reference to the promotion of recycling, reducing and reusing wastes.

53. The SME ecosystem is totally different from large firms. On the practicability level, if it's simple and cost-effective, many SMEs will adopt it, but if it's complex and costly, like embarking on accreditation or large-level process restructuring/ reconfiguration of operations then SMEs are unlikely to undertake this without incentives.

54. The impact of climate change also needs to be considered, especially in the region frequented by greater rainfall, floods, cyclones, and typhoons. Small businesses are often are not taking any preparatory measures toward building resilience. They tend to take a more reactionary approach than a preventive one.

55. One notable policy challenge is that informal businesses, which are largely out of the view of the government, are involved in a lot of dirty and polluting industries. The informality of these businesses, by definition, are difficult to target with policy measures to improve environmental outcomes.

56. Businesses owners and managers are motivated not only by profit and income, but also by personal community and environmental concerns. They are not a homogenous group. They are often highly involved in their local communities and very interested in ESG matters.

57. One key area that needs to be addressed is investor appetite for ESG investments. More and more fund managers and asset managers are increasingly examining the ESG credentials of their investments, driven by a fast-moving increase in consumer sentiment towards more ESG friendly businesses. Establishing a measurable and demonstrative ESG strategy will, in the long run, benefit businesses, governments and society as a whole.

E. Closing session

58. The closing statement of the forum was delivered by Mr. George Lam, Chair of the ESNB and President of the Hong Kong-ASEAN Economic Cooperation Foundation. He re-emphasised the need for all the stakeholders to come together to adopt and implement the new Asia-Pacific Green Deal for Business. He thanked all the panels and participants for meaningful and insightful deliberations.
