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Borderless Business: Intra-ASEAN Corridor

Opening doors to diverse opportunities



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Overview of the Intra-ASEAN Corridor: Opening New Doors in ASEAN



ASEAN's rising middle class and increasingly well-educated workforce, coupled with its supply of natural resources, rapid urbanisation, and growing infrastructure spend provides a strong foundation for future growth. Not only is ASEAN highly connected through free-trade agreements with major global trading partners such as the US, China and Europe but there is also significant focus on intra-ASEAN trade and investments – opening doors to new growth opportunities for companies in the region.

Borderless Business: Intra-ASEAN corridor is a strategic point-of-view, commissioned by Standard Chartered and prepared by PwC, which explores key sectors of opportunity and focus areas for ASEAN-based companies to further their growth within the region. ASEAN offers a myriad of opportunities for local and international players in areas such as healthcare and consumer goods, construction, real estate, and renewable energy, given its favourable demographics, rapid urbanisation and drive towards sustainability. With Industry 4.0 under way, ASEAN's rapid digitalisation also provides grounds for growth in manufacturing and digital technology.

This point-of-view elaborates on a number of key initiatives companies should consider, to ensure that they are well-positioned to seize such opportunities on their path to resilient growth. These include diversifying supply chains, digitalising for impact, leveraging local partnerships, incorporating sustainability as part of growth targets, and establishing adequate governance frameworks to mitigate potential risks in a post-COVID-19 world. We also incorporate insights collated via a survey of senior-level executives from ASEAN companies that are currently engaged in cross-border activities within the region.^a

ASEAN's growth trajectory remains strong but requires some recalibration

ASEAN's remarkable growth in the past decades has brought it on track to becoming the world's fourth largest single market by 2030. However, while the region's track record has

been strong over the past 50 years, economic progress has not been homogeneous across member countries. Moving forward, however, the region cannot rely on the same growth drivers to guide its future trajectory. Despite growth prospects remaining positive, weaker economic recovery is expected on the back of increasing COVID-19 cases and renewed lockdowns, with IMF having lowered their forecast from 5.2 per cent growth in 2021 to 4.9 per cent for five ASEAN countries (Indonesia, Malaysia, the Philippines, Thailand and Vietnam). ASEAN respondents to our survey confirm this, with 75 per cent considering the COVID-19 pandemic among the top 3 risks for their business in the region.

ASEAN's enhanced integration and cooperation thus comes at a time where fundamental shifts and disruptions on a global scale have intensified the need to deepen connectivity and pursue more sustainable growth.¹

Increased intra-regional cooperation and connectivity expected to boost regional growth

With the aim of driving cohesive growth and further regional cooperation within ASEAN, the bloc established the ASEAN Community agenda in 2015, incorporating blueprints for regional integration in political, economic and socio-cultural aspects. Under the auspices of this agenda, the ASEAN Economic Community (AEC) Blueprint 2015 has been successful in facilitating and liberalising trade among ASEAN economies. As a result, economic exchanges among ASEAN members have grown. Between 2015 and 2019, intra-ASEAN total trade in goods increased by 4.3 per cent CAGR from USD535.4 billion to USD632.6 billion. In 2020, due to COVID-19 disruptions, total intra-ASEAN trade in goods stood at about USD565.9 billion (and CAGR for the period 2015 to 2020 was 1.4 per cent). The AEC Blueprint 2025 seeks to build on the AEC Blueprint 2015 and bring ASEAN economies even closer through further reduced tariffs, harmonised capital market regulatory frameworks and platforms, greater labour mobility, improved

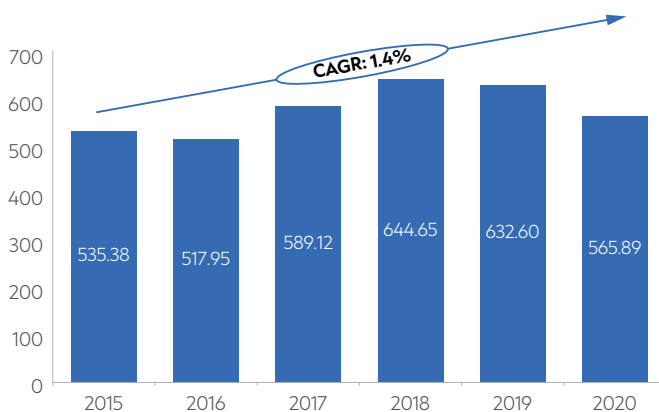
^a Survey commissioned by Standard Chartered in April 2021 and completed by senior executives from 83 companies based in ASEAN and focusing on the Intra-ASEAN corridor

consumer and intellectual property (IP) rights protection, inclusive development and enhanced connectivity.

Moreover, we see ASEAN playing a bigger role in the global production value chain, in view of its heightened connectivity with five major trading partners – including China, Japan, New Zealand, Australia and South Korea – via the Regional Comprehensive Economic Partnership (RCEP), once it is ratified. RCEP is expected to connect about a third of the world's population and output; and could potentially add USD209 billion to world incomes and USD500 billion to world trade by 2030. According to the ASEAN Secretariat, RCEP will simplify and streamline the rules and procedures for trade and investment currently codified in bilateral FTAs, thereby reducing trade inefficiencies. It would also lower trade barriers and improve market access for companies, enhance transparency in trade and investment, as well as facilitate greater inclusion of ASEAN-based companies to global and regional supply chains. Notably, 83 per cent of our survey respondents indicated that they plan to increase their company's investments in ASEAN over the next 3-5 years by at least 25 per cent, once RCEP is ratified.²

Figure 1: Intra-ASEAN total trade in goods

USD billion



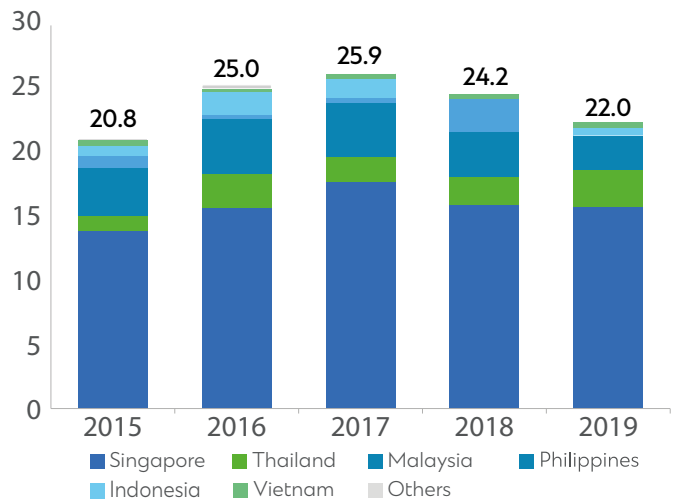
Source: ASEANStats

Increased intra-regional connectivity through the flow of capital, integration of production networks, and vertical or horizontal integration of supply chains is likely to strengthen ASEAN's burgeoning role in global supply chains. Furthermore, ASEAN's diverse industrial landscape also lends itself to be an attractive location for companies to establish a hub for the region. This optimism is manifested in

global foreign direct investment (FDI) inflow to ASEAN (~35 per cent increase from USD118 billion in 2015 to USD159 billion in 2019). In addition, intra-ASEAN FDI is also significant with a 13.8 per cent share of total FDI.

Figure 2: Intra-ASEAN FDI inflow by source country

USD billion

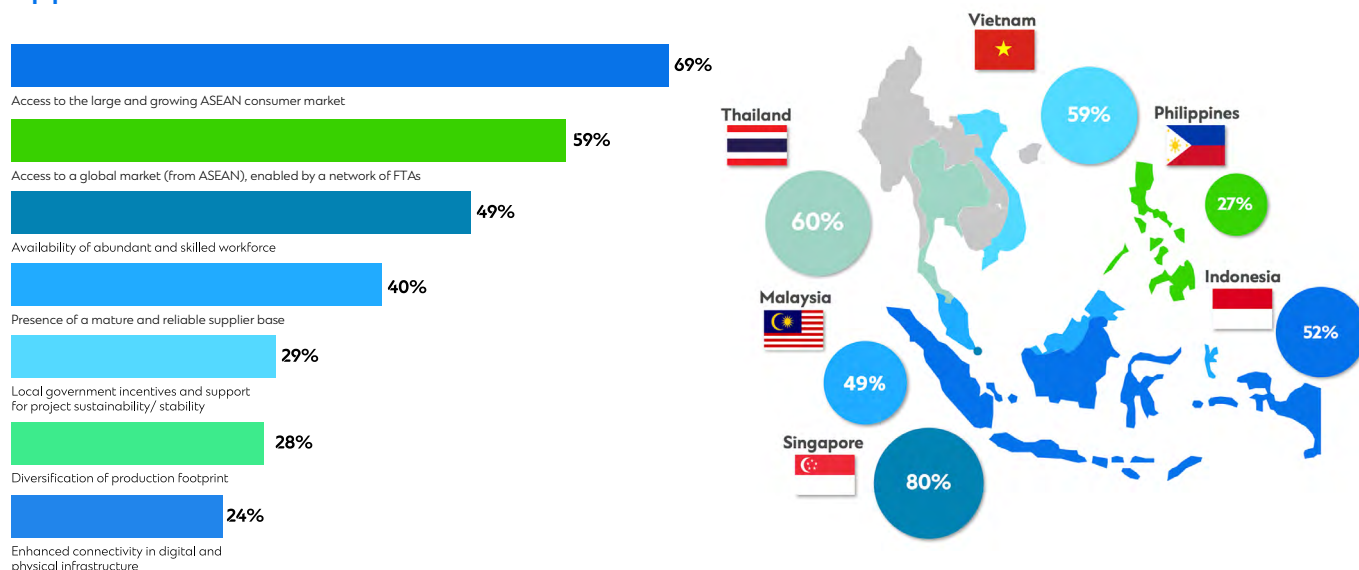


Source: ASEANStats

Within ASEAN, Singapore is a major hub for investments, being the largest source for intra-ASEAN FDI and accounting for a majority share in 2019. In addition, Singapore is a target market for investments as well and in this regard, 80 per cent of our survey respondents selected Singapore as the country offering the best expansion opportunities within ASEAN, followed by Thailand at 60 per cent and Vietnam at 59 per cent. Furthermore, over 85 per cent of survey respondents foresee at least a 10 per cent growth in sales or production in ASEAN over the next 12 months.³



Figure 3: Key drivers for focus on ASEAN and major economies offering expansion opportunities



Note: Survey questions asked: 'What are the key drivers for your focus on ASEAN?' and 'Which of these major economies within ASEAN do you think offers the best expansion (sales / production) opportunities for your company?'

For Key Drivers - values indicated refer to the % of survey respondents who included the driver as one of the top 3 ranked choices

Source: Standard Chartered Survey, 2021

Rapid population growth, urbanisation and digitalisation expected to give rise to new consumer markets

ASEAN's growing population, coupled with rapid urbanisation and digitalisation, is expected to generate new market opportunities. The World Economic Forum anticipates that over the next decade, emerging ASEAN^b will drive 98 per cent of the increase in the region's working population, estimated to reach 40 million by 2030. With this, higher consumption levels are expected especially in Indonesia, Vietnam and the Philippines. As per our survey, 69 per cent of respondents are focusing on ASEAN to gain access to the large and growing consumer market, and close to 50 per cent cite the availability of an abundant and skilled workforce as a key driver.^c

In addition, with 100 million people region-wide expected to migrate from the countryside to cities between 2015 and 2030, demand for improved infrastructure will grow significantly. The Master Plan on ASEAN Connectivity (MPAC) 2025 outlines a roadmap for enhancing the region's infrastructure, including smart city development, physical and institutional connectivity, and people-to-people linkages, which are foundational to achieving a fully integrated ASEAN Community.

Part of ASEAN's envisioned integration also involves strengthening the region's digital connectivity. The gross merchandise value of ASEAN's internet economy was USD100 billion in 2020 and is set to surpass USD300 billion by 2025. To capitalise on this potential, member states signed the ASEAN Agreement on e-commerce in 2018 in hopes that facilitating more cross-border e-commerce transactions would drive further regional growth.⁴

^b Indonesia, Malaysia, the Philippines, Thailand and Vietnam

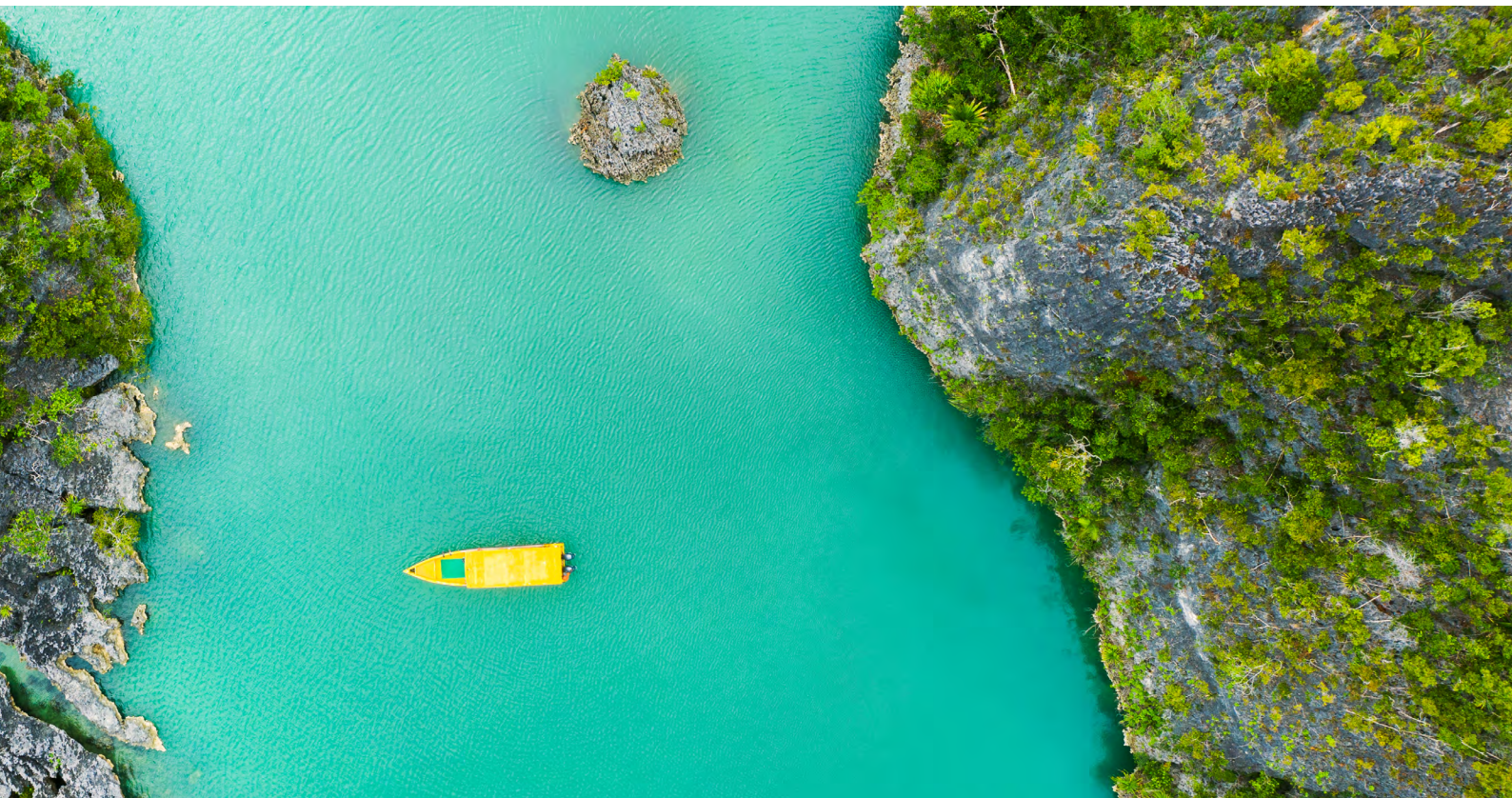
^c Value indicated refers to the % of survey respondents who included the driver as one of the top 3 ranked choices

Renewed focus on sustainability set to create significant opportunities vis-à-vis ASEAN's infrastructure development

Sustainable financing and infrastructure will be key to supporting ASEAN's growth moving forward. ASEAN's transformation towards a greener economy offers economic opportunities in areas such as energy and resources, food systems, industries and logistics, cities, healthcare and education, and green financing. Initiatives such as the ASEAN Smart Cities Network (ASCN) embody the bloc's ambition to build future-ready and resilient cities across the region. Moreover, it is estimated that every USD1 million invested in renewable technologies or energy efficiency could stimulate nearly thrice as much job growth as compared to spending on fossil fuels. If leveraged fully, USD172 billion worth of capital expenditure could create 30 million jobs in ASEAN by 2030.

Despite such initiatives growing in prominence, ASEAN has not kept pace with other regions in terms of green economy initiatives. This suggests that there remain significant untapped growth opportunities. Recently, ASEAN has seen a stronger push for sustainable products from local governments, rising corporate and investor awareness, and growing consumer preferences. This is reflected in our survey, with over 50 per cent of respondents indicating that driving sustainability and ESG will be a key focus area for their organisations.^d

Similarly, a recent research report – 'Carbon Dated: The net-zero supply chain revolution' by Standard Chartered – revealed that 78 per cent of multinationals (MNCs) will remove suppliers that endanger their carbon transition plan by 2025. The study also reveals that MNCs' focus on tackling supply chain emissions could create a USD1.6 trillion opportunity for the net-zero club: those businesses reducing emissions in line with MNC net-zero plans. This represents a major opportunity for net-zero-focused suppliers across the 12 key emerging and fast-growing markets in the study, including Singapore, Malaysia and Indonesia.⁵



^d Value indicated refers to the % of survey respondents who included the key focus area as one of the top 3 ranked choices



“ASEAN is core to Standard Chartered’s business strategy. As the only international bank with a full presence in all 10 markets in the region, we believe we play a critical role in enabling our clients to seamlessly trade and invest across the 10-nation bloc. The findings of this report clearly validate the trends we are observing among our clients and we continue to invest in our capabilities to meet their evolving needs.”



Heidi Toribio

Regional Co-Head, Client Coverage, Asia,
Corporate, Commercial and Institutional Banking
Standard Chartered

“ASEAN corporates’ strong appetite to leverage Singapore for expansion within the region underscores the city-state’s unique position as the gateway to ASEAN. We have seen clients from countries, such as Indonesia, Malaysia, the Philippines and Thailand, increasingly access the deep and liquid financial markets in Singapore. Importantly, ASEAN’s growth prospects remain promising, with the markets offering opportunities from healthcare and consumer goods to construction and real estate as well as renewable energy. As the go-to bank in ASEAN, Standard Chartered is committed to provide on-the-ground advisory and innovative financial solutions to help these businesses succeed in the long term.”



Patrick Lee

Cluster CEO, Singapore and ASEAN Markets
(Malaysia, Vietnam, Thailand & Rep Offices)
Standard Chartered

“The potential for intra-ASEAN trade is enormous. Not only are the 10 member countries located within close geographical proximity, they are also enjoying rising income levels and rapid adoption of technology by consumers as well as businesses. In particular, Indonesia offers abundant opportunities through its young population, growing middle class, and booming digital economy. The regulatory reforms driven by the Indonesian government are also expected to stimulate domestic and foreign investment. Similarly, Brunei and the Philippines have much to offer, and are already actively engaging in intra-ASEAN trade. As the oldest international bank in Indonesia as well as the Philippines, and a leading global bank in Brunei, Standard Chartered is well positioned to marry deep local insights with product expertise to help ASEAN corporates trade, invest, and grow.”



Andrew Chia

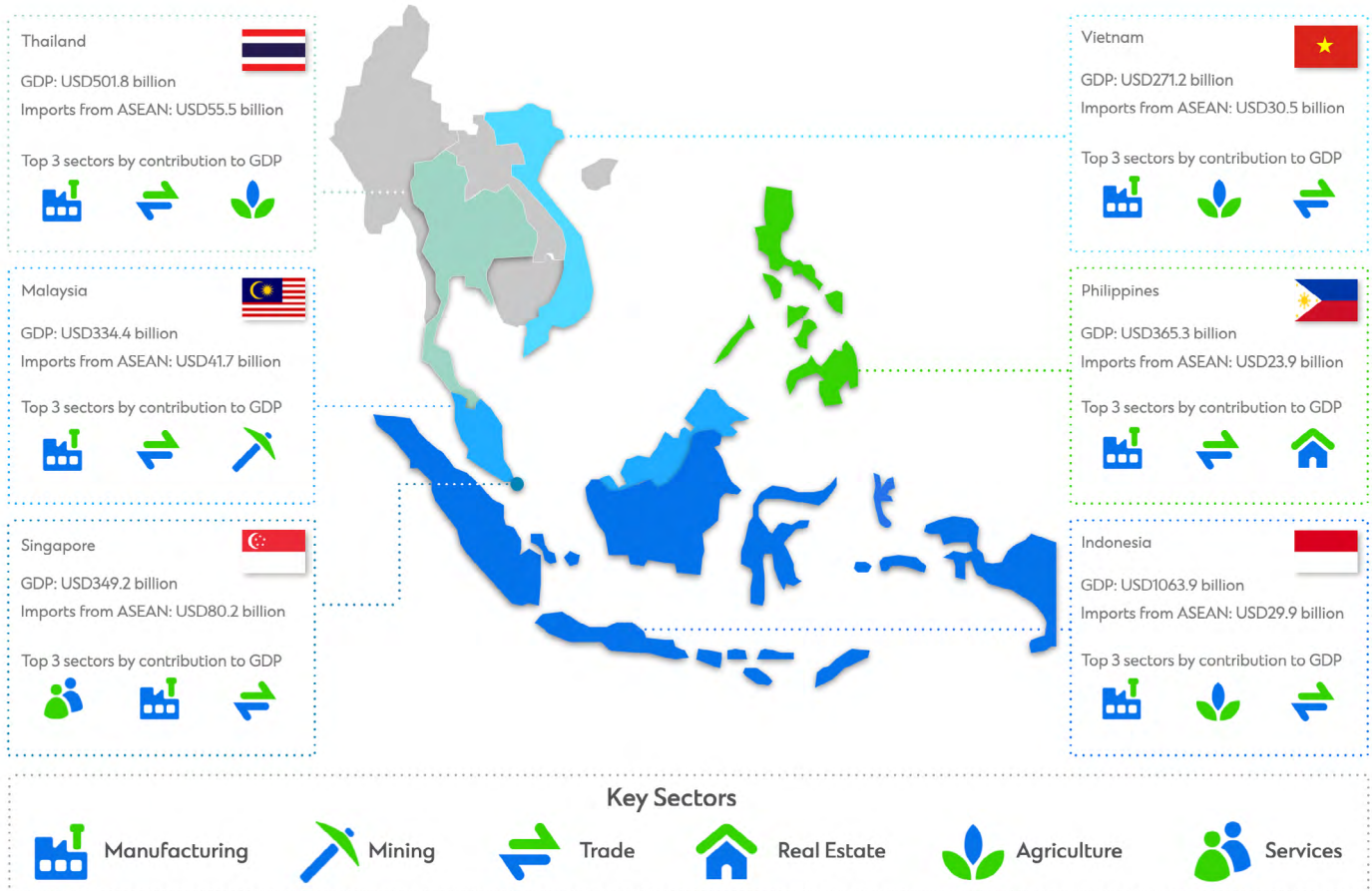
Cluster CEO, Indonesia and ASEAN Markets
(Australia, Brunei & the Philippines)
Standard Chartered

Our Growth Watchlist: Key Sectors Driving the Future of the Intra-ASEAN Corridor

ASEAN's increased physical and digital connectivity through regional initiatives, alongside favourable demographics and rapid urbanisation, is likely to generate growth opportunities in several sectors, highlighted below. The region's maturing manufacturing capabilities offer the potential for companies to set up regional production networks, especially in the automotive sector.

The region's expanding middle class, ageing population, and rising consumption levels will bolster growth in the food and beverage and healthcare sectors. ASEAN's growing population density will also give rise to infrastructure needs, boosting demand for construction, real estate and more sustainable sources of energy.

Figure 4: Key sectors in ASEAN-6 (by contribution to national GDP), 2020



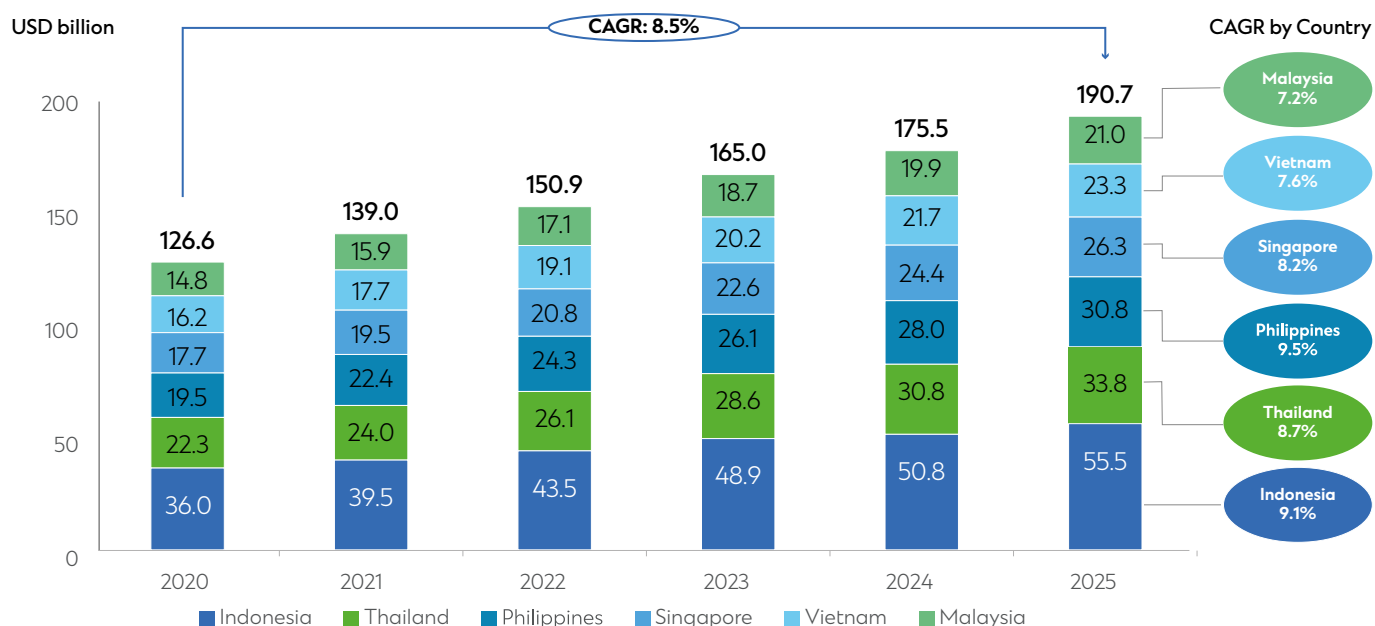
Source: ASEANStats

I. Growing demand for healthcare services post-COVID-19 and increasing focus on healthtech to propel growth in ASEAN

ASEAN's demographics, accompanied by an increased government focus on healthcare, has brought healthcare spending in ASEAN from USD99.2 billion in 2014 to USD124.3 billion in 2019 at a rate of 4.6 per cent CAGR.

Going forward, as ASEAN member states (AMS) focus on expanding universal healthcare and dealing with rising health concerns amidst COVID-19, this trend is forecasted to accelerate at 8.3 per cent CAGR across the region from 2020 to 2025.

Figure 5: Healthcare spending in ASEAN-6



Source: Fitch Solutions

ASEAN's diverse healthcare industry is home to a number of production hubs – with pharmaceutical products being the focus in Singapore, Indonesia and Vietnam; and medical devices in Malaysia and Thailand. Additionally, Singapore, Malaysia and Thailand are regional market leaders in medical tourism and are implementing measures to reboot the industry post-COVID-19. Initiatives such as the ASEAN Medical Device Directive, which aims to harmonise the medical device regulatory framework across the region, are expected to drive even deeper linkages among AMS in the

healthcare industry by facilitating cross-border trade of such products.

In addition to the established pharmaceuticals and medical devices industry, the healthtech boom has drawn out new segments of growth in areas such as telehealth, digital therapeutics, and remote patient monitoring and analysis. Local start-ups have received funding from other countries in the region and are looking to expand beyond their home markets.⁶

Government focus on healthcare development and expansion of healthtech to be a vehicle for growth in key ASEAN markets



Indonesia

Indonesia has relaxed restrictions on foreign investment in the pharmaceutical sector. Under its New Investment List (March 2021), foreign companies can have up to 100 per cent ownership in the manufacture and wholesale of finished and raw pharmaceutical products. Notably, Jakarta-based healthtech platform, Halodoc, managed to raise funding from Singapore firms such as Singtel Innov8, Temasek Holdings, and Openspace Ventures.



Thailand

Thailand has selected healthcare as one of its 10 priority industries, as part of its goal of becoming a regional life sciences centre. It has also granted incentives to pharmaceutical investors and designed a regulatory framework to support R&D within the country. To access the large healthcare market, Singapore-based telehealth start-up, Doctor Anywhere, launched a Virtual COVID-19 clinic in partnership with Samitivej hospital, True Digital Group, and ALIA Thailand.



Philippines

The Philippines has plans to establish Special Economic Zones (SEZs) for the pharmaceutical industry to spur medical research, manufacturing, and tourism in the country. The first SEZ was opened at the First Bulacan Business Park in Malolos City in February 2021. Singapore's Clearbridge Health expanded into the Philippine market in 2018 with the acquisition of Marzan Healthcare to expand its market reach in this high growth market.

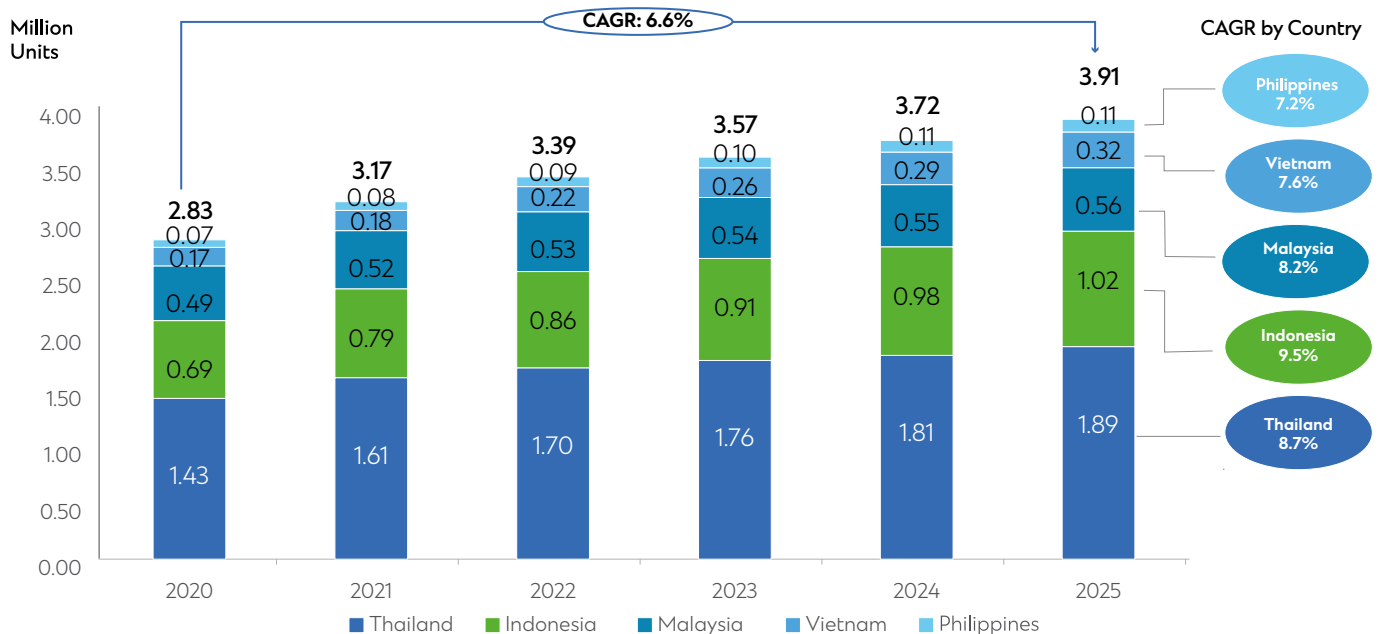
Source: SSEK, Fitch Solutions, Crunchbase, Doctor Anywhere, Philippines News Agency, Clearbridge Health

2. Regional trade ties and the emergence of the Electric Vehicles segment to strengthen the automotive sector in ASEAN post-COVID-19

Improving consumer sentiment and economic recovery post COVID-19 are expected to boost demand in ASEAN's automotive market, with vehicle sales projected to grow at a CAGR of 9 per cent and production at a CAGR of 6.6 per cent from 2020 to 2025. The region's automotive hubs – Thailand, Indonesia, Vietnam and Malaysia – have diverse yet complementary comparative advantages

when it comes to automotive manufacturing. For instance, Thailand is known for being an automotive assembly hub, while Vietnam contributes to the manufacture of automotive parts. Strengthened trade linkages across the region through initiatives such as the ASEAN Economic Community (AEC) and the ASEAN Free Trade Area (AFTA) can be leveraged to create an integrated production cluster to boost the region's ambitions of becoming an automotive production and export hub. In addition, automotive manufacturers based in ASEAN can capitalise on the added connectivity RCEP brings to explore export opportunities with ASEAN's major trading partners under the agreement.

Figure 6: Vehicle production in ASEAN



Source: Fitch Solutions

ASEAN's growing population has intensified its energy needs, which, in conjunction with the rise of global carbon emissions, have spurred demand for more sustainable transportation in the form of Electric Vehicles (EVs). Governments are prioritising this segment to drive the next phase of growth within the industry with incentives being provided for manufacturing and adoption of EVs. Additionally, as countries in ASEAN target the building of smart cities, they are looking to develop capabilities in autonomous driving technology. Singapore is the regional leader in this aspect and has already begun tests for driverless vehicles. Recently, Malaysia and Vietnam are also making headway in this area.⁷



EVs a potential focus, with major ASEAN production hubs offering incentives to attract investments

**Thailand**

Growth in Thailand's established automotive industry is expected to be supported by industrial policies and government incentive schemes to drive demand, such as trimming of excise taxes for local EV manufacturing to increase OEM manufacturing activity. In 2016, Siam Motors set up a joint venture with JWD Infologics to provide integrated logistics services for the automotive industry across ASEAN.

**Indonesia**

Government policies will encourage the next phase of growth in ASEAN's largest automotive market through measures, such as easing vehicle loan requirements, suspension of a luxury vehicle tax and incentives for EV uptake. Growing foreign investment for production of lithium batteries in Indonesia is expected to position the country as a regional hub for battery production for EVs.

**Malaysia**

Malaysia's National Automotive Policy 2020 has been designed to spur growth in emerging areas such as EVs, Next Generation Vehicle (NxGV), and Industry 4.0. There are also efforts to boost the domestic industry through the Energy Efficient Vehicles Programme, which provides support for the local assembly of hybrid EVs. In 2018, Malaysia signed a JV with Indonesia to develop the region's first locally produced car brand.

**Vietnam**

Vietnam's government is supporting the fast-growing local vehicle production industry through initiatives such as removal of import tariffs for auto parts and accessories to improve the industry's competitiveness. In 2018, Thailand's AAPICO Hitech established a JV with Vinfast for production of body-in-white parts in Vietnam.

Source: ASEAN Briefing, Automotive Logistics, Fitch Solutions, Malaysia Ministry of International Trade and Industry, Straits Times, Hanoi Times, AAPICO

Autonomous Vehicle Test Centre in Singapore minimises risks of driverless vehicles through rigorous testing

**Background**

Nanyang Technological University (NTU) teamed up with the Land Transport Authority (LTA) and Jurong Town Corporation (JTC) to open CETRAN (Centre of Excellence for Testing & Research of AVs) in Singapore in 2017.

**Initiative Control**

The CETRAN AV Test Centre supports autonomous vehicle (AV) trials with a testing regime to assess the safety and readiness of any AVs for Singapore's public roads. Currently, all testing requires a qualified onboard safety driver who will be able to take control of the vehicle in an emergency, hold third-party liability insurance, and share data from the trials with LTA. This structure gives assurance to the public relative to safety and provides a structure for the regulator to learn about the technology and build effective long-term regulation.

**Industry adoption**

In terms of funding, the government has awarded funding for AV trials to a number of organisations, such as NuTonomy (for its robo-taxi service in Singapore), Singapore Technologies and NTU-Volvo (for the world's first full-size, autonomous electric bus).

Source: Economic Development Board

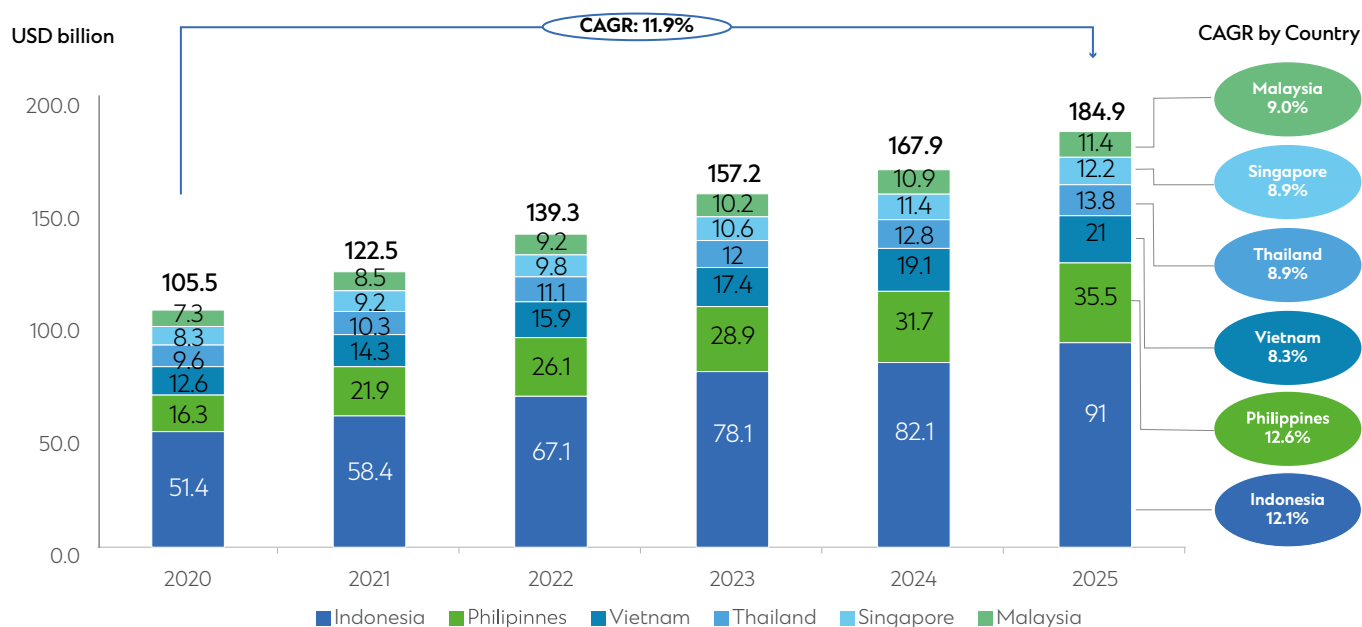


3. Post-COVID-19 economic recovery and easing FDI restrictions expected to boost development of ASEAN's construction and real estate industry

The real estate sector in ASEAN has witnessed considerable growth in recent years, supported by growing urbanisation and trade

liberalisation. Moreover, the sector has also received FDI worth USD56.3 billion between 2015 and 2019, of which 23.2 per cent was intra-regional. As ASEAN emerges from the COVID-19-induced economic slump, the region's construction industry is expected to restart its growth trajectory once economic activities resume. In this regard, the construction industry (for residential and non-residential buildings) is expected to grow at a CAGR of 11.9 per cent from USD105.5 billion in 2020 to USD184.9 billion in 2025.

Figure 7: Value of residential and non-residential construction industry in ASEAN-6



Source: Fitch Solutions

Demand in the construction sector is expected to be driven by overall infrastructure development, as well as rising income and consumption levels. Moreover, government efforts to attract foreign investment vis-à-vis reforms are expected to further propel growth in this sector. As projects in ASEAN grow larger in size and increasingly complex, companies will need to look at digital solutions such as Building Information Modelling (BIM) and Internet of

Things (IoT) to manage this complexity. BIM was adopted by Singapore in 2010, leading to increased productivity in the industry; and it is starting to be adopted by other ASEAN countries. For example, Vietnam approved a 2017-2021 roadmap for implementation of BIM for construction and operation management in 2016. Adoption of such innovations to drive efficiency and productivity is expected to shape the future of ASEAN's construction industry.⁸

Investment-friendly policies to drive growth across real estate segments in key markets across ASEAN



Indonesia

The Indonesian government has pushed through various reforms, such as the Omnibus bill (passed in 2020) to ease foreign investment and ownership in the real estate sector. In 2020, Alpha Investment Partners, a subsidiary of Singapore's Keppel Capital Holdings, partnered with Indonesia's Mega Manunggal Property and Manulife Financial Corporation to launch a USD200 million logistics property venture in Indonesia.



Philippines

Although the Philippines has historically had restrictive regulations on foreign ownership, the recent establishment of the REIT market is expected to facilitate more real estate investment in the country. Singapore-based CapitaLand's business unit, The Ascott Ltd, partnered with Cebu Landmasters in 2018 with the aim to manage 1600 units by 2022 as part of CapitaLand's effort to expand the hospitality portfolio of their real estate business.



Vietnam

In addition to Vietnam's 2015 Law on Housing that eases restrictions on foreign ownership on residential housing, Vietnam's recent Law on Investment 2020 seeks to attract further foreign investment by easing restrictions across sectors. In April 2021, Thailand-based retail and shopping mall operator, Central, announced a USD1.1 billion investment to expand across 55 cities in Vietnam.

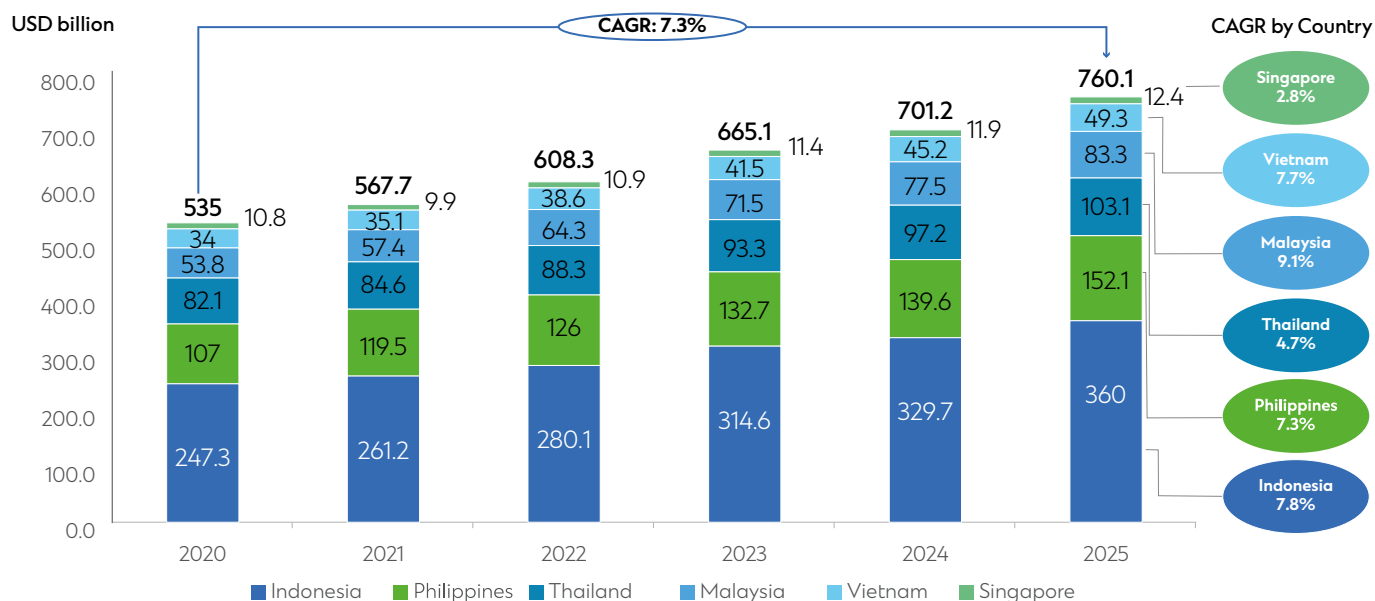
Source: Fitch Solutions, Oxford Business Group, Mondaq, Keppel Corporation, The Manila Times, Nikkei Asia, CapitaLand, DFDL, Allen & Gledhill, Vietnam Investment Review

4. Growing urbanisation and rising incomes to drive demand for Food and Beverage products in ASEAN

Household spending on food and beverage (F&B) in ASEAN is expected to further accelerate from 2020 to 2025 with a projected CAGR of 7.3 per cent, following

a 4.9 per cent CAGR growth from 2014 to 2019 as a result of increasing urbanisation and a growing middle class with higher consumption power. In addition, ASEAN's market potential has attracted increased investments in manufacturing, including from international players, buoyed by the region's improving business environment, relatively low manufacturing costs, and maturing logistics infrastructure.

Figure 8: Household spending on food and beverage products in ASEAN-6



Note: Data includes household spending on food, alcoholic beverages and non-alcoholic beverages

Source: Fitch Solutions

As consumers across ASEAN become more health conscious and proactive about their physical and mental well-being, there is a growing demand for products in the 'better for you' segment. For instance, as per the World Economic Forum report titled 'Future of Consumption in Fast Growth Consumer Markets ASEAN 2020', in Indonesia, 75 per cent of the urban population aims to eat a healthier diet, while in Vietnam, 90 per cent of consumers say they are willing to pay more for healthy

food. There is also an increased demand for alternative protein and plant-based products, as a result of more consumers adopting flexitarian diets. In Thailand, demand for plant-based meat is forecasted to increase by 200 per cent over the next five years. From a distribution perspective, F&B companies looking to expand in ASEAN should pay attention to e-commerce as a significant channel for sales, as a result of the increasing digital adoption across the region.⁹



Business-friendly incentives and growing market driving intra-ASEAN expansion in F&B industry



Indonesia

Foreign players looking to enter Indonesia's F&B market need to be cognisant of the country's 2019 Halal Product law, which requires consumer products to be halal certified. This law underpins the country's goal to be a global hub for halal manufacturing, providing manufacturers setting up production here with further growth opportunities. In 2017, Singapore-based Delfi partnered with Japan-based Yuraku Confectionery to produce and market Delfi's chocolates in the country.



Philippines

Regulations such as the CREATE Act and investment programmes like 'Make It Happen in the Philippines' have been designed to make the country's business environment friendlier for foreign manufacturers. In 2019, Indonesia-based Mayora Indah announced plans to invest USD80 million over 5 years to produce coffee mixes in the Philippines to expand its market share in the country's booming coffee market.



Thailand

Thailand is well-known for its food processing industry and is looking to enter the next phase of growth through its high-tech Eastern Economic Corridor (EEC). The country has tried to position itself as a Food Innovation Hub for future advances in food technology. Jakarta-based, fully-tech enabled coffee chain Flash Coffee, opened its first Thailand location in 2020 and has launched over 25 more outlets in the country since.

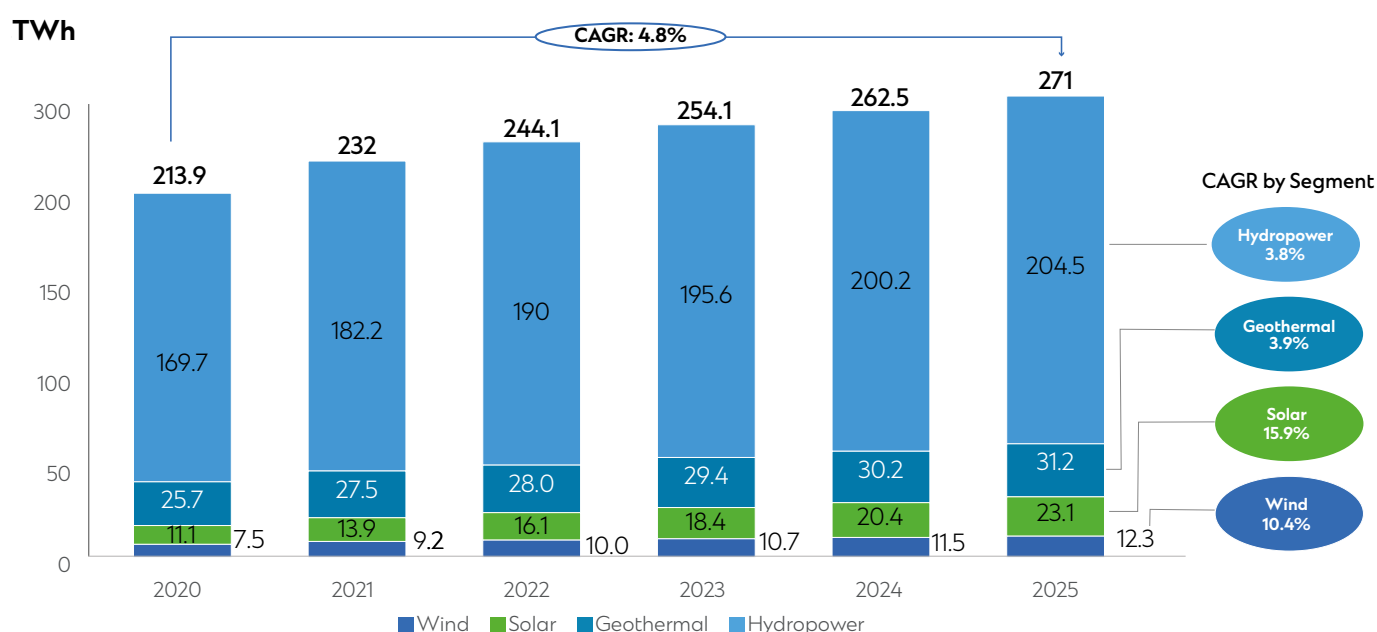
Source: ASEAN Briefing, Confectionary, Philippine News Agency, Nikkei Asia, Asia Pacific Food Industry, Nestlé, Minime Insights

5. Renewable energy generation will play a prominent role in ASEAN's quest to meet its growing energy needs

Energy is at the forefront of the vision for the ASEAN Economic Community and has been identified as an integral part of creating an integrated, well-connected, and resilient ASEAN. The region has seen increased development in terms of urbanisation and growing

consumption, with its electricity consumption being among the fastest growing in the world at a CAGR of ~6 per cent over the past 20 years. In 2020, ASEAN's electricity consumption was 994 terawatt-hours (TWh) and is projected to reach 1,287 terawatt-hours by 2025. To meet these energy needs in a sustainable manner, the ASEAN Plan for Energy Cooperation 2016-2025 (APAEC), endorsed in 2014, has set a target to increase ASEAN's renewable energy component to 23 per cent of ASEAN's energy mix by 2025.

Figure 9: Renewable energy generation in ASEAN



Source: Fitch Solutions

Energy generated from renewable sources (excluding biomass and waste) was 214 TWh in 2020 and is expected to grow to 271 TWh by 2025 at a CAGR of 4.8 per cent. Looking ahead, this trend is expected to bring forth a spectrum of opportunities for regional cooperation through APAEC Programme Areas such as 'ASEAN Power Grid' and 'Renewable Energy', requiring new investments to increase installed power capacity in the renewable sector. Within renewables, solar energy is expected to be a significant growth segment, growing at a

projected CAGR of 15.9 percent and is already garnering investments from across ASEAN. Thailand is the regional leader for energy generation in the two fastest growing segments – solar and wind – with 10.53 TWh generated in 2020, which is expected to grow to 16.88 TWh by 2025. Vietnam is another significant market expected to see maximum growth in these segments, growing from 2.83 TWh in 2020 to a projected 10.35 TWh in 2025, with a CAGR of 29.6 per cent.¹⁰



Solar energy is leading the region's renewable energy development, supported by key government policies



Thailand

Solar energy is an important growth segment for Thailand as it looks to expand renewable energy generated by the country, incentivised through initiatives such as the Energy Ministry's Solar Rooftop Scheme. In 2019, Singapore-based Cleantech Solar was commissioned to install and operate solar rooftop systems across 19 Tesco Lotus stores in Thailand.



Vietnam

Solar and wind energy are key growth areas for Vietnam's renewable energy industry. The government is encouraging development in the offshore wind sector as a part of Vietnam's National Energy Development Strategy. In April 2020, Thailand-based Super Energy Corporation announced an investment of USD457 million into four solar plants in Vietnam with a combined capacity of 750 MW.



Philippines

There is increased focus on solar energy generation in the Philippines as per the country's 'Energy Plan 2040'. Additionally, geothermal energy (currently accounting for 70 per cent of renewable power generated in the country), which previously did not allow foreign entities to hold a majority stake, will now allow 100 per cent foreign investment, paving the way for further development. Singapore-based WEnergy Global announced an investment of USD20 million into four energy projects in the Philippines.

Source: Fitch Solutions, Cleantech Solar, Super Group, Vietnam Investment Review, WEnergy Global

Several companies, including Singapore's WEnergy Global, form partnership to finance renewable energy projects in ASEAN



Background

Singapore's WEnergy Global, Greenway Grid Global (an investment company with Japan's TEPCO PowerGrid Corp as a major shareholder), and IMCG Partners have come together to form a USD60 million Singapore-based investment entity called CleanGrid Partners, which will finance and operate renewable energy projects across ASEAN.



Looking Ahead

CleanGrid Partners aims to build and manage a portfolio of electrification projects valued at about USD100 million in the next few years. WEnergy Global has already set the stage by initiating a microgrid project in Palawan, the Philippines. This would be the largest microgrid solar power plant in the Philippines that will generate 1.3 megawatts of clean renewable energy and reduce the country's diesel consumption; as well as provide power to over 600 customers – homes, businesses, and hotels.

Several other projects in the Philippines, Indonesia, and Myanmar are also in the pipeline.

Source: Company websites

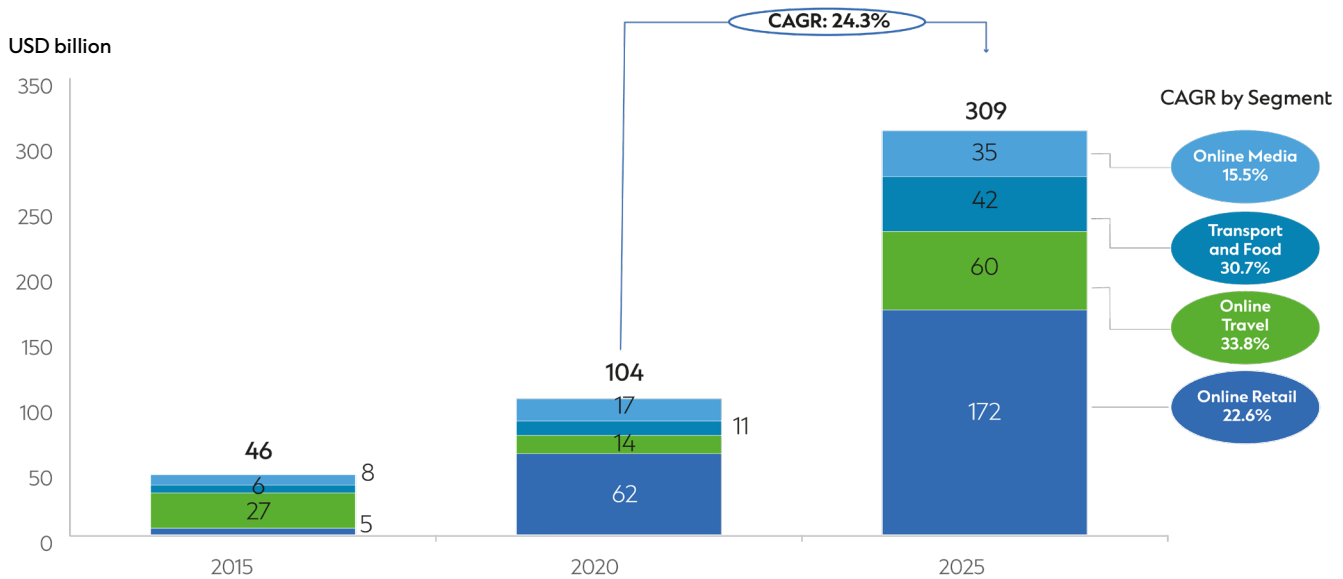
6. High digital adoption driving growth of e-commerce and digital platform services

Home to over 400 million internet users, the ASEAN market poses a plethora of opportunities within the digital ecosystem. The region's swift digitalisation has given way for growth of digital services across sectors such as e-commerce and cloud services. E-commerce

has had tremendous success in recent years with regional leaders such as Lazada, Shopee and Tokopedia emerging across services such as online retail, online travel, online media, transport and food. This trend was accelerated last year as a result of COVID-19, leading to a significant gross merchandise value (GMV) of USD104 billion in 2020 that is forecasted to grow at a CAGR of 24 per cent to USD309 billion by 2025.



Figure 10: E-commerce GMV in ASEAN-6



Source: Google & Temasek, e-Conomy SEA, 2020

In 2020, ASEAN launched the 'Go Digital ASEAN' initiative in partnership with The Asia Foundation and Google to support MSMEs (Micro, Small and Medium Enterprises) in the region to take advantage of this looming opportunity through upskilling them in digital tools and technologies and providing grants. With companies in ASEAN gaining greater digital maturity in the forthcoming years, digital platforms and cloud-based services for enterprises such as data analytics, artificial intelligence, machine learning and IoT will have greater expansion opportunities. As a result of this trend, Southeast Asia is projected to be the world's fastest growing region for data centres. Currently, Singapore is the regional leader for data centre supply, with Malaysia and

Indonesia also enhancing their capabilities. As the ASEAN Digital Master Plan 2025 prioritises development of digital infrastructure in the region, expansion across the region is expected to become more accessible for companies in the digital space.¹¹



Favourable government policies encouraging investments in e-commerce



Indonesia

To attract technology-related investment, the government has established friendly FDI policies and now allows 100 per cent foreign ownership of e-commerce businesses in the country. In 2020, Singapore-based Grab invested USD100 million in Indonesia-based e-wallet company LinkAja and inaugurated a Tech Centre to test tools and technology for the MSMEs market in the country.



Thailand

Growth of e-commerce in the country has been driven by the government's National E-commerce Strategy (2017-2022) and initiatives, such as the PromptPay E-payment service, making it an attractive destination for investment. Indonesia-based Gojek launched a new app for Thailand in 2020 to gain a greater foothold in the market.



Vietnam

The government's National E-commerce Development Plan 2021-2025, focused on boosting e-commerce adoption, envisages that 55 per cent of the population will shop online by 2025 with average annual online spending per consumer rising to USD600 by 2025, up from USD202 in 2018. In 2019, Grab announced plans to invest USD500 million over 5 years in Vietnam to spur development of the country's digital economy.

Source: Fintech News Singapore, Nikkei Asia, Grab

Acting with Impact:
Five Focus Areas for
ASEAN Companies to
Drive Resilient Growth
Within the Region

Navigating ASEAN's fast-evolving and diverse landscape requires companies to focus on a few critical areas to achieve success. Figure 11 (below) illustrates the key focus areas that ASEAN-native companies are prioritising to stay competitive and drive resilient growth. These include forging key partnerships with local stakeholders and reinforcing governance and risk management frameworks. Given ASEAN's rapid digitalisation and urbanisation,

companies are also focused on executing digital programmes with a view to enhance cyber resilience, and gradually incorporating sustainability and ESG principles into their business practices. Finally, in view of fundamental shifts on the global stage, companies are also diversifying their supply chains across ASEAN to guard against anticipated disruptions.

Figure 11: Key focus areas to drive resilient growth in ASEAN



Note: Survey question asked: 'What are the key initiatives / focus areas for your organisation to drive resilient and rebalanced growth in ASEAN? Please select the relevant options and rank them in order of importance, 1 being the most important.'

Values indicated above refer to the % of survey respondents who included the initiative as one of the top 3 ranked choices

Source: Standard Chartered Survey, 2021



I. ASEAN offers ideal conditions for diversified supply chain networks

With the Fourth Industrial Revolution well under way, ASEAN's manufacturing landscape is experiencing fundamental disruption. Its supplier and production landscape is maturing, with advancing manufacturing processes and increasing productivity on the back of automation initiatives. ASEAN members with significant manufacturing capabilities have potential productivity gains of around USD216 to 627 billion. Figure 11 shows that 35 per cent of our survey respondents are keen to build production capacity in new locations in ASEAN.

However, digital adoption across ASEAN's manufacturing landscape is not homogenous. While more mature manufacturing bases such as Thailand and Malaysia are focusing on high-tech manufacturing, middle-income markets like Vietnam are building capacity in more labour-intensive production and focusing on expanding their network of industrial parks to create manufacturing hubs. Companies should leverage ASEAN's manufacturing diversity to build production networks that are well-diversified and therefore more resilient in weathering future disruption.

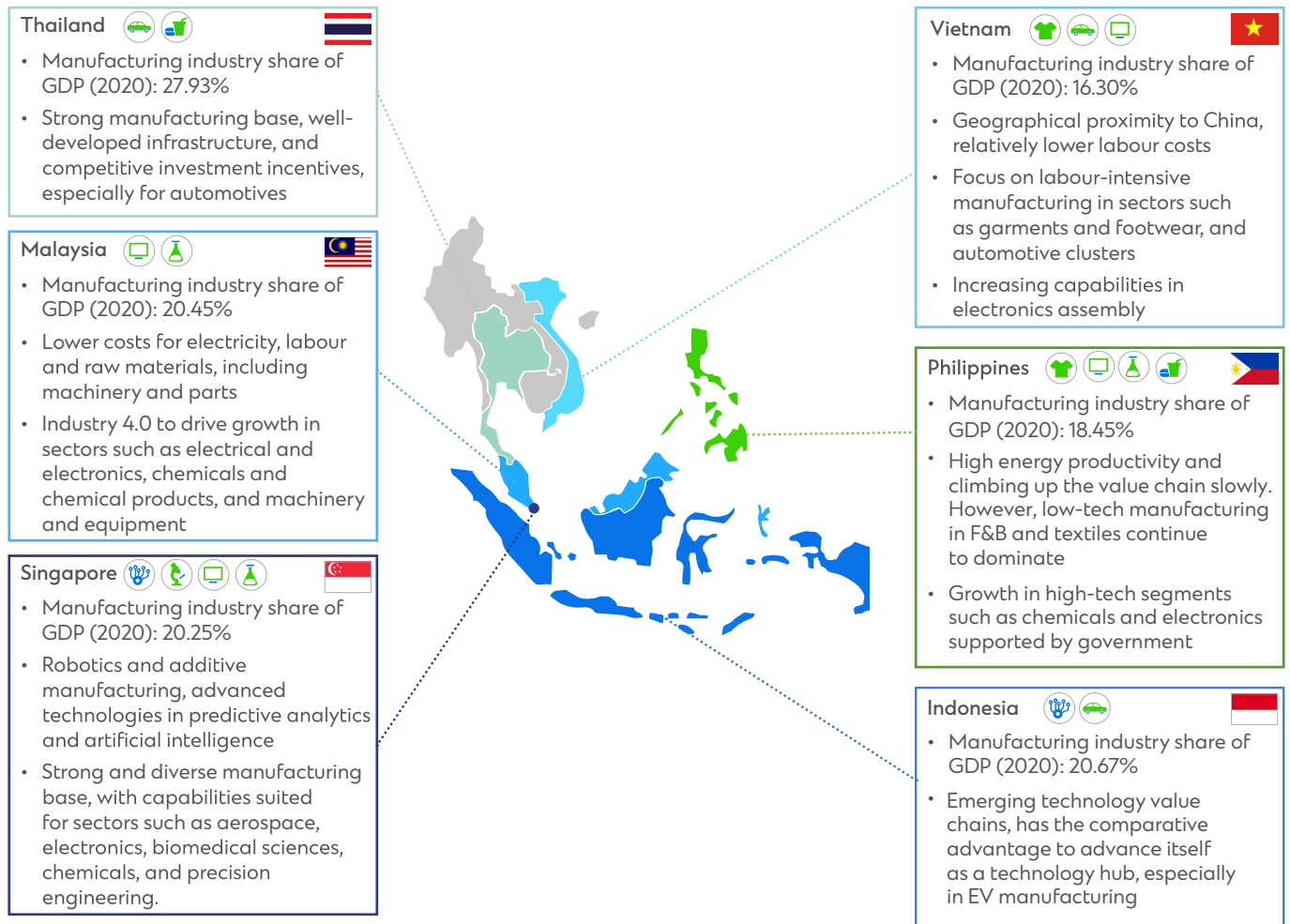
Diversification needs a holistic approach

Despite advantages brought about by ASEAN's diverse manufacturing ecosystem, diversity can also create challenges for companies looking to operate across the region. When assessing how to optimise production footprints, companies must go beyond basic due diligence or a cost focus and closely evaluate risks – geopolitical, regulatory, business, environmental, etc. – particular to each market. Even with efforts to integrate and streamline standards across ASEAN members, each country still has its own *modus operandi*, which incoming investors should become familiar with to avoid any pitfalls when diversifying their supply chains.

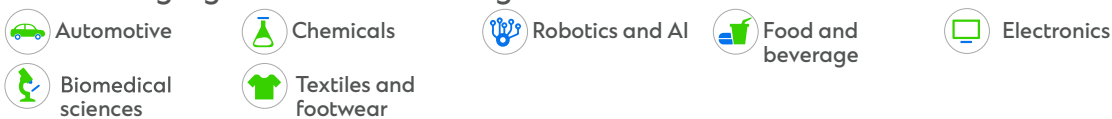


A. Leverage ASEAN's diverse manufacturing capabilities to establish diversified regional operations

Companies looking to expand within ASEAN would benefit from leveraging each ASEAN member's unique capabilities and competitive advantages, as well as their role in the regional value chain, to build an intra-regional operations network.



Potential high-growth manufacturing sectors



Source: Fitch Solutions, ASEAN Statistical Yearbook 2020, ASEAN Briefing, Oxford Business Group, Harvard Business Review, Channel News Asia, Insights Solutions Global

With ASEAN members fast evolving in terms of their production capabilities, manufacturing hubs are emerging across the region. For example, Vietnam is focusing on developing tech and automotive clusters in the North of the country, with specialised industrial parks and more comprehensive investment incentives to lure in advanced manufacturers. Targeting the further development of production hubs within the region would enable manufacturers to shorten supply chains, effectively reducing lead times and providing more control over production quantities to allow greater flexibility when responding to demand.

At the same time, manufacturers would benefit from having a presence in other locations within the region. For example, companies may wish to carry out R&D or Sales & Marketing activities from Singapore; source more labour-intensive components from countries like Vietnam or Indonesia; and assemble products in more advanced manufacturing hubs such as Thailand or Malaysia. By diversifying operations within the region, companies would be in a stronger position to navigate disruption.

B. Broadening supply bases by leveraging ASEAN's growing connectivity

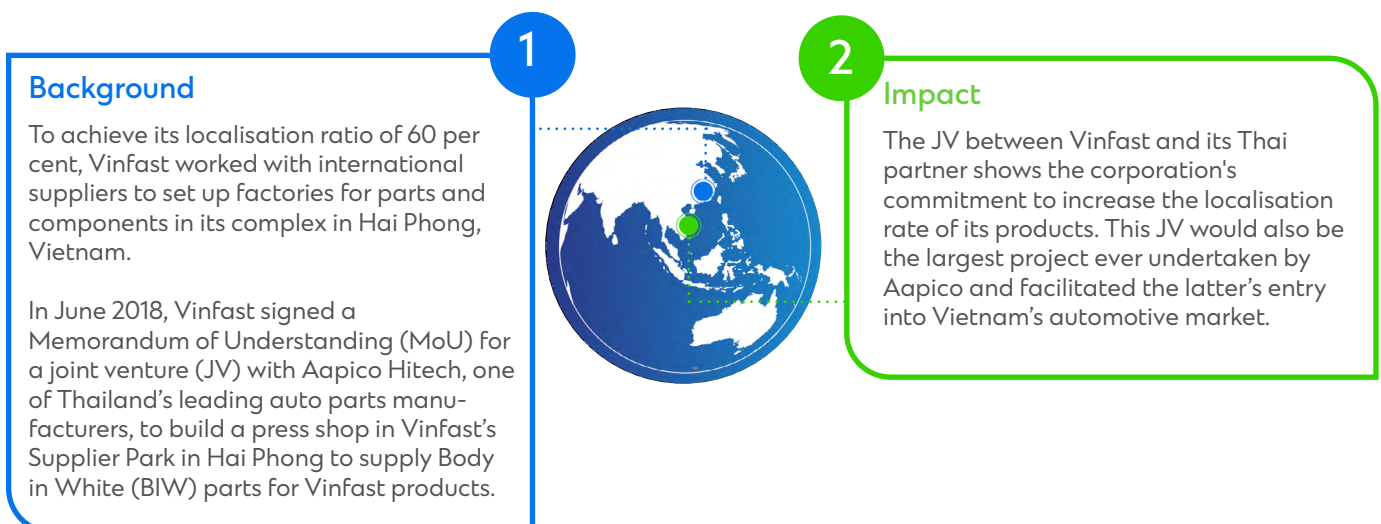
To build resilience against uncertainties, ASEAN manufacturers should focus on addressing their most pressing vulnerabilities: supply chain disruptions and materials and component sourcing. By concentrating manufacturing within at least one or two of ASEAN's production hubs, manufacturers would be able to benefit from tapping into a network of regional suppliers, which would allow them to maintain a broad, and therefore more resilient, supply base. However, a notable 66 per cent of respondents currently see building relationships with suppliers and adapting supply chain logistics as a significant challenge in the next 6-12 months.^e

Despite challenges, the increasing maturity of suppliers across the region, as well as ASEAN's growing connectivity via the AEC and AFTA, will facilitate the development of regional value chains and diversified supply chains. This will, in turn, allow for a more reliable flow of goods and services and reduce the cost of expanding into new markets within the region. In addition,

MPAC 2025 focuses on improving the logistics network among ASEAN countries by removing trade barriers and cross-border obstacles, allowing for more seamless logistics in moving materials and finished products around the region.

Companies operating in this corridor can capitalise on initiatives such as the ASEAN Single Window, single shipping and aviation markets, and the ASEAN Database on Trade Routes, and Framework for Enhancing Supply Chain Efficiency, to realign their footprint in ways that can further reduce production costs and strengthen supply chain resilience against global disruptions. Moreover, the ASEAN Customs Transit System (ACTS), implemented across six ASEAN countries - Cambodia, Laos, Malaysia, Singapore, Thailand and Vietnam - can help companies reduce the time and cost, as well as improve the tracking and movement of goods by land, regionally. In the pilot phase, DHL Global Forwarding Singapore successfully carried out cross-border transit operations from Singapore to Thailand through Malaysia in October 2020 capitalising on the ACTS.¹²

Vinfast works with Thailand's Aapico Hitech and international partners to prioritise localisation and build manufacturing capabilities in Hai Phong



"With this partnership, we believe that there will be more domestic and foreign companies joining the Vietnamese automotive supplier industry. This is an important step in creating a synchronous ecosystem for the Vietnamese automobile manufacturing industry."

Nguyen Viet Quang, Vice President and CEO of Vingroup

^e Value indicated refers to the % of survey respondents who included the significant challenge as one of the top 3 ranked choices

2. ASEAN's focus on digital advancement expected to pave the way for companies to strengthen digital capabilities and cyber resilience

The digital economy can be a powerful enabler to help ASEAN transit into the more dynamic, networked and innovative region that the AEC envisages. Disruptive technologies – particularly big data, cloud technology, IoT, the automation of knowledge work and the Social-Mobile-Analytics-Cloud (SMAC) – could unleash some USD220 to 625 billion in annual economic impact in ASEAN by 2030.

The MPAC 2025, acknowledging the potential of digital technology, has thus identified digital innovation as another pillar for driving further connectivity and inclusive growth in ASEAN. Although communications and trade have been growing exponentially across borders and devices, digital advancement has not been uniform across all communities in the region. Therefore, digital innovation could help bridge this divide.

ASEAN governments are adopting a series of programmes to stimulate companies to strengthen their digital capabilities. Although COVID-19 delayed the region-wide 5G rollout, Thailand is now taking the lead to promote 5G adoption across ASEAN, and this will likely contribute to companies' digital advancement across the region. At the national level, Malaysia has launched its digital economic roadmap, MyDigital, which identifies cloud technology, 5G, and cybersecurity as key areas for Malaysia's digital development. Similarly, Singapore has identified a series of Strategic National Projects, which includes streamlining online processes for businesses via its national project, GoBusiness.¹³

A. Capitalise on digital business models to capture new growth opportunities

Disruptive technologies shift the value pools in existing value chains. As a result, these shifts generate new opportunities for both new and existing players. However, critical to companies' continued growth in the region will be their ability to capture these opportunities. To do so, companies must rethink their current ways of working and drive digital transformation across their business. From our survey, 52 per cent of respondents indicated that they plan to execute digital transformation programmes to drive resilient growth in the region.^f

As ASEAN's growing consumer market demands faster flows of goods and customer response times, companies should capitalise on Industry 4.0 innovations to redesign and improve their manufacturing processes, reducing their time-to-market and raising productivity. Notably, HP Singapore had begun adopting digital solutions to increase productivity even before the pandemic hit. The company shifted from a labour-intensive, reactive, and manual work to highly digitised, automated work. This freed up considerable task responsibilities, offering employees the opportunity and time to learn new skills. Through a combination of university partnerships and targeted training programmes, HP upskilled its operators to technical specialists, and trained their technical specialists to become engineers. As a result, the company reported a 70 per cent increase in productivity and quality, and a 20 per cent drop in manufacturing costs.

Moreover, digital technologies can help companies gain better visibility of their supply chains across multiple territories and facilitate cross-functional integration; therefore, also enabling companies to transition from a single production site to a series of regionally connected production networks.¹⁴

^f Value indicated refers to the % of survey respondents who included the initiative as one of the top 3 ranked choices



Role of financial partners

With on-the-ground knowledge, financial partners can help businesses simplify processes and navigate regulatory complexities. Financial partners can also offer digital tools to streamline and aggregate payment methods, with minimal need for technological know-how, investment or operating requirements, which provides a more seamless experience overall.

Standard Chartered's digital solutions include online, last mile and in-store, and invoice collections, multi-channel payment links and instant payments, among others, which are available across multiple ASEAN countries



Multi-Channel Payment Links

- Due to COVID-19, the Hindu Endowments Board (HEB) in Singapore wanted a "light touch" online collections solution without the hassle of managing a website, app or POS (point-of-sale) terminals.
- With Standard Chartered's payment link feature – Straight2Bank Pay – HEB could collect payments via e-mail, SMS, digital invoice or social media (WhatsApp), providing operational efficiency and a seamless experience for both the client and its devotees.



Online Collections

- DHL had to rethink their cash payment ecosystem to minimise paper-based processes and facilitate payments in local currencies across different markets.
- Standard Chartered partnered with DHL to co-create an online collections solution that would allow DHL's customers across Asia to make online payments via the DHL portal using local payments, bank transfers, e-Wallets and cards; as well as a QR code generation app to generate dynamic QR codes for accepting payments for shipments at DHL's service points in Singapore.



Last Mile and In-Store Collections

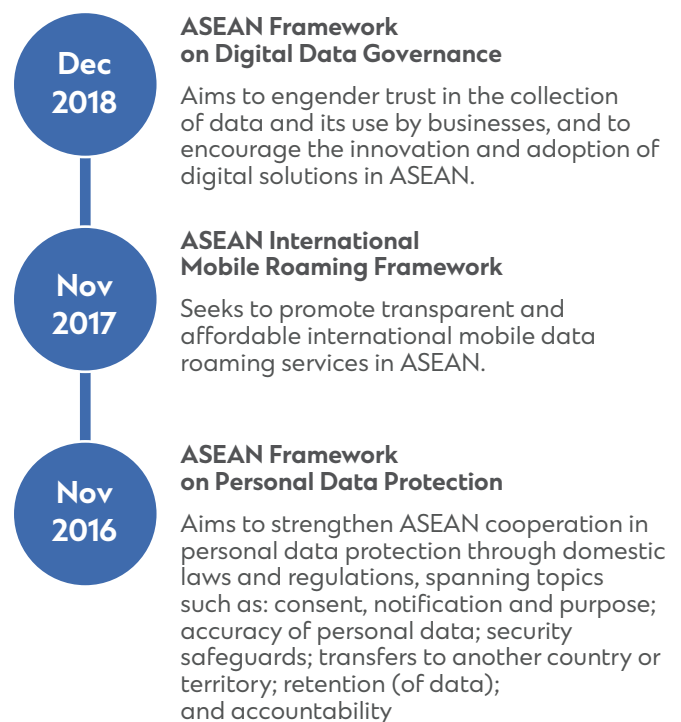
- A leading consumer electronics, IT and furniture retailer wanted to provide an additional payment option – instant payment at checkout, in addition to payments by credit card or cash.
- Standard Chartered collaborated with the retail client to integrate their POS terminal with the bank's Straight2Bank Pay platform to generate dynamic instant payment QR codes.
- Shoppers can scan the QR code using their smart phone and authorise contactless payment via their mobile banking app.

B. Prepare to address potential risks associated with varying data protection regulations

Although digitalisation across ASEAN has not been uniform, the region is gradually working towards that goal through multiple initiatives. (see Figure 13). The ASEAN ICT Master Plan 2020 (AIM 2020) articulates the bloc's ambition to establish an ICT single market, as part of achieving an integrated ASEAN Community, and underscores the role of ICT as a 'horizontal enabler of all sectors' in the region.

Complementary to ASEAN's digital integration efforts, the MPAC 2025 also seeks to improve open data use and digital data management in the region by establishing an ASEAN open data network and digital data governance framework, respectively. Currently, digital capabilities and data governance regimes differ significantly across ASEAN member states. National authorities place different

Figure 13: ASEAN initiatives to bolster regional digital connectivity



Source: ASEAN Digital Master Plan 2025, ASEAN Framework on Digital Data Governance

priorities on data privacy, data security and data flows. In this respect, companies should closely monitor relevant policy developments across ASEAN on cross-border ICT cooperation and data governance, including national laws on data protection. Of note, the ASEAN Framework for Digital Data Governance outlines AMS efforts to enhance data management, facilitate harmonisation of data regulations among them, and promote

C. Incorporate cyber resilience into business models for more risk-tolerant and resilient growth

Inevitably, increased digitalisation does not come without higher risks of cyberattacks. Currently, however, surveyed companies do not appear fully aware of this threat, with only 29 per cent of respondents recognising cyberattacks as a major risk in ASEAN.⁹

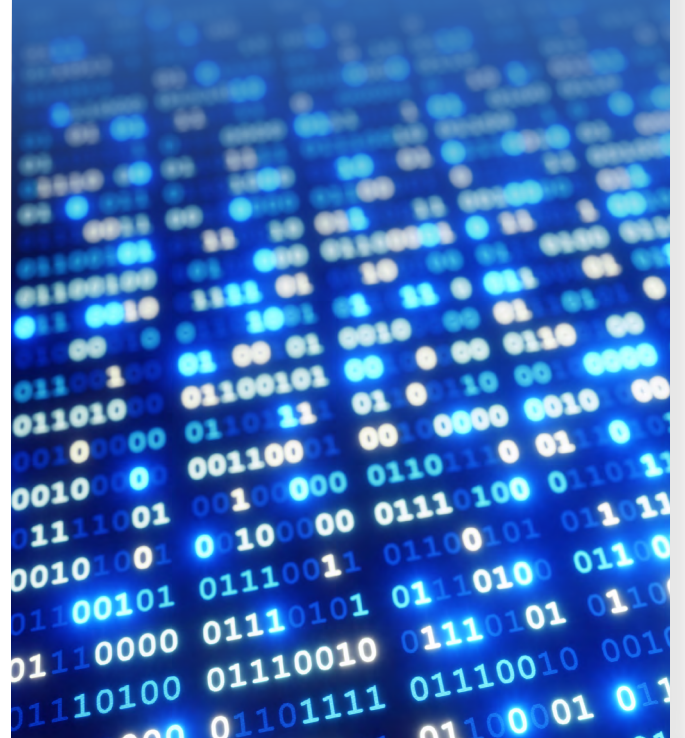
Cybersecurity threats are ever evolving and have become a certainty, more than a possibility. Companies should adopt an 'assumed breach' mentality when augmenting their cyber resilience capabilities. Monitoring and preventing cyberattacks alone will not suffice; companies must build their internal capabilities in a way that allows them to respond timely and effectively to security breaches and recover quickly with minimal repercussions. Therefore, it is imperative that companies start to rethink their cybersecurity strategies now, to be better prepared and mitigate the risk impact of cyberattacks. Companies could also consider incorporating cyber risk quantification in their business models, to more accurately map their financial risk exposure to cyber threats, and weigh that against business objectives.

In every scenario, digital trust should be featured at the core of digital business models and will be crucial for companies to maximise their growth potential in ASEAN.¹⁶

intra-ASEAN flows of data. At the national level, several AMS have their own versions of a Personal Data Protection Act (PDPA), including Singapore, Malaysia, the Philippines and Thailand. Vietnam has also announced a new Personal Data Protection Decree modelled after the European General Data Protection Regulation (GDPR), similar to Indonesia's PDPA.¹⁵

Strengthening digital capabilities requires an agile mindset

With the pace of advancement of digital technologies and the impending rollout of 5G across ASEAN, companies that do not switch now to a digital frame of mind are more likely to miss out on significant growth opportunities. However, thinking digital is no longer enough. CTOs and their teams, as well as other members of the C-suite, must adopt an agile mindset towards strengthening their digital capabilities. This includes being comfortable with a 'test and learn' approach involving rapid sprints. It will also require companies to have the appropriate tech talent and, more importantly, be ready to adapt decision-making protocols and policies.



⁹ Value indicated refers to the % of survey respondents who included the key risk as one of the top 3 ranked choices

Thailand F&B giant Charoen Pokphand Foods (CPF) adopts cloud technology to improve efficiency across its broiler business



Background

- CPF signed an MoU with US-based JDA Software Co Ltd, a supply chain and logistics provider, to revamp's CPF's broiler supply chain.
- The partnership aims to digitalise CPF's business stores, distribution centres, logistics, and manufacturing through a digital network; matching demand and supply continuously, at every stage of the supply chain.



Impact

- CPF claims to be the first company in Thailand's food sector to make a digital supply chain transformation.
- Big data analytics will facilitate better trend forecasting, cross-functional planning and plant execution.
- The digital transformation will start with CPF's broiler business but continue to expand to its overseas businesses in the future.

Source: Nation Thailand

"The digitalisation is allowing us to improve our consumer experience, reducing risk, right-sizing inventory and reducing waste."

Prasit Boondoungprasert, Chief Operating Officer of CPF

3. Combining profitability with purpose in ASEAN's diverse market

Despite ASEAN's slow start, local governments and corporates are gradually recognising the economic and societal potentials of the green economy. ASEAN governments have recognised the importance of ESG as a key metric; and through the ASEAN Comprehensive Framework, aim to develop resilience and sustainability across the region. Among corporates, our survey results indicate that 53 per cent of respondents are focused on 'driving ESG initiatives' as one of their top three priorities in ASEAN.

However, the heterogeneous nature of ASEAN markets means that adoption of ESG principles across the region has been disparate. Therefore, companies should closely look into local regulations and policy developments on sustainability and, at the same time, ensure ESG principles and metrics are well-established across their business model to effectively capitalise on green opportunities in the region.¹⁷

Tackling supply chain emissions as the first step to net-zero transition

According to a recent report by Standard Chartered, 67 per cent of MNCs state that supply chain emissions account for an average of 73 per cent of their total emissions. They see tackling supply chain emissions as the first step in their transition towards net-zero and expect to exclude 35 per cent of their current suppliers as they move away from carbon.

This insight presents both risk and opportunity for businesses, depending on where they are in their sustainability journey. Companies operating in ASEAN would need to identify where they are on their net-zero transition journey and re-evaluate their supply chain strategy in view of global and regional carbon reduction commitments.

A. Prioritise sustainability to capture new consumers and drive profitability

ASEAN is poised for a significant consumption boom, with 70 per cent of its population ascending to middle-class by 2030, more than doubling consumption rates in the region. Consumers are also becoming more socially conscious about their consumption habits and purchasing choices, and despite COVID-19 inadvertently posing a setback to sustainability efforts in the short-term, the majority of consumers still consider sustainability as non-negotiable. According to the World Economic Forum report, 'Future of Consumption in Fast Growth Consumer Markets: ASEAN', 80 per cent of respondents claimed to value sustainability and actively made greener lifestyle choices.

In light of this, corporates will need to consider prioritising customer relationships and sustainability going forward. It is imperative that companies incorporate ESG principles into their business models to cement customer

loyalty, grow their customer base and ultimately increase profitability. ESG-led companies are more likely to benefit from competitive brand positioning as consumers increasingly prefer more eco-friendly or ethically-sourced products.

Beyond profitability and ESG reporting, the aftermath of the pandemic presents an opportunity for companies to redefine their purpose in alignment with ESG principles, and to think of how they can drive sustainability and positive impact whilst still creating value for their stakeholders. Investors are shifting towards positive screening strategies and increasingly prioritising ESG values among companies when evaluating risk. Certain ESG criteria in the screening process may include a company's commitment to environmental conservation (environmental), its efforts to maintain inclusion and diversity, including ensuring proportionate gender representation at the workplace (social), and ability to engender trust and transparency among its stakeholders (governance).¹⁸



B. Be aware of risks associated with ASEAN's diverse ESG regulatory landscape and work closely with local stakeholders

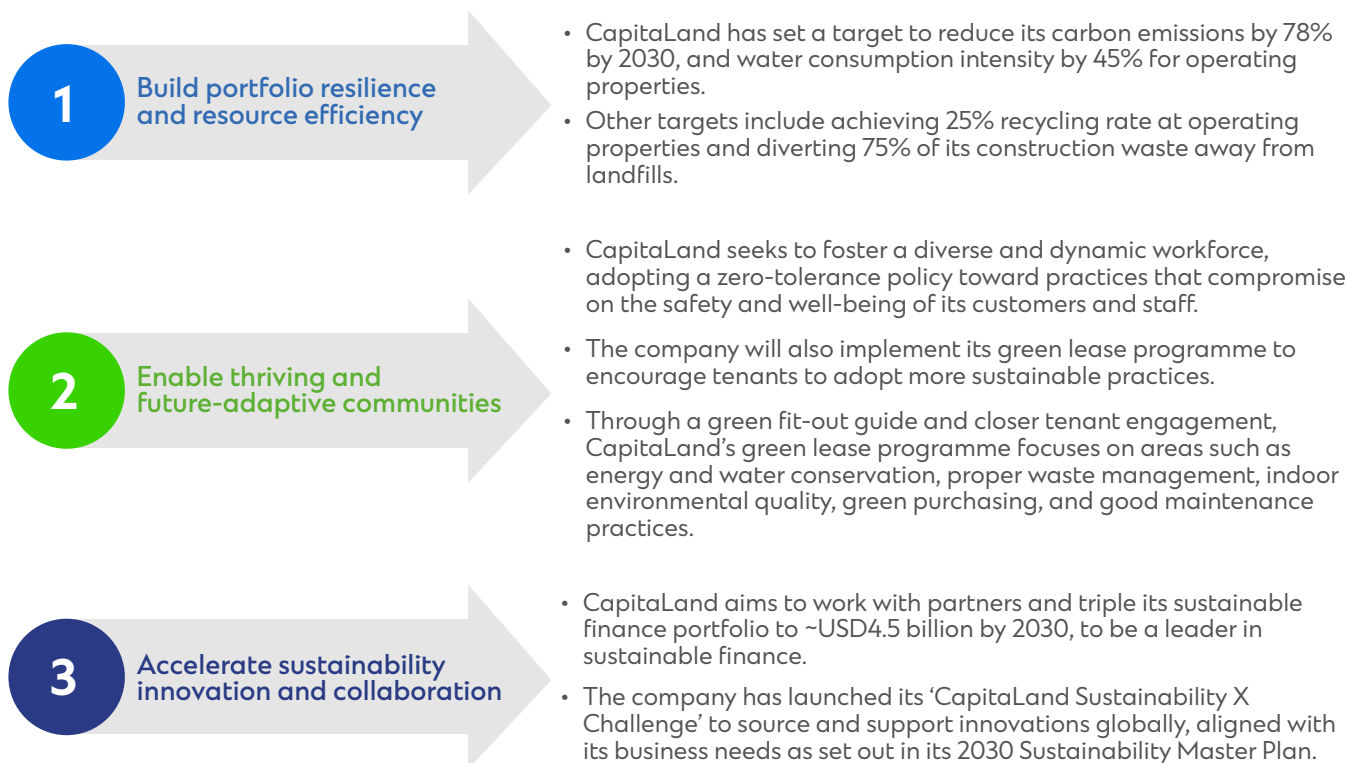
As ASEAN does not have a harmonised regional ESG framework, local standards, as well as reporting and disclosure requirements, are constantly evolving. Moreover, ESG data can come from a wide range of sources, including official disclosures or third-party sources, such as NGO reports. Therefore, companies should take note of local ESG reporting requirements and available data metrics on ESG reporting. In addition, companies would benefit from assessing

their own procedures to identify and address any gaps. Finally, companies should also be sensitive to political and cultural nuances across different ASEAN nations, and conduct the necessary due diligence to mitigate further risk.

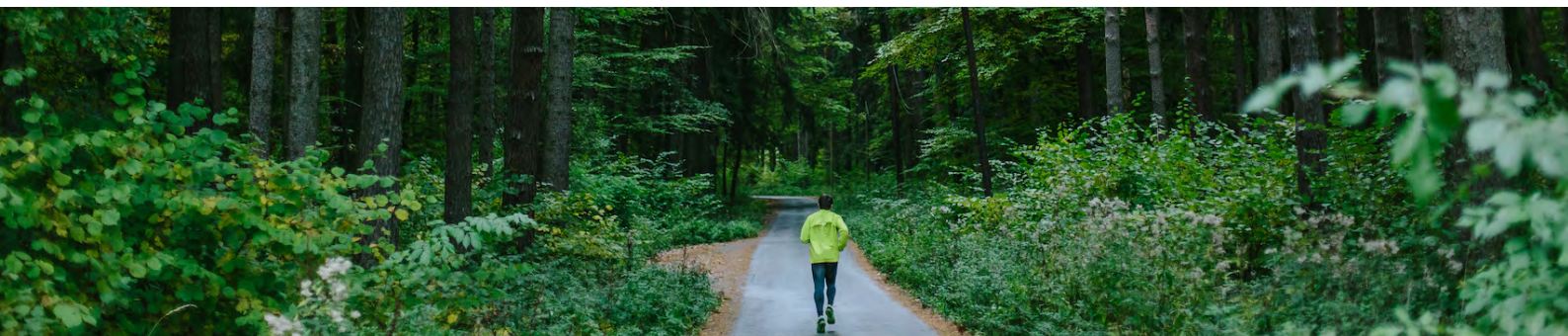
In this regard, collaboration and engagement will be key to operating smoothly in ASEAN. Companies should work towards building relationships with industry associations, regulatory authorities and financial institutions to facilitate knowledge sharing and improve the state and progress of ESG disclosures and regulations across the region.¹⁹

CapitaLand launches 2030 Sustainability Master Plan to elevate its commitment to global sustainability

CapitaLand's 2030 Sustainability Master Plan focuses on three key themes to drive the company's sustainability efforts according to ESG principles



Source: Company website, Ecobusiness



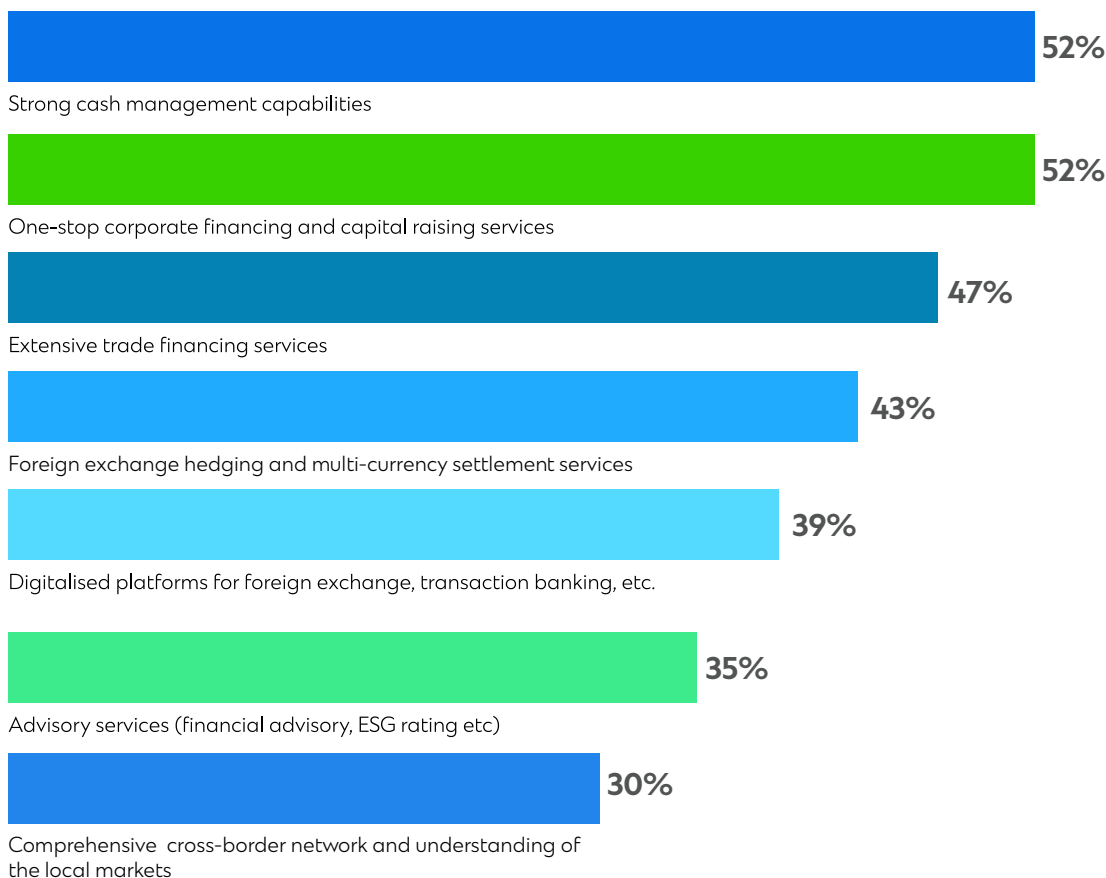
4. Engage local financial partners for access to capital and regional network of contacts

One of the most significant obstacles for companies looking to expand is access to capital, especially those looking to rapidly grow and expand in existing as well as new markets from across the region, to create a pan-ASEAN presence. In addition to regional expansion, access to capital is crucial for transitioning to more sustainable business practices or digital business models, which require significant investment. Therefore, the lack of capital often impedes the ability for organisations to adapt and innovate. In this regard, financial partners play a vital role in providing companies with capital market offerings and overall financial support.

Mergers & acquisitions are key to gaining rapid market access, especially for larger corporates

Larger corporates can consider making strategic acquisitions to speed up their market entry efforts and gain access to critical capabilities such as an existing and loyal customer base, innovations in product and research development, skills, etc. Such companies would benefit from financial partners with a regional presence, who would be able to provide advisory and capital support, as well as alternative sources of funding to further help companies exploring this as a potential route-to-market.

Figure 14: Key requirements from banking partners to support growth in ASEAN



Note: Survey question asked: 'Where are the key requirements from your banking partner, to support your growth in ASEAN? Please select the relevant options and rank them in order of importance, 1 being the most important.'

Values indicated above refer to the % of survey respondents who included the requirement as one of the top 3 ranked choices

Source: Standard Chartered Survey, 2021

Our survey indicates that 52 per cent of companies considered “strong cash management capabilities” and “one-stop corporate financing and capital raising services” to be key requirements from banking partners to support their growth in ASEAN.

Financial partners, such as Standard Chartered, can assist companies with their trade financing needs and mitigate risks associated with cash flow and liquidity through credit solutions such

as trade credit insurance. The Bank also has a strong regional network that can provide companies with deep local knowledge catered to their financial needs. Therefore, engaging local financial partners can help companies better understand divergent business environments and practices across ASEAN markets and gain access to a local network of contacts, which will facilitate their successful market entry.²⁰



Role of financial partners

For foreign companies looking to expand into ASEAN, financial partners can provide much needed access to capital and assist with trade financing needs in the region, providing services such as cash management solutions, and information and liquidity management.

Case example:

Access to capital for a telco Tower Platform with operations in Malaysia and Indonesia



Background

As part of an emerging trend of consolidation in the tower market of Southeast Asia, a leading digital infrastructure investment fund was looking to sell Tower Portfolio to an independent tower operating company with operations in Malaysia and Indonesia.



Transaction Highlights

Standard Chartered played the role of Mandated Lead Arranger for the bridge financing alongside three other banks.

The transaction involved the Vendor entering into a multiple master lease agreement with the Buyer, underpinning the cash flows of the Tower Portfolio going forward.



Impact

Standard Chartered coordinated and accelerated the transaction, with all internal approvals and documentation signed within one month of the engagement.

Standard Chartered played a leading role in facilitating the establishment of a regional digital infrastructure platform, executing sophisticated transactions to support the client's financing needs.

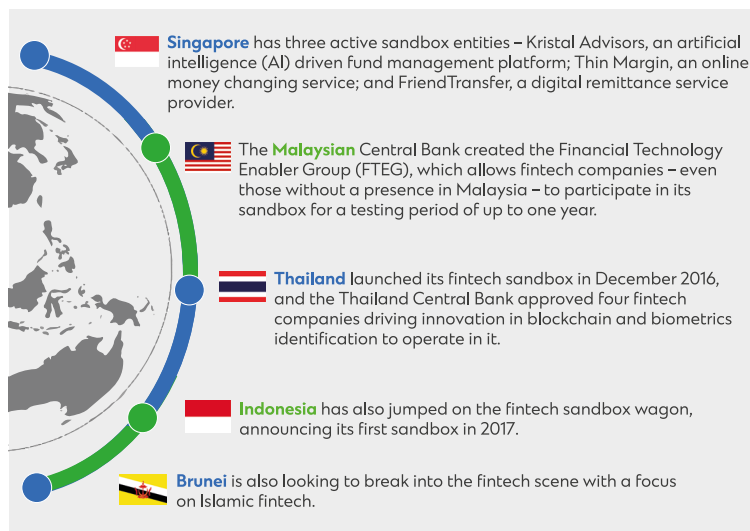
5. Adapt governance and risk management frameworks to ASEAN's regulatory diversity

Fintech regulatory sandboxes in ASEAN allow companies to test new products



Background

In view of the fintech regulation in Southeast Asia, ASEAN governments are looking to ensure that fintech start-ups and financial institutions have a space to experiment and err on the side of caution when it comes to regulatory issues. To this regard, Singapore, Malaysia and Thailand have been the three most advanced nations in terms of fintech regulatory sandboxes in this region.



Impact

Sandboxes allow financial institutions and fintech players to experiment with innovative financial products or services in a live but well-defined environment that permits regulatory flexibility during the testing period.

ASEAN's diverse level of development also means that regulations across the region vary significantly. Although the AEC Blueprint 2025 outlines the bloc's ambitions to harmonise protection laws, legal and data governance frameworks across the region, there are still disparate laws on compliance, IP protection, data privacy, and labour standards across member states. Companies operating in ASEAN will need to take cognisance of such nuances to operate effectively.

Political and cultural differences among ASEAN members can affect how businesses operate. It is therefore paramount that companies familiarise themselves with local business practices and standards, as well as ongoing policy developments or initiatives. Our survey shows this aspect as a significant roadblock for companies in the region, with over 50 per cent of survey respondents indicating that they anticipate understanding of regional regulations, payment methods and infrastructure to be major challenges in the upcoming 12 months.^h

A robust risk management framework should also consider divergent data protection and privacy regulations across ASEAN. While seamless cross-border payment and settlement systems are one of the cross-cutting areas for financial integration under the AEC Blueprint, member states are still at very different stages of development and regulatory implementation.²¹

Balancing experimentation and risk by leveraging sandbox testing in ASEAN

ASEAN policymakers are gradually establishing regulatory sandboxes in their home markets, including ones that would allow cross-border data flows among participating ASEAN countries, regardless of their level of adoption of data privacy and cybersecurity laws.

A sandbox approach will allow member states to consider and try different ways to address their legitimate cybersecurity concerns. These sandboxes enable ASEAN countries to experiment with cross-border data flows in a controlled environment, for a defined purpose and a predefined amount of time. This approach would allow companies to effectively balance experimentation with data and cybersecurity risk inherent in operating across markets in the region.



Conclusion

Global shifts and disruptions currently threaten ASEAN's pace of economic development. Going forward, the region will need to focus on enhancing integration and connectivity to bring its growth trajectory back on track. In the meantime, companies operating or looking to expand in the region will increase their chances of success by leveraging unique local

manufacturing capabilities to render production networks more resilient, enhance digitalisation efforts, partner with local companies for synergies, combine profit goals with purpose, and develop robust risk management frameworks to allow them to effectively navigate uncertainties in a post-COVID-19 world.

^h Value indicated refers to the % of survey respondents who included the driver as one of the top 3 ranked choices

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