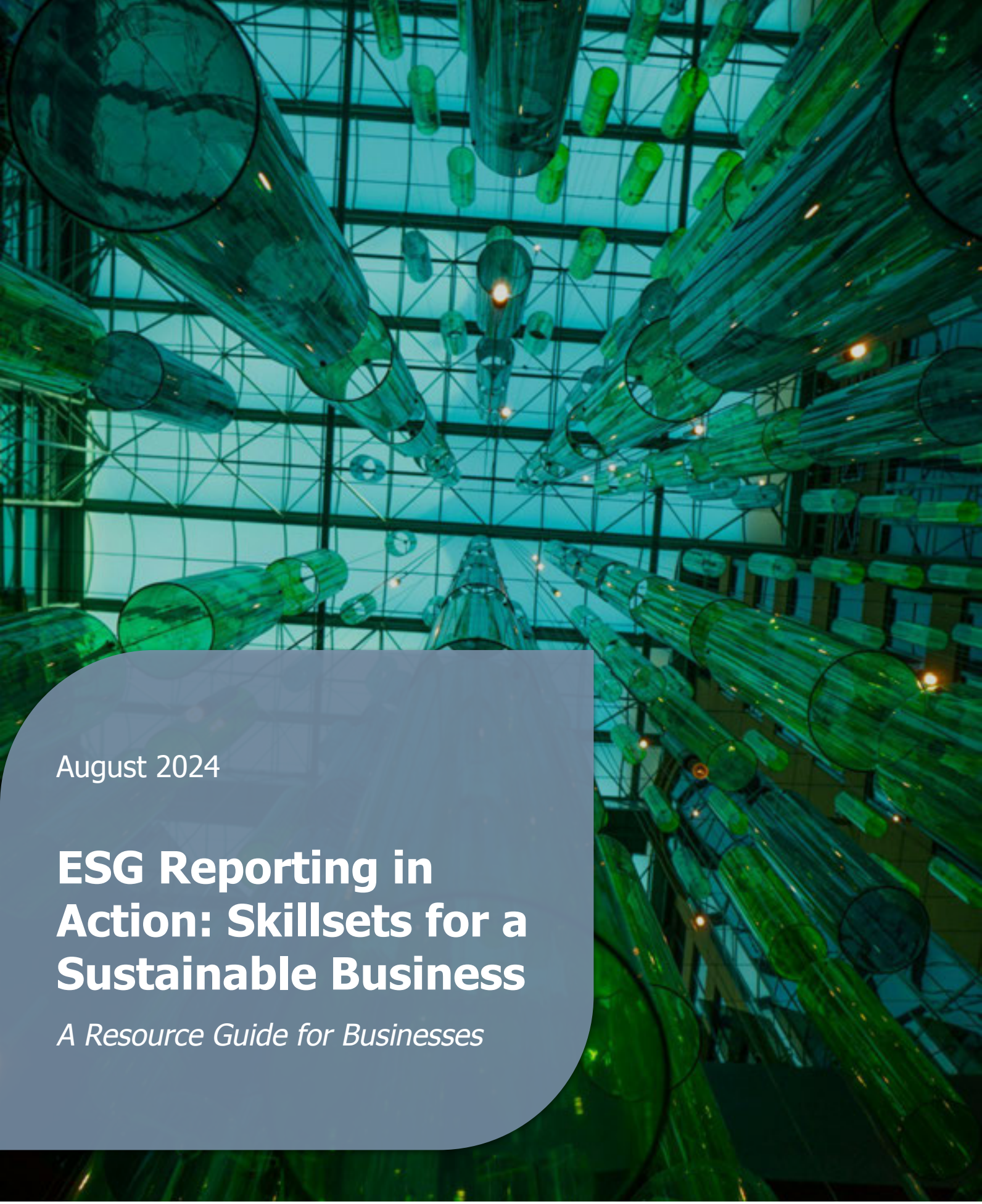


August 2024

ESG Reporting in Action: Skillsets for a Sustainable Business

A Resource Guide for Businesses

Published By:

SGTECH
WHERE TECH MEETS

Foreword

From 2025 onwards, sustainability performance and disclosures of a company will become critical pillars of business success in Singapore and global markets. As markets increasingly favour companies that embrace sustainability and disclose their environmental, social, and governance (ESG) practices annually, growth opportunities are expanding for Singapore businesses. However, many small and medium enterprises (SMEs) face challenges in effectively implementing and disclosing their ESG practices to maintain competitiveness, drive efficiency, and achieve growth. Navigating this terrain requires a nuanced understanding of the skills and competencies driving financial performance and ESG accountability.

SGTech recognises the urgency of equipping Singapore SMEs with ESG reporting capabilities for their continuing growth. From our feedback sessions with SMEs, one of the fundamental pain points that surfaced were confusion and lack of understanding of the skills and knowledge needed to quickly leap past obstacles for immediate results.

Through this publication titled "ESG Reporting in Action: Skillsets for a Sustainable Business", we seek to provide a clear and concise guide for businesses, especially SMEs, on the typical profile of the most immediate skillsets required for companies' ESG reporting. It is our hope that with this clarity, SMEs can accelerate steep learning curves and acquire the right capabilities for integrating ESG principles and reporting into their operations. As Singapore regulatory changes will progressively demand higher degrees of ESG accountability from value chains, privately owned businesses in these ecosystems must adapt and thrive.

This guide drew upon industry research, expert insights, and case studies from forward-thinking companies in Singapore, both large corporations and SMEs. It aims to provide a practical compass to clarify ESG reporting requirements, and unpack the talent and process needs to get teams started on a sustainable ESG reporting cycle. Included as a support is a directory of tools and resources. From understanding the regulatory landscape to developing specific ESG competencies, this guide maps out actionable steps tailored to the unique needs of Singapore's SMEs.

I encourage you to adapt and adopt the processes and tools from this guide to transform and foster a culture of sustainability in your organisation, to strengthen and enhance your business competitive advantage in Singapore and abroad.



Ms Yean Cheong
Executive Director, SGTech

Acknowledgements

SGTech would like to thank the following companies that have participated in the SGTech Scope 3 Pledge, where large and small companies share their points of view on ESG criteria that are acceptable to large value chains and achievable by SMEs.

Pledging Companies	
BSI Group	SAP
Elixir Technology	Simple Solution Systems
Equinix	Singtel
i-Sprint Innovations	Razer
Inspire-Tech	Websparks
J&S Telecoms International	

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1

Introduction

As the shift towards ESG reporting gains momentum, listed companies are increasingly requiring their suppliers and partners to provide ESG data. **The urgency for businesses to adapt is real and pressing.** This guide aims to help SMEs remain competitive in the evolving business landscape by providing recommendations on navigating these changes and adopting practices that align with ESG requirements.

Did you know?



The global ICT sector will account for up to

30% of greenhouse gas emissions by 2050[1]

8 out of 10

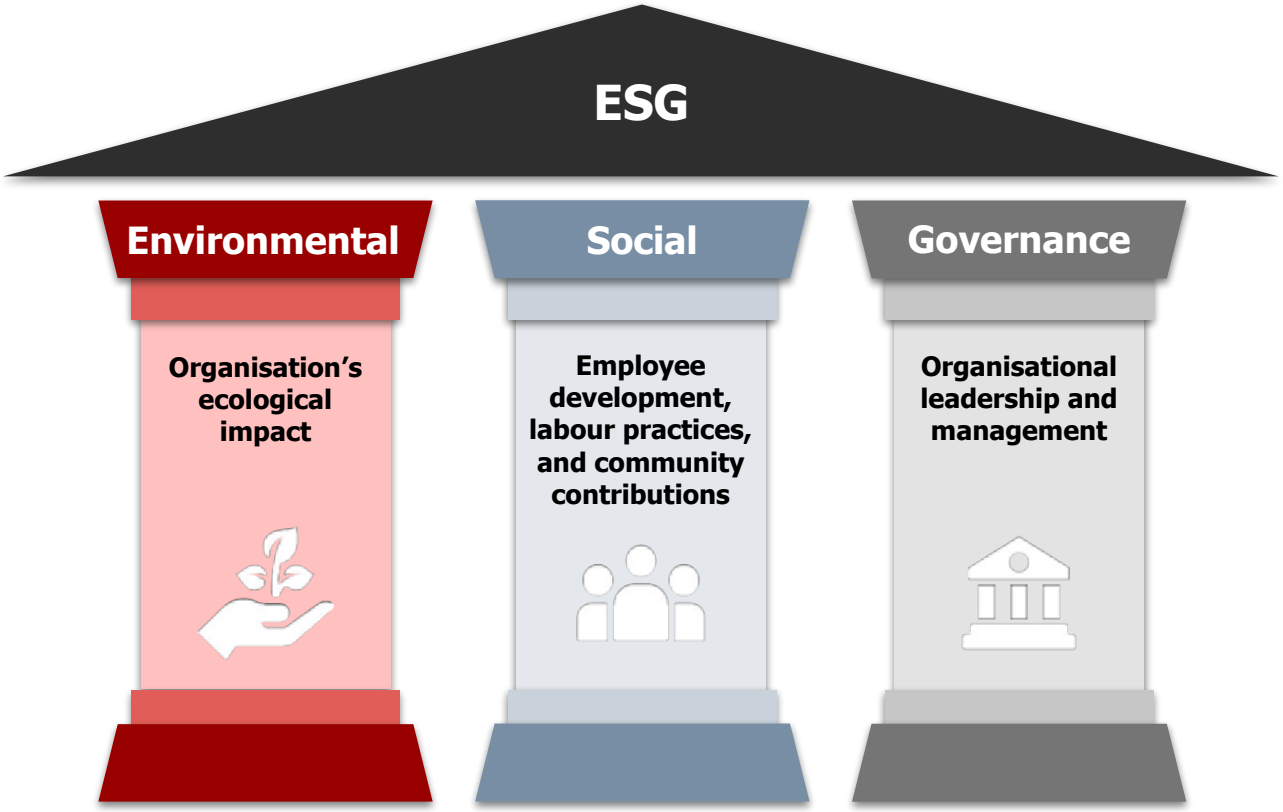
SMEs in Singapore have lost business opportunities due to necessary climate change regulations[2]



2

Overview of ESG

ESG consists of three pillars: Environmental, Social, and Governance. Companies, whether large and small, are increasingly expected to have clear policies and reporting on these three areas.



SGX has mandated that, starting from FY2025, all listed companies in Singapore must produce climate-related disclosures that are aligned with the International Sustainability Standards Board (ISSB)[3], an independent standard-setting body that develops standards that will result in high-quality, comprehensive global baseline of sustainability disclosures. Furthermore, a review is recommended in 2027 to also mandate reporting by large non-listed companies with annual revenue of at least S$100 million by 2030[4].

Why does this affect SMEs?

Given these changes, almost all companies will be required to submit their ESG data as part of their clients' value chain reporting requirements.

For example, sustainability-related considerations account for up to 5% of the evaluation criteria for government tenders, applying to ICT projects valued above S$10 million[5].

Therefore, it is essential for SMEs to promptly begin building ESG reporting capabilities if they intend to maintain their business relationships with such clients.



SGX — Align with International Finance Reporting Standards (IFRS)

Listed Companies — Request information from suppliers and partners to comply with SGX requirements

SMEs — Submit ESG reports to meet clients' reporting requirements

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Challenges faced by SMEs

Internal Scepticism Makes SMEs Reluctant to Embrace ESG



Consultants working in the space observe that the impetus to adopt ESG reporting can be low in some sectors. However, this is a mistake. Listed companies, large companies and the Singapore government are increasingly requiring suppliers and partners to provide ESG reports.

SMEs cannot afford to be reactive and wait for their customers to ask for their reports. By being proactive, they can gain an edge over the competition during tender evaluations, and avoid the last-minute rush to comply.

Skills Gap the Biggest Challenge to Start ESG Reporting

For SMEs that want to start ESG reporting, a lack of skills and knowledge presents the biggest barrier.

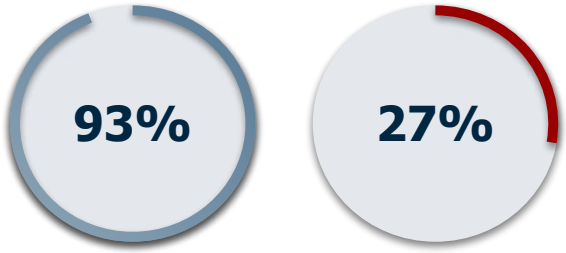
Among the SMEs surveyed, over half faced challenges in hiring or training existing employees to address sustainability issues. The two most common reasons cited were '*no relevant expertise to drive environmental sustainability*' and '*lack of financial resources to hire a sustainability expert*.'

Have you encountered any challenges when it comes to hiring new or training existing staff to address sustainability issues?



Data derived from the survey of 56 SMEs

Percentage of Companies with Sustainability Action Plans



Large Enterprises | **SMEs**

As a result, only 27% of SMEs surveyed* had a sustainability action plan in place, compared to 93% of large enterprises. This was the stark finding of a closed-door round table conducted by SGTech at the 2023 CSOxChange with Dr. Amy Khor, Senior Minister of State, Ministry of Sustainability and the Environment

* This survey covered respondents from a diverse range of industries, including 15 Chief Sustainability Officers from technology and non-technology sectors, as well as Government-Linked Companies from across real estate, banking, logistics, software, and technology hardware industries.

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From Challenge to Advantage

While the lack of skills can be a challenge, SMEs can turn this challenge into a competitive advantage by building ESG reporting capabilities.

Telecommunications service provider J&S Telecoms International Pte Ltd (J&S) had an urgent need to start collating its sustainability data. Sustainability reporting was beginning to appear in tender requirements for both its key client segments: large companies and government agencies. The lack of a sustainability report could potentially threaten its business.

While J&S had sustainability integrated into its corporate ethos, it lacked the skills needed to report the required data. Therefore, J&S decided to partner with SGTech under the Sustainability Guided Programme (SGP). This yielded significant benefits.

Benefits of embracing sustainability reporting



Increased credibility & trust amongst stakeholders



Identified ways to improve efficiency & reduce costs



Gained insights on improving electronic waste management

> **"Embrace ESG as a strategic imperative, not just a compliance requirement."**
>
> *- July Lim, Managing Director*

Mr. July Lim, Managing Director of J&S Telecoms International, sees ESG reporting as an essential pre-requisite for growth at J&S International.

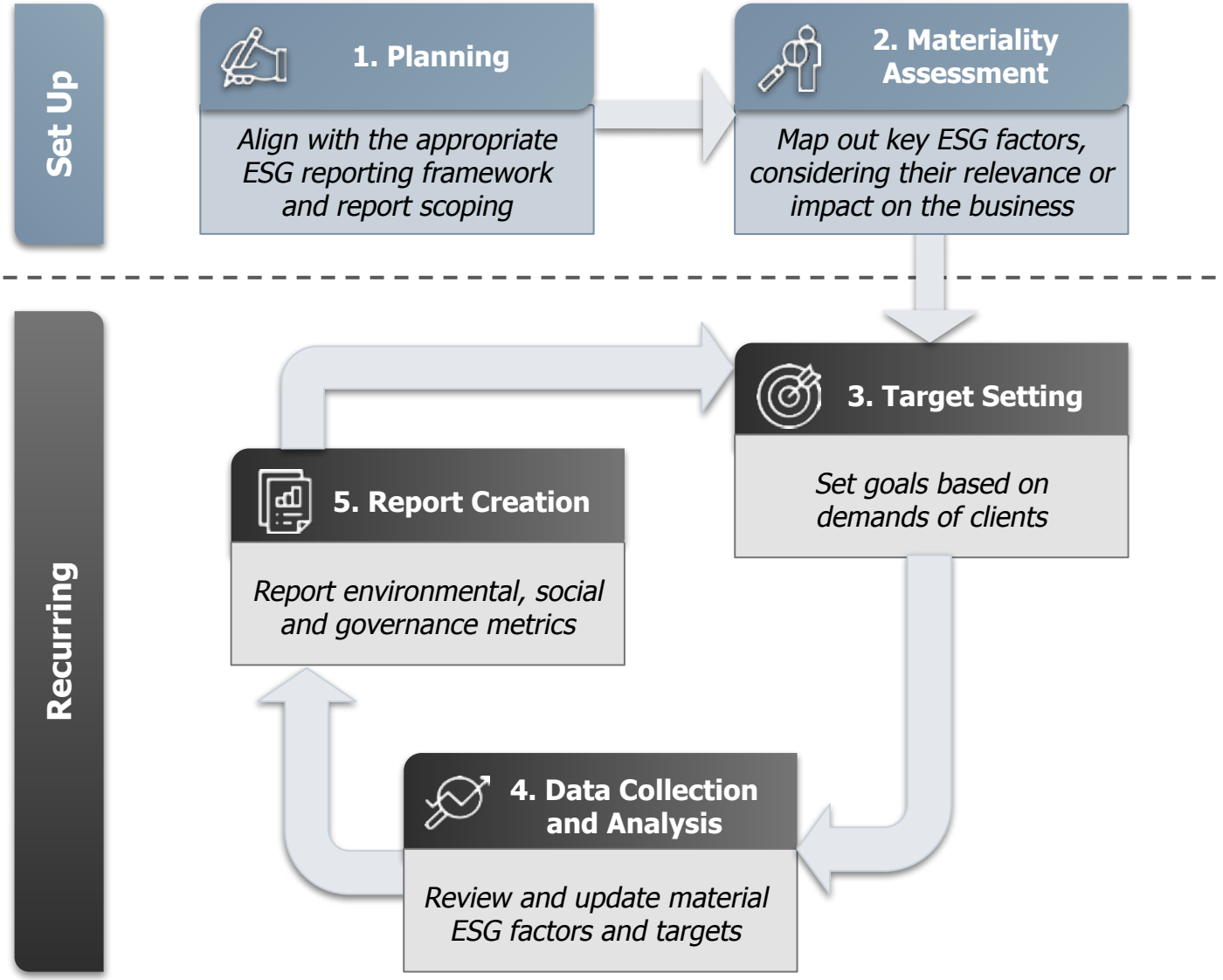
What is the formula for success for SMEs?

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Formula for Success

In the initial stages of implementation, the challenges associated with setting up reporting processes mean that many SMEs engage consultants to establish their reporting frameworks. Once these are in place, SMEs will need to build the capability to run recurring business cycles for data collection, analysis, and report creation.

5 Key Steps of ESG Reporting



Metrics Required for ESG Reporting

The table below outlines the types of information that SMEs may typically be required to provide for ESG reporting.

	Metrics[6]	Information Required from SMEs
Environmental	**Greenhouse Gas (GHG) Emissions**	Absolute emissions by (a) Total Emissions; (b) Scope 1 & Scope 2; and (c) Scope 3, if appropriate
	Energy and Water Consumption	Total energy and water consumption
	Waste Generation	Total weight of waste generated
Social	**Gender Diversity**	Percentage of current employees by gender as well as new hires and turnover by gender
	Age-based Diversity	Percentage of current employees by age group as well as new hires and turnover by age group
	Employment	Percentage of total turnover and total number of employees
	Development and Training	Average training hours per employee and average training hours per employee by gender
Governance	**Board Composition**	Percentage of independent board directors and female board directors
	Management Diversity	Percentage of women in the management team
	Ethical Behaviour	Anti-corruption disclosures and percentage of employees receiving anti-corruption training
	Certifications	Sustainability or ESG-related certifications
	Alignment with Frameworks	Globally recognised framework and disclosure practices guiding sustainability reporting

**This list is not exhaustive. Specific metrics to be reported may vary depending on the requirements of listed companies.*

Understanding Greenhouse Gases (GHG)

In most companies, Social and Governance reporting can be relatively straightforward to implement. This includes familiar actions such as reporting the gender ratio and training hours for Social reporting or putting in place anti-corruption policies for Governance reporting.

In contrast, the Environmental aspect can be more technical, especially GHG Emissions Reporting. Therefore, SMEs will need to put in more effort to manage this aspect effectively.

GHG emissions encompass a broad range of gases, such as carbon dioxide and methane, that contribute to the greenhouse effect by trapping heat in the atmosphere. Since carbon dioxide is the main contributor, total greenhouse gas emissions are usually measured in carbon dioxide equivalent (CO2e). This involves converting emissions of other gases into their equivalent CO^2 by taking into account their relative global warming potential.

As listed companies are most likely to ask for carbon emissions data, it is important that SMEs understand the three scopes of emissions.

	Scope 1	**Scope 2**	**Scope 3**
	Direct Emissions	*Indirect Emissions*	
Definition	Direct emissions from sources owned or controlled by the company	Indirect emissions from the generation of purchased energy	Indirect emissions that occur in a company's value chain (upstream and downstream)
Examples	■ Emissions production from equipment owned by company ■ Fugitive emissions from refrigeration or air conditioning units	■ Purchased energy for company use ■ Purchased heating and cooling for company use	■ Purchased goods and services ■ Staff commuting and business travel ■ Transportation and distribution

Sustainability Skills Map

The Sustainability Skills Map* shows the 9 skill categories SMEs will need for the implementation of sustainability reporting and practices. Many of the underlying skills are general skills that companies should already have, but there are several sustainability-specific skills that are new. These are marked with a ★.

Data Tracking & Analytics

- ★ **GHG Emissions Computation & Analysis**
- ★ **ISO 14064**
- ★ **Energy Auditing**
- ★ **ISO 50001**
- Data Collection, Analysis & Interpretation

Governance & Reporting

- ★ **Reporting Standards: GRI/ TCFD**
- Data Ethics - PDPA
- Data Protection - Cybersecurity
- Data Assurance
- Risk Management

Forecasting Rules, Policy & Landscape

- ★ **Energy Management Policies**
- Laws & Regulations Proficiency
- Business Environment Analysis
- Research Design & Analysis

Commercial Sense

- ★ **GHG Accounting**
- Finance & Accounting
- Product Management
- Resource Management
- Financial Audit & Compliance

Strategy Planning

- Enterprise Architecture
- Design Thinking
- Project Management
- Operations Management
- Crisis Management

Advocacy

- Networking
- Consumer Intelligence Analysis
- Campaign Management

Leveraging Technology

- Digitalisation and Cloud Services
- AI & Automation
- UI/ UX Design
- Emerging Technology Synthesis

Communication & Narrative Building

- Digital Content Marketing
- PR & Branding
- Data Visualisation
- Creative Thinking
- Media Strategy
- Negotiation & Persuasion

Working with People

- People & Performance Management
- Learning & Development
- Partnerships & Stakeholders

**The Sustainability Skills Map was validated at SGTech's 2023 CSOxChange with Dr Amy Khor by 15 Chief Sustainability Officers from technology and non-technology sectors, as well as Government-Linked Companies from across real estate, banking, logistics, software, and technology hardware industries.*

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Mapping Skill Categories against ESG Reporting Steps

The skill categories in the Sustainability Skill Map will need to be deployed across all 5 key steps of ESG reporting.

Skill Categories	5 Key Steps of ESG Reporting				
	1. Planning	2. Materiality Assessment	3. Target Setting	4. Data Collection & Analysis	5. Report Creation
Data Tracking & Analysis			✔	✔	
Governance & Reporting	✔	✔	✔		✔
Forecasting Rules, Policy & Landscape	✔	✔	✔		
Commercial Sense		✔	✔		
Strategy Planning		✔	✔		
Advocacy	✔				✔
Leveraging Technology				✔	✔
Communication & Narrative Building	✔				✔
Working with People	✔	✔	✔	✔	✔

6

ESG Reporting Priority Skills

The skill categories that SMEs should prioritise building are '**Data Tracking & Analytics**' and '**Reporting & Governance**'. These skills are needed to produce ESG reports on a recurring basis. While some of these skills should already exist within SMEs, specific sustainability knowledge may require upskilling. This includes skills like 'GHG Emission Analysis' and 'Carbon Reporting Standards'.

Skill Categories	Skills	Departments with the Closest Matching Skills
Data Tracking & Analytics	Data Analysis and Interpretation	Tech, HR, Finance
	Energy Management (ISO 50001)	Ops
	GHG Emission Analysis	Upskilling required
	ISO 14064	
	Energy Auditing	
Reporting & Governance	Data Ethics (PDPA)	HR
	Data Protection (Cybersecurity)	Tech
	Data Assurance	Tech
	Risk Management	Ops
	Carbon Reporting Standards	Upskilling required

Department — *Finance* *HR* *Tech* *Ops*

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Addressing the ESG Reporting Skills Gap

While it may seem daunting to acquire so many new skills, the good news is that there are many accessible ways for SMEs to address this challenge:

	Buy	Borrow	Build
Impact	Hire new staff and design suitable training to take on ESG job roles	Engage consultants and tap on their expertise to develop ESG report in accordance with industry standards	Reskill existing staff to take on a redesigned or new ESG-related job role within the company
Resources	*Career Conversion Programme (CCP) for Business Intelligence Manager (ESG Reporting)*	*Sustainability Guided Programme (SGP)*	*Career Conversion Programme (CCP) for Business Intelligence Manager (ESG Reporting)*

Additional Resources

4 Featured Programmes for SMEs by SkillsFuture for Business

Skills Profiling for SMES	*SkillsFuture Queen Bee Network*	*Workplace Skills Recognition Programme (WPSR)*	*Course Directory for Business*
Benchmark employees' competencies and identify skills gaps.	*Get skills advice from industry leaders such as DBS, Grab and more*	*Fast-track skills certification for employees without external training*	*Find courses that are SSG-funded and eligible for SkillsFuture Enterprise Credit*

Click on the programmes to learn more!

Pro tip:
Find relevant courses with search terms such as 'ESG' or "Sustainability'.

How Sustainability Guided Programme (SGP) helped Inspire-Tech overcome challenges

Inspire-Tech is a software product company that offers secure digital collaboration and communication solutions.

They serve highly-regulated sectors such as government, financial, and healthcare. Requests from customers on their ESG requirements, such as Progressive Wage Mark, Sustainable Employment, and Anti-Bribery Practices, convinced them to produce their first ESG report. Inspire-Tech was already doing a lot on ESG - it just needed to be reported correctly.

We spoke to Inspire-Tech to find out more about their experience with SGP.

Why did you choose SGTech's SGP to help you get your ESG Report done?

"The SGP is easy to start and can be completed within a short time frame (3 to 4 months). Guidance was provided, with the journey broken down into mini-milestones and deliverables. This made it possible for us to digest and execute the process."

How was your experience with the SGP?

"The consultants put in effort to understand our business situation and craft processes to meet our needs. The small workgroup sessions helped us better appreciate key ESG concepts and understand how ESG relates specifically to us and our work."

What benefits have you gained from completing your first ESG Report?

"Completing our report has given us more confidence when addressing ESG requirements from customers. We now have a greater awareness of the ESG forces affecting our business, enabling us to develop a workplace culture that is sensitive to areas such as skills development, cybersecurity, volunteering, and fair business practices.

This process also expanded our team's perspectives on material ESG issues and helped us see how our work can add value to priority issues such as data protection and business continuity."

With ESG Report guidelines getting stricter, what is your message to other SMEs, especially those in the tech sector?

"ESG goes beyond carbon emissions. It is useful to look out for other material issues in Social and Governance that may not be hot topics now but may come under closer scrutiny in the future. These issues can include the relevance of existing skills, diverse generational workplace needs, and shifts in the mindsets of youths (future buyers, entrepreneurs, and employees). The team can then reflect on the potential risks and impacts to the business."

7

The Road Ahead for SMEs

SMEs that wish to turn ESG into a competitive advantage will need a multi-year roadmap to develop and execute their ESG strategies.

Year 1	Year 2	Year 3 onwards
■ Establish ESG reporting process ■ Set initial targets for material issues ■ Upskill team to produce reports ■ Identify and execute key ESG initiatives	■ Update materiality issues ■ Refine initiatives and targets ■ Streamline reporting process ■ Engage stakeholders to build support	■ Expand ESG scope and set more ambitious targets ■ Develop ESG strategic plans to achieve targets ■ Build competitive advantage

Ultimately, the transition towards ESG is a strategic imperative for SMEs, and not just a regulatory necessity. While the journey may seem challenging, SMEs have access to the broad range of support described in this report.

Leading SMEs are already taking action. What are you waiting for?

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