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Risk & Resilience in a Time of Change

Singapore Snapshot Report

January 2024

Executive Summary

Welcome to our first Singapore Snapshot Report – Risk & Resilience in a Time of Change. As Singapore's boardrooms navigate the impact of climate change, new regulations, and the rising threat of cyber risks, we explore the risks for which many businesses feel increasingly unprepared.

For decades, Singapore has been regarded as the "Switzerland of the East", cultivating a reputation as a safe haven for global capital. The country has benefitted from its strategic location and pro-business environment but also several tailwinds including rapid globalisation and industrialisation.

However, for firms operating in Singapore, there are new emerging risks that have the potential to trip up those unprepared for an ever-evolving threat landscape.

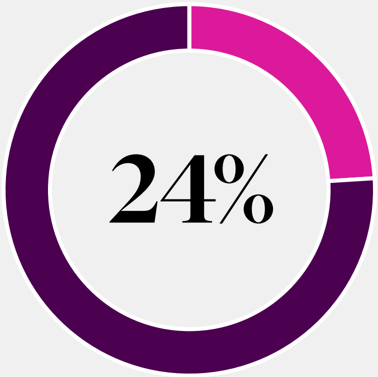
This report is based on a survey of 500 Singaporean business leaders and insurance buyers from across 10 industry sectors, and from varying company sizes. It also includes insights from experienced experts, designed to provide a timely analysis of business attitudes. We asked business executives about a series of topical risks now, in six months' time and in a year, and how resilient they feel to these risks.

Survey participants were asked about their views on insurers and insurance, as well as on the following categories of risk:

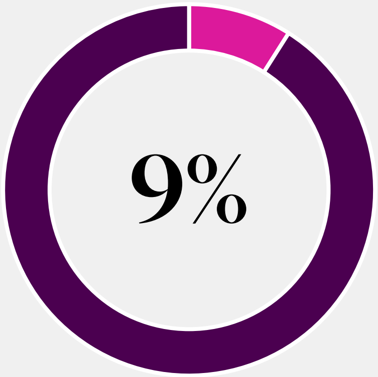
- **Cyber & technology** – including the threat of disruption, failure to keep pace with changing technology, cyber risk and IP risk.
- **Business** – including supply chain instability, business interruption, boardroom risk, crime, reputational and employer risk and failure to comply with ESG regulations and reporting requirements.
- **Environmental** – including climate change and associated catastrophic risks, environmental damage, greenhouse gas emission, pandemic, food insecurity and energy transition risk.
- **Geopolitical** – including strikes and civil disruption, changes in legislation and regulation, economic uncertainty, inflation and war & terror.

We undertook this research in January and February 2023 alongside businesses in the US, UK, and Canada.

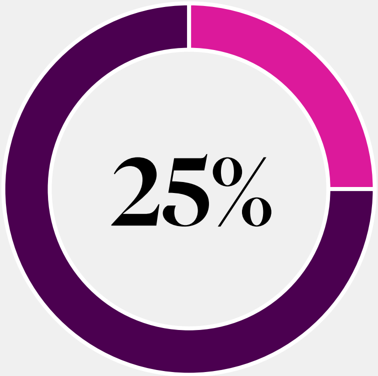
Singapore's business leaders told us...



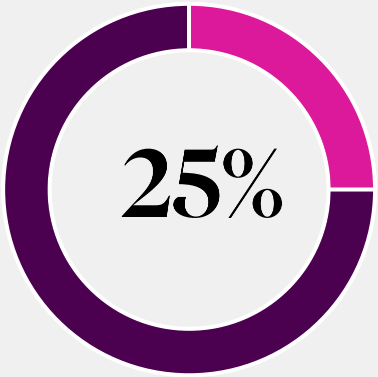
Were unprepared to deal with technology disruption risks such as AI and new technologies.



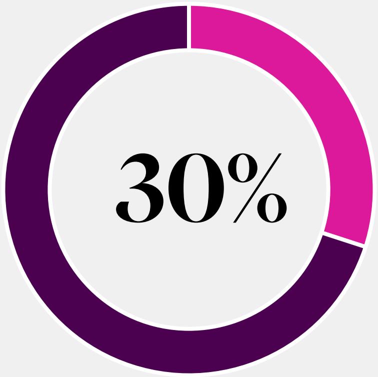
Are less resilient to risks impacting their business than a year ago.



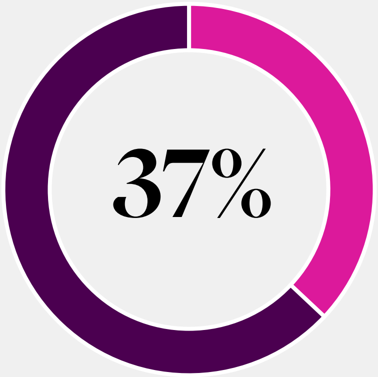
Feel unprepared to deal with climate risks.



Said cyber risk is the biggest technology threat to their business now.



Believe they operate in a high-risk environment, falling from 35% in 2022.



Plan to explore insurance options that include risk and crisis management.

Contents

Employers’ liability: Post-pandemic risks linger on

The new world of hybrid working that first emerged during the pandemic is here to stay, creating growing challenges for business leaders in Singapore.

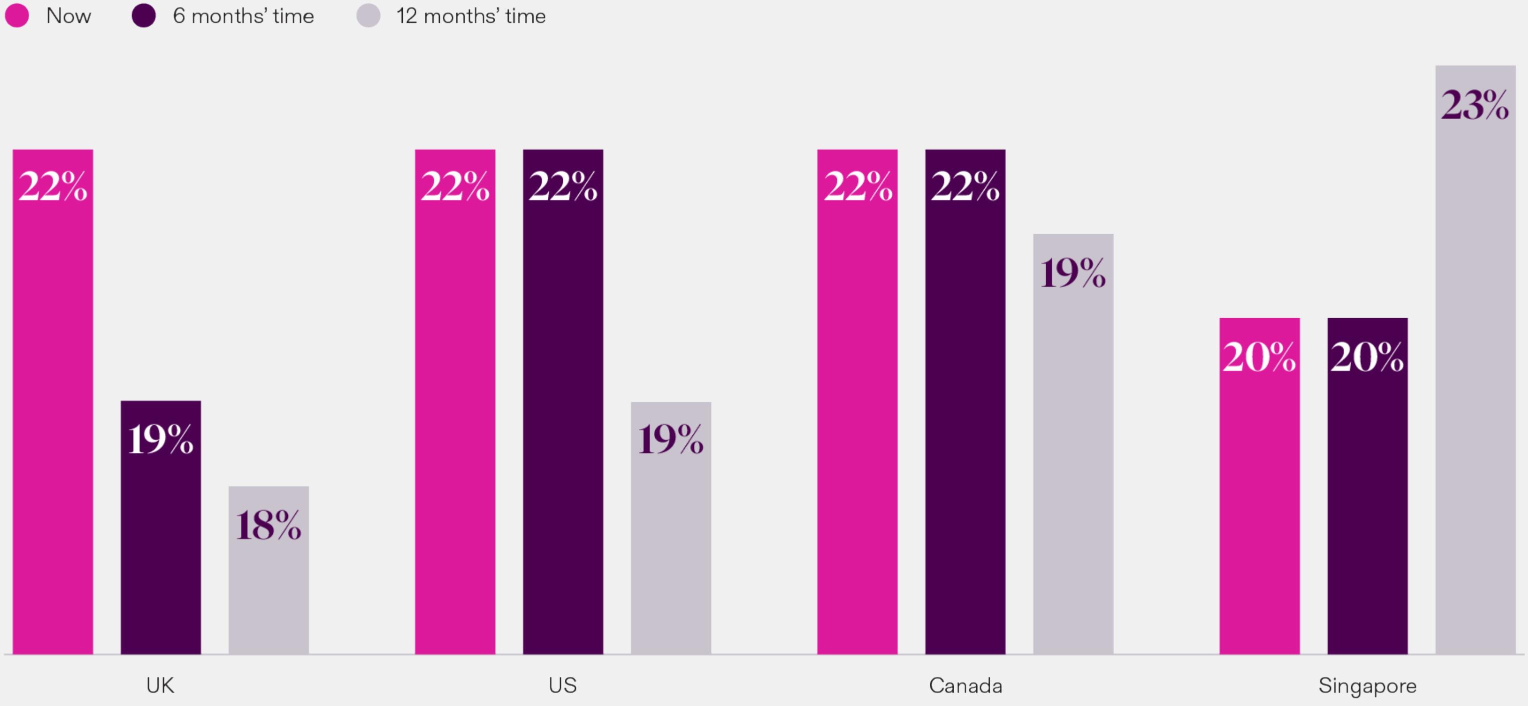
Our data shows that concerns over employer risk, defined as failure to support staff, including mental health concerns, or facilitating safe operating conditions, among business leaders in Singapore are growing as business leaders struggle to meet responsibilities to employees in the post-pandemic age.

A fifth (20%) of business executives in Singapore ranked employer risk as their top business concern, a lower percentage than in the UK, US and Canada.

However, the threat posed by employer risk to business executives in Singapore is set to rise in 2024, with 23% of executives ranking employer risk their top business concern, which contrasts with the UK, US and Canada where the threat posed to executives by employer risk is set to fall in 2024.

Singaporean business executives perceive employer risk to be a growing threat

Percentage of business executives who ranked employer risk as their top business risk



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Employers' liability: Post-pandemic risks linger on

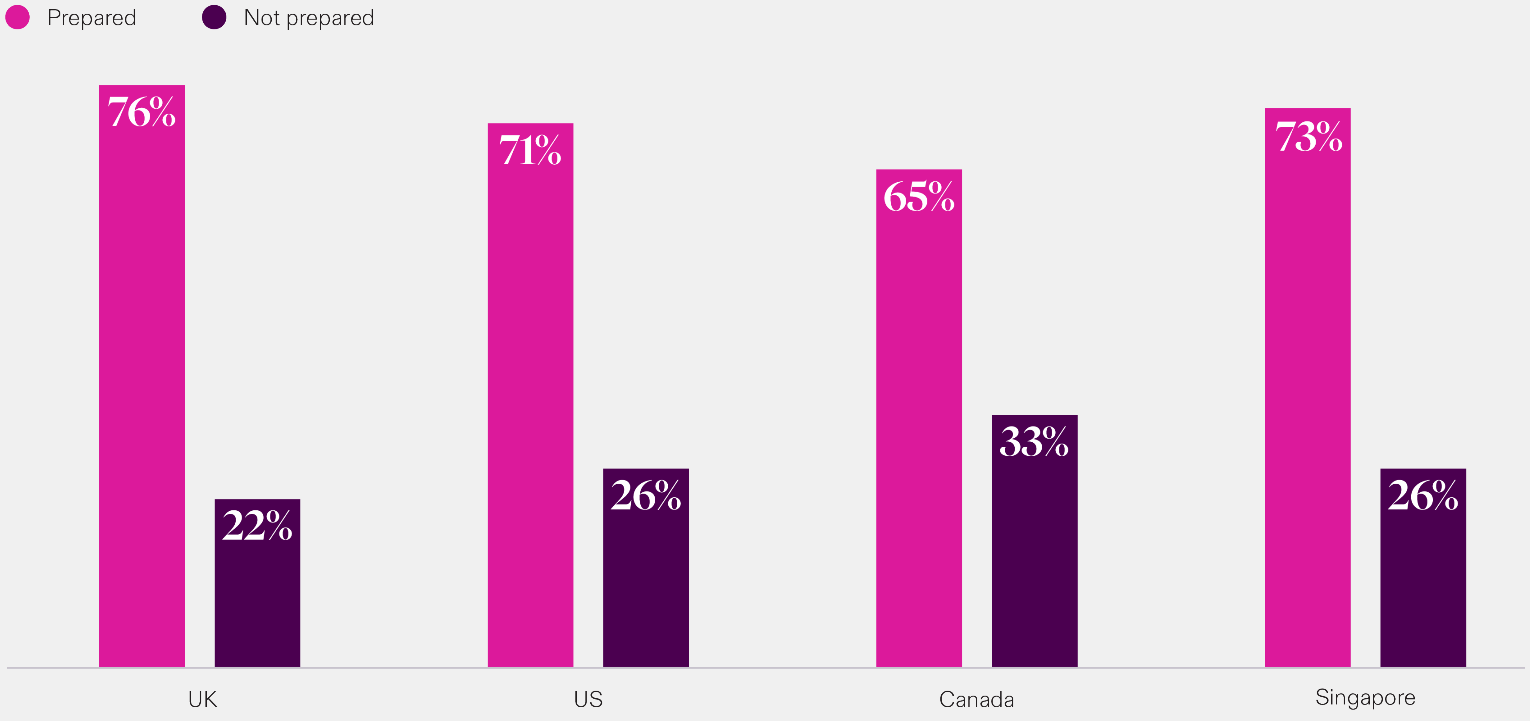
Singapore's status as a regional hub brings its own unique challenges for business executives when recruiting, with hiring managers having to tread a fine line between leaning on foreign talent and upskilling the local workforce.

While this is by no means a unique concern, 44%[1] of Singapore's population is foreign-born and the partisan nature of the discourse on this is something that differentiates the nation from other global hubs. In October 2022, The Straits Times published survey data which found that Singapore's citizens and residents are deeply divided on migration[2], with 40% of respondents agreeing that Singapore had struck the right balance between foreign and local workers and 44% disagreeing.

Singapore's regulator has increasingly taken steps to bolster the protections provided to foreign workers. Earlier this year, the Ministry of Manpower made health insurance mandatory for all new and existing foreign workers, encompassing migrant domestic workers and those on short-term employment passes. Failure to keep pace with the evolving employer regulatory landscape, particularly when it is in the public spotlight, represents a growing threat to businesses of all sizes in Singapore.

Employer risk is regarded as a key threat among Singaporean business executives

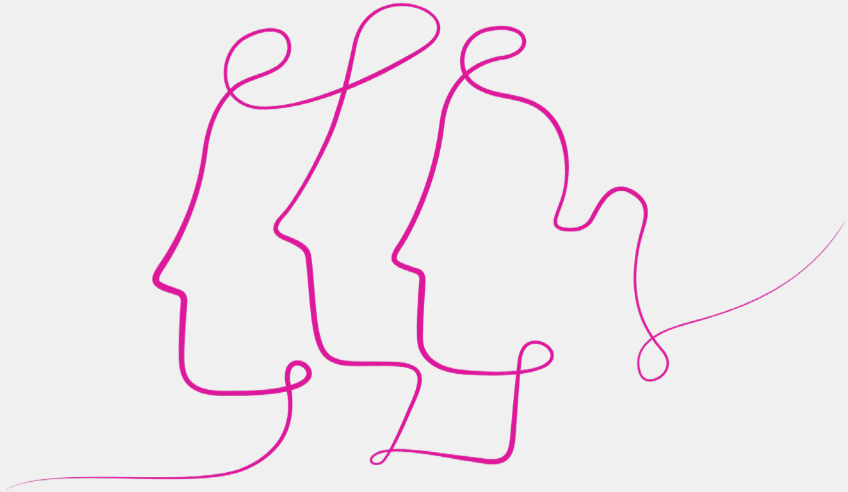
Percentage of business executives who feel prepared to anticipate and respond to the employer risk



[1] Singapore: number of immigrants | Statista
[2] S'poreans split on right balance of foreign workers and local job protection | The Straits Times

Employers' liability: Post-pandemic risks linger on

In 2021, legislation was passed to periodically raise the retirement age in Singapore from 62 to 65 by 2030 and raise the re-employment age from 67 to 70 by 2030[3]. As a result, official data shows that in 2022, 31% of residents in Singapore aged 65 and over were in employment, a slight dip on the previous year, but continuing the general upward trend over the last twenty years[4]. For example, by 2020 around 25% of the labour force in Singapore was aged 55 or over[5]. This can present challenges when it comes to integrating employees within a team and may contribute to over a quarter (26%) of Singaporean executives surveyed reporting they are unprepared to deal with employer risk.



> "When integrating and supporting employees, business leaders in Singapore undoubtedly face unique challenges. There is great diversity in Singapore's workforce, most notably across age and background, simultaneously creating opportunities and challenges for employers."

Lucien Mounier
Head of Asia Pacific,
Beazley

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[3] Retirement and Re-Employment Amendment Bill 2021 and CPF Amendment Bill 2021 (mom.gov.sg)
[4] mrsd_2022LabourForce_survey_findings.pdf (mom.gov.sg)
[5] Retirement and re-employment ages in Singapore will be raised to 65 and 70 | The Straits Times

ESG risk on the rise for Singaporean executives

The regulatory burden placed on firms by new environmental, social and governance (ESG) rules is increasing across the globe, with Singapore being no exception. Keeping pace with the new regulations while maintaining efficiencies is a key challenge for businesses in Singapore. Despite this, our data shows that business leaders in Singapore are less fazed than their international peers.

ESG risk is perceived as a growing threat among business executives in Singapore, with 19% of those surveyed currently ranking ESG risk as their top business risk, rising to 20% by 2024. However, ESG is seen as a bigger problem for business executives in the UK, US and Canada, perhaps suggesting that business executives in Singapore are better prepared.

Our data seems to support this hypothesis, as over three quarters (76%) of Singaporean business executives feel prepared against ESG risks, rising to 86% among small businesses.

The regulatory burden of ESG is growing in Singapore. The Singapore Exchange (SGX) introduced new measures last year, adding to the sustainability disclosure requirements 2017 for SGX-listed issuers introduced back in 2017[6]. The legislation has adopted an incremental approach, first permitting issuers to adopt a "comply or explain" approach, but this has changed from the 2023 financial year onwards. From this point, climate reporting becomes mandatory for issuers operating in selected sectors, such as financial services, perceived to have the greatest impact on climate change. For example, Singapore's Consumer Protection (Fair Trading) Act mandates that businesses support any environmental-related claims they make when promoting their product or service with clear evidence[7].

> "Employers in Asia are recognising they face growing risk from within their organisations and getting the 'S' and the 'G' in ESG right is increasingly important."

Nicholas Tey
Regional Manager Asia, International Financial Lines, Specialty Risks, Beazley

[6] ESG In Singapore: Trends And Developments (ifcreview.com)
[7] A regional comparison of ESG regulations: Singapore : Clyde & Co (clydeco.com)

ESG risk on the rise for Singaporean executives

The ESG-regulation burden in Singapore also extends to greenwashing concerns. Significant and extensive legislation is in place to protect consumers from greenwashing effects, however, the term greenwashing itself is not explicitly stated[8]. For example, Singapore's Consumer Protection (Fair Trading) Act mandates that businesses support any environmental-related claims they make when promoting their product or service with clear evidence[9].

In addition, there are strict advertising guidelines in Singapore, set by the Advertising Standards Authority of Singapore[10], which also work to prevent unfounded 'green' claims. Consumers are further protected by Singapore's Misrepresentation Act, enabling consumers to pursue damages from merchants if they feel that a product or service has been falsely advertised[11]. However, there is no one act that defines greenwashing and therefore a company's obligations, leaving consumers to decide for themselves where greenwashing may have taken place, which could expose companies to costly legal challenges. In the absence of clarity, and on a case-by-case basis, legislation has evolved through precedents that extend into the realms of greenwashing, adding a layer of unpredictability to the ESG risk that businesses in Singapore face.

Singapore's ESG regulation will continue to evolve and global business leaders across all sectors will face an increasingly difficult task when trying to anticipate and respond to the reforms required of them.

To better navigate the global patchwork of ESG regulation, multinational businesses appear to be adhering to regulations set by one particular legislative regime, and applying that approach to all other jurisdictions they operate in. To do this, businesses must decide which regulations best fit their company values, demonstrating how businesses are now compelled to take a political stance in a way that they have not previously had to do.

Disregarding or contesting legislation is by no means a workable solution for all businesses as smaller firms simply don't have the financial and egal firepower to do this. Consequently, smaller businesses may be forced into complying with regulations that do not necessarily align with their values, just to maintain growth.

> "While it would be a mistake to dismiss the burden that ESG regulation places on businesses in Singapore, the timelines and the depth of disclosure set by the local regulation are less intense than in the West, such as the regulation proposed by the SEC in the US."

Marshall Lee
Climate & Sustainability Leader, Marsh Asia

[8] The regulation of greenwashing | Gowling WLG
[9] Implications of greenwashing under consumer protection laws, and practical takeaways : Allen & Gledhill (allenandgledhill.com)
[10] A regional comparison of ESG regulations: Singapore : Clyde & Co (clydeco.com)
[11] The regulation of greenwashing | Gowling WLG

Cyber risks: On the front line

As the world experiences an uplift in cyber-attacks almost two years on from Russia's invasion of Ukraine, Singapore's businesses are not immune to the persistent threat that cyber-crime groups pose. These groups have targeted businesses across the economy, exposing firms to costly ransoms and significant reputational damage.

This year, the Cyber Security Agency of Singapore (CSA) launched its fifth annual cyber awareness campaign focusing on the 'unseen enemy'.[12] The campaign seeks to raise awareness of the threat of cyber-crime to businesses and consumers as the country's businesses increasingly find themselves on the front line against cyber-attacks. The launch of this campaign reflects an uplift in cyber incidents in Singapore with the CSA reporting a doubling of phishing scams during 2022, compared to the previous year, and an increase in ransomware attacks on small and medium-sized enterprises.[13]

As a result, analysis shows that the average cost of a cyber-attack in Singapore is approximately SGD $1.7 million (US$1.3 million) per breach.[14] Worryingly, this is the highest in the Asia-Pacific region.

Despite the growing severity and volume of cyber-attacks worldwide and in Singapore, our data shows that business leaders in Singapore believe the threat is declining. In 2022, 29% of business executives said the threat of cyber was their number one risk but this has since reduced to 25% now – lower than international peers in the US and Canada. This is set to remain stable going in to 2024 with 26% of Singaporean executives believing cyber will be their biggest risk next year.

While our data shows that the perceived threat of cyber risk is dropped in 2023, it is concerning that more than one in five (21%) of businesses in Singapore feel unprepared to deal with cyber risks. This rises to 31% among small businesses with revenue between SGD $1m to S$9.99m. Contrary to the perception of the cyber threat, the frequency of incidents, the disruption they cause, and the economic cost are increasing across the globe.

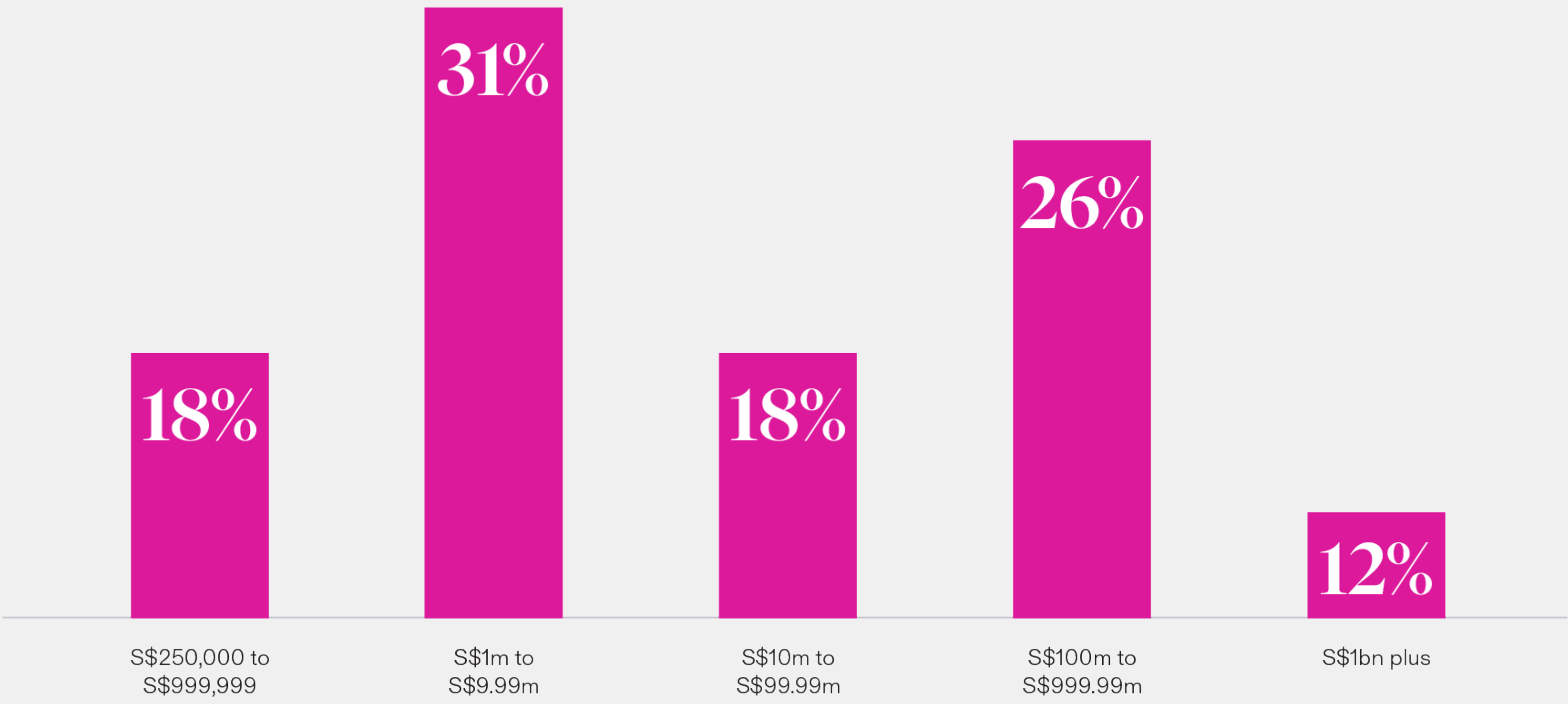
Research from CyberSecurity Ventures has shown the global annual cost of cyber-crime is predicted to reach US$8 trillion in 2023. It is projected to rise to US$10.5 trillion by 2025 – up from US$3 trillion in 2015 when the study began.[15]

As cyber criminals adopt new tactics, businesses should take a holistic view to cybersecurity, setting up multiple layers of defence against potential attacks. A Defence in Depth strategy includes measures such as ensuring security patches are installed as they become available; limiting users' permissions and access to role-based needs; having secure back-ups and tight security configuration of systems, applications and cloud resources; and developing and testing incident response and disaster recovery plans.

The benefits of a Defence in Depth strategy are borne out in our underwriting and claims statistics. It is a proven and highly effective strategy approach to mitigate the rising tide of cyber-attacks and incidents. Whilst growing awareness of the threat is welcome, firms must stay vigilant, constantly reviewing their infrastructure to identify vulnerabilities.

Small and medium-sized organisations in Singapore feel most exposed to the cyber challenge

Percentage of Singapore business executives who feel unprepared to anticipate and respond to cyber risks (by annual revenue)



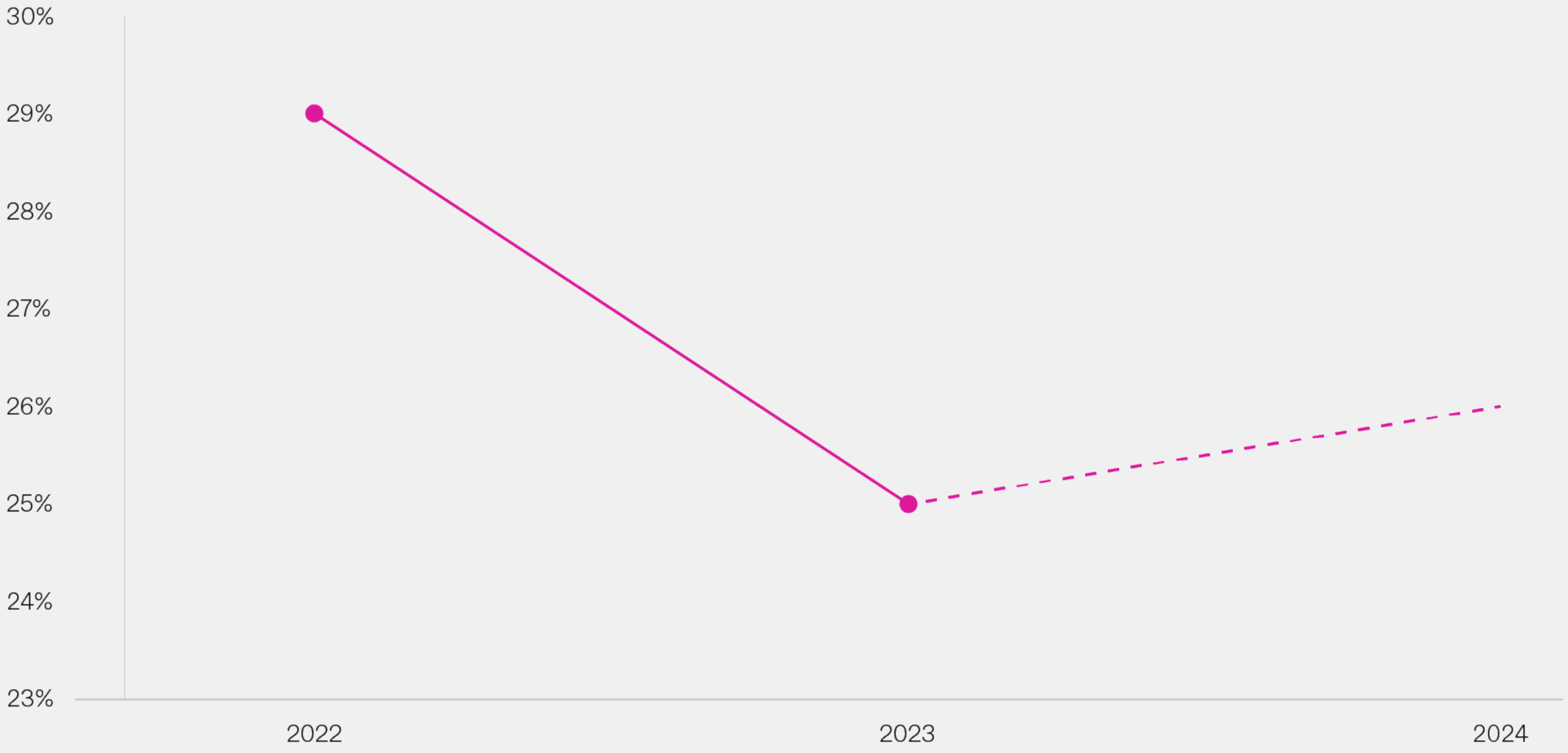
15 https://cybersecurityventures.com/cybercrime-to-cost-the-world-8-trillion-annually-in-2023/

"Concern over the threat of a cyber attack is set to rise in 2024, as Singaporean business leaders recognise that Cyber is a risk that they cannot afford to lose focus on."

Teck Siong Ng
Underwriter – Cyber Risks, Asia, Beazley

Singapore's Business Leaders believe that the cyber threat will increase in 2024

Percentage of businesses in Singapore ranking cyber as their number one risk

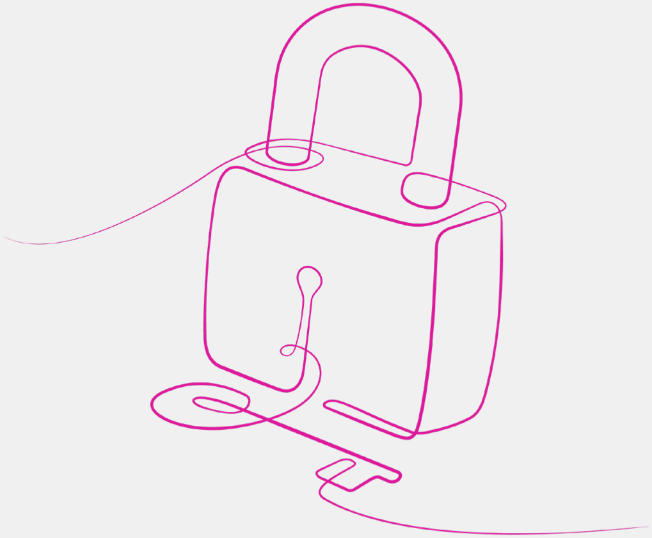


Cyber insurance - prevention is part of the cure

The value of cyber insurance has now been proven beyond doubt. The global insurance industry has been called upon to respond to a flood of incidents and paid out billions in ransomware claims alone. This has enabled businesses in Asia, North America and Europe to bounce back, insulating them from the significant financial impact that they would have incurred, and helping them to get their business back on track post the incident. It is incumbent on all those who recognise the danger to highlight cyber insurance as a key tool to help mitigate it. Encouragingly, our research shows that 37% of businesses in Singapore plan to invest in cybersecurity this year.

The cyber risk landscape is constantly evolving and the dramatic increase in ransomware attacks against businesses of all sizes means that best practice cyber security measures are now of the utmost importance. Business leaders also need to be confident that their risk management tools are up to the job, to further reduce their risk of falling victim to an attack.

Providing clients with the tools they need to stay ahead of the curve from a cyber perspective remains a key goal, as prevention, preparation and response are all critical and inseparable elements when mitigating cyber risk.



"Working with clients to help them tackle cyber-risks is vital to ensuring businesses operate in as safe an environment as possible. We need to remind clients how important it is to remain vigilant and continue to invest in and enforce a Defence in Depth cyber risk strategy."

Jessica Schappell
Claims Manager,
Asia, Beazley

The role of insurance

The insurance industry is set to play a significant role in supporting businesses as they navigate emerging risks and an ever-evolving threat landscape. So, it is heartening that more than a third (37%) of businesses we surveyed in Singapore plan to invest in insurance and risk management this year.

With the risk landscape in Singapore and Asia changing rapidly company leaders are facing a mixture of employer, ESG, and cyber risks among others. Our data reveals that 33% of business leaders believe they will be operating in a high-risk environment in 2024, compared to 31% in 2023.

For boardrooms, as the risk landscape evolves, preparedness for these new challenges is becoming harder.

Firms must have the structures and protections for the challenges of today's world. Failure to do so will leave both organisations and executives exposed to both immediate liability threats and long-term headwinds.

While boardrooms prepare for matters on the horizon, companies of all sizes must continue to take the necessary steps immediately in front of them. In the cyber space, as attacks become more regular and higher in severity, the value of cyber insurance has been proven beyond doubt.

As the Singaporean labour force continues to evolve and workers need greater support, employment liability risks are growing for managers. The rising tide of ESG regulation across the globe and in Singapore means that business executives face a challenging patchwork of compliance demands.

Among all of this, the past few years have proven why companies need to focus on developing strategies that drive resilience in their business and future-proof them.

Business leaders need to be alert to the changing risk landscape, identify weaknesses in their systems, and prepare accordingly. Unforeseen events come and go, but insurance has a larger role in supporting firms as they grow and in helping to protect their assets. This should be part of every renewal meeting discussion.

As insurers, we need to encourage resilience and challenge clients to develop strategies that enable them to manage their risks and drive commercial advantage. The latest learnings and risk mitigation tools from a specialist and highly experienced insurance provider, like Beazley, can be called upon to evaluate a business' position and provide the reassurance it needs to continue with business as usual.

Methodology

About the Risk & Resilience research

During January and February 2023, we commissioned research company Opinion Matters to survey the opinions of over 2,000 business leaders and insurance buyers of businesses based in the UK, US, Canada and Singapore with international operations. Survey participants were asked about their views on insurers and insurance, as well as on four categories of risk:

- **Environmental** – including climate change and associated catastrophic risks, environmental damage, greenhouse gas emission, pandemic, food insecurity and energy transition risk.
- **Cyber & Technology** – including the threat of disruption, failure to keep pace with changing technology, cyber risk and IP risk.
- **Business** – including supply chain instability, business interruption, boardroom risk, crime, reputational and employer risk and failure to comply with ESG regulations and reporting requirements.
- **Geopolitical** – including strikes and civil disruption, changes in legislation and regulation, economic uncertainty, inflation and war & terror.

Of the firms surveyed, there was an equal split of respondents across company sizes of: SN$250,000 - SN$999,999, SN$1,000,000 - SN$9.99 million, SN$10,000,000 - SN$99.99 million, SN$100,000,000 – SN$999.99, more than S$1 billion.

With a minimum of 50 respondents per country per industry sector, respondents represented businesses operating in:

- Healthcare & Life Sciences
- Manufacturing, Retail, Wholesale and Food & Beverage
- Commercial Property, Real Estate and Construction
- Hospitality, Entertainment and Leisure (including Gaming)
- Financial Institutions and Professional Services
- Energy and Utilities (including Mining), Marine and Warehousing
- Public Sector and Education
- Tech, Media and Telecoms
- Transportation, Logistics, Cargo and Aviation

Previous editions of the survey were undertaken between 10.01.2022 and 24.01.2022.

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