

# Creating Sustained Business Value through ESG Integration



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There is widespread acknowledgement among investors and business leaders that a company's ability to address material Environmental, Social and Governance (ESG) concerns will have a significant impact on its long-term sustainability and intrinsic value. In reality, however, companies often struggle to translate this value proposition into their business practices.

City Developments Limited (CDL), a Singapore-based real estate operating company, has embraced sustainability in its corporate philosophy for over two decades and it has been

ranked the world's top real estate company on the 2020 Global 100 Most Sustainable Corporations in the World.

In this comprehensive case study, Ms Esther An sets out CDL's ESG integration strategy covering areas such as who "owns" sustainability within CDL, how is sustainability linked with strategy, how sustainability drives innovation and what have been the benefits of ESG integration to CDL.

For the first time in almost 15 years, climate-related issues have been voted the top five business risks over the next decade<sup>1</sup>. As Larry Fink, founder/CEO of BlackRock, one of the world's leading asset management firms, cautioned, "Climate risks are investment risks". According to the UNEP FI<sup>2</sup>, the fiduciary duties of investors require them to incorporate ESG issues into decision-making processes and investment analyses, and to promote high standards of ESG performance in their investees. Since 2012, ESG investing has grown tremendously, as shown in the rapid growth from the initial 1,050 signatories to the UN-supported Principles for Responsible Investment, to its current list of 2,400 comprising a group that controls US\$86 trillion in capital<sup>3</sup>.

Globally, the buildings and construction sector accounts for some 40% of energy-related carbon dioxide emissions annually<sup>4</sup>. As a global real estate company, City Developments Limited (CDL) recognises that improving building technology and performance makes a difference to our environment and building users. For over two decades, CDL has adopted an ESG

integration strategy, anchored on our four key pillars – Integration, Innovation, Investment and Impact. This has built a solid foundation for us to mitigate and adapt to unprecedented threats posed by climate change, and hence creating sustained value for the future.

**Integration: Creating Value Based on Our Corporate Ethos of “Conserving as We Construct” Since 1995**

With strong leadership and commitment to sustainability, CDL has worked to create future value as a developer, asset owner and manager, and corporate citizen, by integrating ESG effectively and holistically into our business and operations. As the world steps up on climate action, CDL has already made major strides in incorporating sustainability into our corporate governance structure.

**SUSTAINABILITY GOVERNANCE STRUCTURE**



CDL's Board Sustainability Committee considers sustainability issues as part of a larger strategy formulation for long-term value creation.

<sup>1</sup> These are the top risks facing the world in 2020, World Economic Forum, 15 January 2020  
<sup>2</sup> Fiduciary duty in the 21st Century Final Report, United Nations Environment Programme Finance Initiative, October 2019  
<sup>3</sup> Investing with Impact: Today's ESG Mandate in Private Equity, Bain & Company, February 2020  
<sup>4</sup> 2019 Global Status Report for Buildings and Construction, Global Alliance for Buildings and Construction, International Energy Agency and the UN Environment Programme, December 2019

CDL has established the longest history amongst Singapore companies to have a dedicated Sustainability Governance Structure. The Chief Sustainability Officer (CSO) reports directly to the Board Sustainability Committee, which comprises three independent directors and the Group CEO who is an executive director. The Board Sustainability Committee has direct advisory supervision on sustainability strategy, and their key roles include assisting the Board in the review of the company's sustainability issues and approach to sustainability reporting, reviewing the company's ESG framework, key ESG targets and performance, and reputation as a global corporate citizen. The CSO chairs the cross-department Sustainability Committee. Heads of departments and their key line managers are accountable for their ESG performances, which are linked to their appraisal.

Furthering our ESG integration, CDL became the first company in Singapore to publish a dedicated sustainability report using GRI Guidelines in 2008, nine years before mandatory reporting was required of companies listed on the Singapore Exchange. Our annual ESG report started to adopt external assurance since 2009. On a quarterly basis, we voluntarily report our ESG performance against the strategic goals set under the CDL Future Value 2030 sustainability blueprint established in 2017.

For robust disclosure that is aligned with evolving global metrics and standards, CDL has established a unique reporting framework combining GRI<sup>5</sup> since 2008, IIRC's<sup>6</sup> Integrated Reporting approach since 2015, SDG<sup>7</sup> Reporting since 2016, TCFD<sup>8</sup> since 2017, and the SASB<sup>9</sup> real estate sector-specific standards in 2019. This aims to harmonise with the demand for increased corporate ESG disclosures by investors.

To create long-term sustainability and value over time, sustainable businesses ought to look beyond the current horizon and be future-ready. As the first real estate company in Singapore to have our carbon reduction targets validated by Science Based Target initiative (SBTi) in 2018, we joined the pioneer batch of 87 companies worldwide to support the UN Global Compact's Business Ambition for 1.5°C campaign in September 2019, pledging to align our operations with limiting global temperature rise to 1.5°C. In 2019, we conducted our second climate change scenario planning study, covering 1.5°C and 2°C warmer scenarios with expanded scope and geographic boundaries. As the supply chain plays a key role in our ESG performance, we also conducted a risk analytics and segmentation study of our supply chain to identify environmental and social risks posed by our top 100 suppliers and materials supplied.

Stakeholder engagement and support are also key to helping us achieve our sustainability goals. Our long-standing initiatives such as the CDL 5-Star EHS Assessment System since 2001 and the Green Lease Partnership Program since late 2014, have been most effective in aligning our stakeholders' practices with CDL's ESG commitment.

### **Innovation: Strengthening Climate Resilience Through New Technologies and Solutions**

Apart from mitigating ESG risks, CDL has adopted a proactive approach for ESG integration to create greater business value and future-proof our business by harnessing new technologies. Since 2017, innovation has been our top material issue based on multi-stakeholder materiality studies conducted biennially. Leveraging new technologies, we continue to prioritise the development of green buildings to provide more

<sup>5</sup> Global Reporting Initiative

<sup>6</sup> International Integrated Reporting Council

<sup>7</sup> Sustainable Development Goals

<sup>8</sup> Task Force on Climate-related Financial Disclosures

<sup>9</sup> Sustainability Accounting Standards Board

sustainable and healthier living for users. For over a decade, we have committed to investing 2 to 5% of construction cost in green design and features for each new development, voluntarily setting a minimum target at Green Mark GoldPLUS, two levels above the mandatory requirement<sup>10</sup>. In 2019, CDL accumulated 110 Green Mark awards, given out by the Building and Construction Authority (BCA), amounting to the highest number received amongst private developers in Singapore.

For a country like Singapore that lacks natural resources, innovative technologies are key in helping us raise productivity and Environment, Health and Safety (EHS) performances of our developments. CDL was awarded the Platinum accolade in the 2017 BCA Construction Productivity Awards, which recognised our efforts to raise construction productivity and standards via PPVC<sup>11</sup> applications. With PPVC technology, prefabrication takes place largely offsite and less works are required on-site, resulting in cleaner and safer worksites with less environmental impact.

Continued R&D is crucial to help us stay ahead of the curve. In partnership with the National University of Singapore (NUS), the NUS-CDL Tropical Technologies Lab and the NUS-CDL Smart Green Home Lab were opened in 2018 and 2019 respectively. Both labs conduct studies on smart features, green building technologies, and design for sustainable living. In 2019, we also embarked on a collaboration with the Solar Energy Research Institute of Singapore, integrating high-efficiency BIPV<sup>12</sup> modules with PPVC. Furthermore, in 2018, CDL formed the Enterprise Innovation Committee (EIC), an in-house establishment dedicated to shape corporate innovation culture.

To make a quantum leap towards a low-carbon economy, we must embrace innovation and leverage technology alongside sustainable investments. CDL's strong ESG track record has lowered our long-term borrowing cost and expanded our pool of ESG-centric investors and lenders. Since our pioneering green bond in 2017 which raised S\$100m, CDL has continued to tap into sustainable financing. In April 2019, we obtained S\$500m in two green loans, which allowed us to finance new green developments in Singapore and abroad. 2019 also saw us secure our first-of-its-kind S\$250m SDG Innovation Loan, to accelerate innovative solutions and technologies that embrace the SDGs in the built environment.

Building a sustainable future requires the collaboration of a larger ecosystem. The Singapore Sustainability Academy (SSA) was designed and built by CDL to be a hub for capacity building, thought leadership, and networking. As the first ground-up initiative and zero-energy facility in Singapore dedicated to supporting the SDGs and climate action, the SSA was set up with the support of six government agencies, 15 founding industry partners and Sustainable Energy Association of Singapore. Since its opening in June 2017, the SSA has attracted international partners such as UNEP, UNDP<sup>13</sup>, UNGC, and AVPN<sup>14</sup>.

Furthering our community investment, CDL set up the "Incubator For SDGs" in September 2019 in partnership with UNDP, Singapore Centre for Social Enterprise (raiSE) and Social Collider, providing rent-free co-working space at Republic Plaza, our flagship building, to selected social enterprises or start-ups that embrace the SDGs. The initiative offers extensive network and mentorship opportunities to help aspiring social innovators to scale up and reach out to potential investors.

<sup>10</sup> Green building rating system awarded by Singapore's built environment authority, Building and Construction Authority (BCA)

<sup>11</sup> Prefabricated, prefinished, volumetric construction

<sup>12</sup> Building-integrated photovoltaics

<sup>13</sup> United Nations Development Programme

<sup>14</sup> Asian Venture Philanthropy Network

CDL furthered our social investment through the creation of national platforms, such as My Tree House and the CDL Green Gallery. A partnership between CDL and National Library Board, My Tree House was opened in 2013 as the world's first green library for kids. Built within 24 hours using prefabricated, modular construction technology, the CDL Green Gallery, located at the Singapore Botanic Gardens, is the first zero-energy gallery (BCA Green Mark Platinum) in Singapore that showcases Singapore's greening efforts.

### **Impact: Creating Sustainable Cities and Communities**

CDL has reaped tangible and intangible benefits from our ESG-centric strategy. More than S\$28m cost savings was achieved between 2012 to 2019 from energy-efficient initiatives implemented for eight commercial buildings. Our low-carbon programmes have resulted in a 38% reduction in carbon emissions intensity in 2019 from 2007 levels, putting us on track to achieve our SBTi-validated target of 59% by 2030.

CDL's track record of effective ESG integration over two decades has been widely recognised by 12 leading global sustainability benchmarks, including the 2020 Global 100 Most Sustainable Corporations in the World, of which CDL was ranked top amongst listed real estate companies worldwide. CDL was also the only company in Southeast Asia and Hong Kong to score double 'A's in the 2019 CDP Global A List for corporate climate action and water security. Other major rankings which CDL is listed on for over a decade include FTSE4Good Index Series (since 2002), MSCI ESG Leaders Indexes (since 2010), and Dow Jones Sustainability Indices (since 2011).

To accelerate change for a sustainable future, people and communities will be key drivers. In 2019, we partnered with Jane Goodall Institute (Singapore) and NUS to feature world-renowned conservationist, Dr Jane Goodall, at the 7th Asia Environment Lecture. We also launched the "Saving Glaciers Alliance" last year to raise awareness on the importance of conserving the world's polar regions.

In addition, our long-standing community programmes, such as EcoBank, a zero-waste initiative that promotes reducing, reusing, and recycling; and the SDG City Challenge, a 2,000-strong event that promotes a green and healthy lifestyle, continue to receive strong support from our partners and the community. Our long-established youth initiatives, such as the CDL E-Generation Challenge (launched in 2010), the CDL-GCNS Young SDG Leaders Award (launched in 2011), and the Youth4Climate Festival (launched in 2018), have been empowering tens of thousands of youths to galvanise climate action.

As awareness for climate change and sustainability continues to grow in this new climate economy, adopting sustainable business practices has never been more important. Our integrated approach has helped us make financial sense of our commitment to sustainability, allowing us to effectively articulate our climate mitigation and adaptation strategies to our investors and stakeholders, connecting our ESG goals to our value-creation business strategy.

For CDL's sustainability vision and mission, please visit [www.CDLsustainability.com](http://www.CDLsustainability.com)