



GREENING THE SUPPLY CHAIN

It is more important than ever for businesses, particularly those that are part of the global supply chain, to decarbonise. More than 1,200 companies globally have pledged science-based targets in line with their net zero goal, according to the United Nations, and these companies will require their supply chain to comply with their sustainability requirements as well.

Those that do not meet their requirements could lose their contracts, while those that go beyond the sustainability requirements stand to benefit from access to a wider market.

The impending implementation of the European Union's (EU) Carbon Border Adjustment Mechanism (CBAM) in 2023 is another threat. Under the CBAM, products will be taxed at the EU border, with the amount dependent on the volume of carbon emitted during production. Companies that do not reduce their carbon footprint may incur this additional cost and lose market share.

Transitioning is not easy, of course. Companies will need assistance, whether financially or in the form of other resources.

UOB launched the Green and Sustainable Trade Finance Framework (GSTF) to cater to this demand last year. It is aimed at providing its clients with access to trade financing for sustainable goods and commodities.

"Many of our clients in Malaysia and across Asean are suppliers to large multinational corporations and corporates who have committed to net zero pathways and are imposing sustainability requirements on their suppliers. They are also changing the way they procure and source materials," says Ng Wei Wei, CEO of UOB Malaysia.

"Our GSTF will provide the much-needed trade financing to keep the green supply chain moving and ensure minimum disruption of the sustainable goods supply chain, as the global economy recovers from Covid-19."

As at the first half of 2022, UOB had provided S\$620 million (about RM2 billion) of trade and working capital financing to facilitate the import and export of sustainable agri-commodities, renewable energy, energy efficiency equipment and electric vehicles for more than 30 clients across the region.

The GSTF can be readily provided to companies in the "pure play" sustainability-

related sectors of renewable energy, energy efficiency, green buildings construction, green transport, sustainable water management and treatment, waste management, climate change adaptation, circular inputs and design, product-as-a-service and material and resource recovery.

Companies that buy and sell certified sustainable goods and commodities are also eligible for the GSTF. UOB currently recognises 26 global, regional and national certifications in this area.

UOB will work through the guidelines set out in the framework with companies



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CEO of UOB Malaysia

that are eligible and review the guiding principles for use of proceeds and the required reporting. Once the necessary documents have been completed and approved, the financing facility will be disbursed to the company.

After that, the company needs to report on the use of funds and the positive

impacts achieved. It must also adhere to representations and warranties, and ensure the validity of relevant certifications.

"This is part of UOB's effort in 'greening the supply chain'. With the GSTF, companies can leverage it to access sustainable financing, instead of developing their own," says Ng.

FINANCING THE TRANSITION TO SUSTAINABLE PALM OIL

In July this year, UOB Malaysia extended a green trade finance facility under GSTF to IOI Corp Bhd, one of Malaysia's leading global integrated and sustainable palm oil players. The facility is meant to help the company promote sustainable palm oil and strengthen the global sustainable palm oil supply chain.

IOI will channel the funds towards the sourcing of certified palm oil to support its downstream resource-based manufacturing business, as well as its business partners' activities.

The company has a strong presence across the world. All of its Malaysian plantations are already certified by the Roundtable on Sustainable Palm Oil or have the Malaysian Sustainable Palm Oil certification.

"As a financial institution, UOB understands the critical role we play in supporting companies to achieve their sustainability-related targets and aspirations. To that end, we have been sharing our expertise on how they can use our sustainable finance products and solutions to boost their sustainability efforts. This collaborative approach helps to drive greater market adoption for green financing and encourages more businesses to grow responsibly," says Ng.

"IOI has taken important steps to mitigate its environmental, social and governance (ESG) risks such as good overall agronomic practices and building more resilient supply chains. Furthermore, we are delighted that our green trade financing facility will also be supporting the global trade flows of palm oil, which is a key export for Malaysia."

Palm oil is also the most widely used vegetable oil in the world, accounting for 61% of total vegetable oils exported. Ensuring that this commodity is produced sustainably is an important step forward in the decarbonisation journey for the global economy.

Much of this work has to be done in this region, since Malaysia and Indonesia — both important markets for UOB — account for approximately 85% of total palm oil production. The industry is also a major contributor to employment and income generation.

For more information, visit go.uob.com/green-trade-financing



What are the benefits you can expect from UOB Green Trade Financing?

Our trusted partnerships with government boards and our long-term commitment to clients, allow you to future-proof your business and tap on more opportunities.

- A full suite of shorter-term trade and working capital facilities, tailored to your needs.
- A wide spectrum of sectors are recognised, allowing for more businesses to be eligible for sustainable financing.
- Capture new end-consumers or enhance sustainability credentials in the supply chain.

What are the necessary steps to qualify for UOB Green Trade Financing?

- 1 Are you eligible?**

Firstly, you must fulfil one of these criteria:

 - Company belongs to a 'green sector'.*
 - Goods and services with 'eligible green certifications'.**
- 2 What's next if you are eligible?**

 - UOB will work through the guidelines set out in the framework with you.
 - Together, we will align on green objectives.
 - We will review the guiding principles for use of proceeds and required reporting.
- 3 When will the Green Trade Financing facilities be disbursed?**

Once all the necessary documentation has been completed and approved, UOB will disburse the Green Trade Financing facilities to you.
- 4 What's next?**

 - You need to report on the use of the facilities and also the positive impact achieved.
 - You must continue to adhere to representations, and warranties as well as ensure the validity of certification.