Sustainable debt issuer profile: CDL

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CDL's Esther An tells **Genevieve Redgrave** how sustainable debt has played a key role in its decarbonisation plans

In 2017, real estate developer City Developments Limited (CDL) became the first corporate in Singapore to issue a green bond.

Since the launch of the SGD100 million ($72 million) bond, the developer has raised over SGD3 billion in green finance (see box below), although the rest has come via loans.

Chief sustainability officer Esther An tells *Environmental Finance* that the process of getting a sustainability-linked loan is "less painful" than issuing a bond.

Esther An

The bond process, which requires second party opinions, classification, and audits, is "much more complex and tedious" than that for loans, she says, which can be organised bilaterally between the bank and the borrower.

Despite this, she explains CDL "remains open to other types of bonds that have the potential to help us accelerate our transition to net zero and move towards a more resilient and inclusive future".

An says there is a growing understanding that real estate faces particular challenges in the transition to a net zero economy, and sustainable debt has an important role to play in CDL's response.

Over its 55 years, CDL has become one of the largest real estate developers in the region. It has developed over 48,000 homes and owns around 23 million square feet of commercial and hospitality assets as well as 3.3 million square feet of land across 29 countries. It is one of the largest companies on the Singapore Exchange.

However, real estate as a sector is one of the largest sources of greenhouse gas emissions, across construction and property use over its life, which puts the sector particularly at risk from the transition.

According to the UN Environment Programme's *2022 Global Status Report for Buildings and Construction*, the real estate sector accounted for over 34% of energy demand and 37% of energy and process-related emissions last year. Not only was this an all-time high but the gap between the performance of the sector and the 2050 decarbonisation pathway is actually widening.

The UN warned that, in order to meet net zero goals, the sector must improve buildings' energy performance, decrease the carbon footprint from building materials and increase investment in energy efficiency.

An reiterates this, saying "if construction and building management does not decarbonise as necessary, there is a high risk of stranded assets".

"As a listed company, we have the obligation to create and return value on our investments", she says, "and if your investment is not financially viable how are you going to provide that [return]?" We need to "maintain profitability, but not at the expense of people and the planet", An argues.

Its labelled bonds and loans, issued under its sustainable finance framework, have helped finance a variety of projects, such as renovating its Singapore headquarters, and funding new developments.

The sustainability officer, who has been in her role for almost three decades, explains that green finance has played a "pivotal role" in building greener and more climate-friendly infrastructure. She says it has "enabled us to tap into investors and banks that are supportive of our sustainability efforts".

Five of CDL's green transactions have been in partnership with DBS Bank. This includes its first green loan, which was used to finance new property developments as well as an 'innovation loan' which targets improvements that contribute to the UN Sustainable Development Goals.

Other partners include UOB, HSBC, SMBC, Maybank, the Agricultural Bank of China and Credit Industriel et Commerical.

As achieving the energy transition becomes more important, An explains green finance will continue to play a core part in its strategy and be a "key enabler for green building and technology applications".

The sustainability-themed issues help reinforce its wider sustainability efforts, she argues. In 2021, CDL became the first Singaporean company to join the World Green Building Council's net zero carbon buildings commitment, a pledge to reach net zero operations by 2030. It requires companies to remove fossil fuels 'as fast as possible' and make all new developments and renovations 'highly efficient, powered by renewables'.

As part of the agreement, companies must also annually report asset and portfolio operational energy demand and carbon emissions.

CDL has reported on sustainability matters since 2008, and An says it voluntarily took the decision to begin reporting quarterly to "keep itself on its toes". While this can be difficult, she says, "it's better to track regularly rather than have a shock". It makes it easier therefore to chase data gaps and keep track of the areas that need more attention, she says.

Within this reporting, it tracks a number of metrics including water usage, carbon emissions intensity, and waste intensity as well as social metrics such as occupational injuries across its developments. In its annual sustainability overview report, CDL reported to have reduced carbon emissions intensity by 42% compared with 2007 levels and achieved 'green mark certification' on 85% of its owned and managed buildings. This is an accreditation that certifies a building has used sustainable design and best sustainability practices in construction and operation.

Timeline: CDL's sustainable debt

April 2017 – A two-year SGD100 million green bond was issued. Proceeds from the bond were used to offset a loan from CDL's parent company, CDL Properties, for renovations to its headquarters in central Singapore. This included retrofitting chiller plants, installing energy efficient lighting and improving the building's energy efficiency.

April 2019 – A three-year SGD400 million green loan agreed with DBS Bank and a two-year $100 million loan with HSBC. It claimed this was the first time in Singapore that green loans have been used to finance new property developments.

The loans were used to finance projects considered as green within its Sustainable Finance Framework. This stipulated that any new buildings must have a globally-recognised 'green building' label and use sustainable construction and design methods. A green project could also include retrofitting older buildings to improve energy efficiency, prevent pollution, manage water more sustainably and improve land management and use.

September 2019 – A five year SGD250 million 'innovation' loan agreed with DBS Bank. CDL was eligible for an interest rate discount if it achieved certain innovations linked to the UN's Sustainable Development Goals. To qualify, it must be the first company in Singapore to adopt and apply these innovations. An 'expert panel' was set up to assess how innovative these were against the 'market norms'.

Additionally, CDL had to remain listed on at least one global sustainability index.

December 2020 – A five year SGD470 million green revolving credit facility was closed, with funds used to refinance its headquarters and for lending to green projects.

The coalition of lenders included the Agricultural Bank of China, Credit Industriel et Commercial, DBS, HSBC, MUFG, Malayan Banking and SMBC.

April 2021 – A SGD1.22 billion green loan from a consortium of lenders including DBS, UOB, Maybank, SMBC and OCBC was closed. Proceeds were used to refinance a development in Singapore's South Beach, to align it with the requirements in the Sustainable Finance Framework.

August 2021 – A four and a half year SGD429 million green loan from DBS Bank and a four and a half year SGD428 million green loan from UOB was agreed. These were used to finance two new developments in Singapore, which claim to be Singapore's first 'super low energy' private residential developments.

The developments will be classified as an eligible green loan project if they achieve a BCA Green Mark Gold certification upon completion.

BCA is a green building rating system designed to assess the environmental performance of new and existing buildings. Its framework evaluates the sustainability of design, construction and operation processes used.

From developer to asset manager

CDL is also looking to "improve its long-term sustainable value", she says, by diversifying its income stream through active asset management. With aims to become a "leading fund manager in Asia", the group has set a target to achieve $5 billion of assets under management.

"To complement our active asset management focus", she says, "we have been accelerating the momentum of our investments, diversifying our geographic base and also building up our fund management business".

This has included acquiring a 50% stake in real estate investment trust IREIT Global Group, the first Singapore-listed real estate investment trust that invests specifically in European commercial real estate assets.

An explains it is also looking to invest beyond real estate. "With innovation identified as one of CDL's top material ESG issues, the company has intensified its search and application of viable innovations and technologies to reduce its environmental impact and carbon footprint", she says.

Set up in 2018, its Enterprise Innovation Committee has invested in several sustainability technology solutions, including a $3 million investment into sustainable paint manufacturer Gush, the products of which it is piloting in its developments.

An explains that CDL has also been involved in a project to pilot emerging technologies in its developments. This includes energy-efficient windows, carbon capture for urban built environments, and concrete created from recycled mixed plastic fibres.

In partnership with the UN Development Programme, the Singapore Centre for Social Enterprise and Social Collider, CDL has also provided rent-free space for start-ups working on one or more of the UN's sustainable development goals. This currently includes an ESG data exchange platform, a sustainable construction material development and a social impact consulting firm.

An explains that the move into asset management will help "enable CDL to tap into the growing appetite of institutional investors for unlisted real estate funds and concurrently deliver a higher return on equity to shareholders".

She says "apart from generating attractive long-term, risk-adjusted returns for our investors and shareholders, the fund management platform will also allow us to diversify our earnings, enhance recurring income streams and widen our investor base".