



The nature of business

Contents

03 Introduction

04 **Section 1** New material risks

08 **Section 2** From ambition to actions

12 Case study: Before disaster strikes

16 **Section 3** Nature: the most important stakeholder

21 **Section 4** Healthy dependency

25 About the research

Introduction

Temperatures are rising. Not only on the planet, but also among governments and corporate boardrooms. The scale of the climate crisis demands a coordinated and urgent response from policymakers, companies, and consumers. There is no doubt about the need to act, nor about the complexity of the task.

To understand how organizations in Asia are confronting the risks to the environment and the longevity of their business, MS&AD surveyed more than 500 senior executives across a range of industries and countries (see [‘About the research’](#) for more information).

This report is based on analysis of the survey data, and is complemented by in-depth interviews with business leaders and experts. We would like to thank all respondents and interviewees for their participation.



Section 1

New material risks

New material risks

Organizations in Asia are facing up to the risks of an unhealthy planet. Now, the challenge is to formulate a coordinated response.

As the Covid-19 crisis tests the resilience of institutions, businesses and individuals, just how prepared are we for the next life-changing event?

The 2021 [WEF Global Risks Report](#) reminds us what that is likely to be: "Among the highest-likelihood risks of the next 10 years are extreme weather, climate action failure and human-led environmental damage." This comes after [last year's report](#), when for the first time the top-five global risks all came from the same category: the environment.

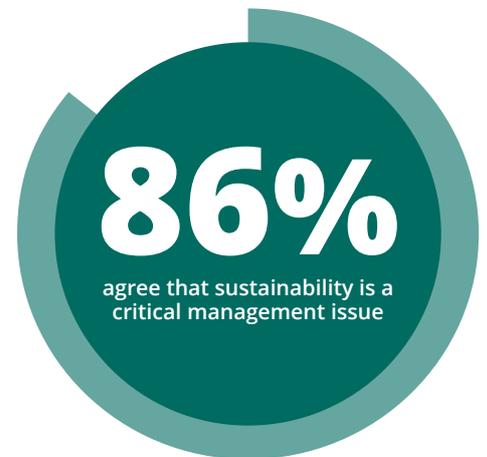
Covid-19 puts our readiness to protect nature under intense

scrutiny. Organizations may have embraced the theory of sustainability in their operations, but will they pass the practical exams?

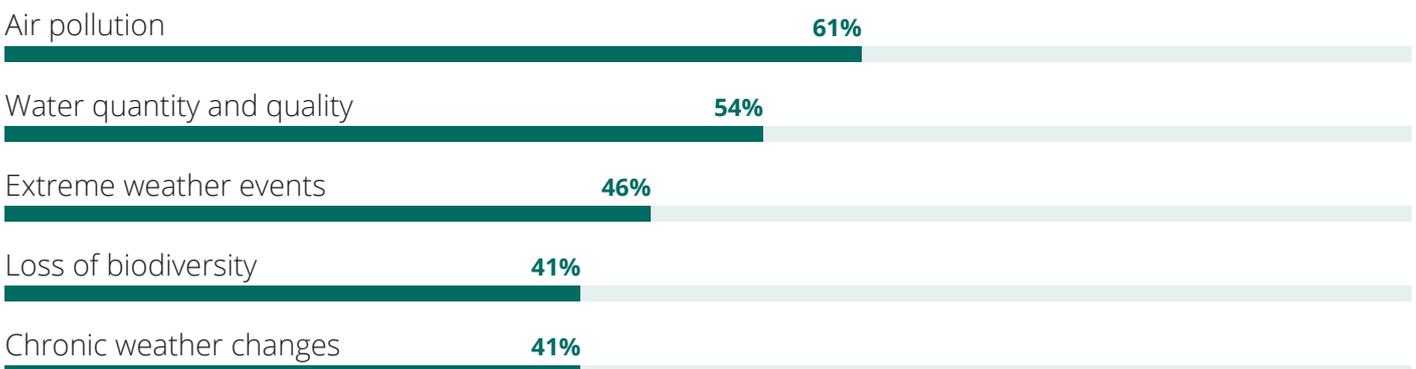
Healthy planet, healthy people, healthy business

Most respondents agree that sustainability is a critical management issue, according to new research surveying companies in Asia commissioned by MS&AD and conducted by Longitude, a Financial Times company. They also acknowledge that air pollution (61%), water quantity and quality (54%), and extreme weather events (46%) are material risks

to their organizations. And the vast majority agree that climate-related risks are interconnected with other risks faced by their companies and need to be treated as such.



Which of the following risks, if any, are material to your company?



The challenge now is to create a coordinated response to those risks. “We need to tackle the health of the planet, which is interlinked and interdependent with the health of people, society, and the economy,” says Esther An, chief sustainability officer of City Developments Limited (CDL).

An integrated approach would be welcomed by the [Capitals Coalition](#), which brings together the Social & Human Capital Coalition and the Natural Capital Coalition to help organizations assess their impact and dependencies on nature.

“Covid-19 has shown why we need a systems-based approach,” says Rosie Dunscombe, technical director of the Capitals Coalition. “Through our Protocol and frameworks, we focus on business decisions and how they are made. We see that risks and opportunities are interconnected between natural, social, human and produced capital.”

Making sense of complexity

For many organizations, their approach to sustainability is guided by common global language and goals, such as the UN Sustainable Development Goals (SDGs). The research, meanwhile, shows that they are driven by the need to reduce waste, by an increased awareness of environmental risks, and to increase the long-term viability of their business. In other words, sustainability



We need to tackle the health of the planet, which is interlinked and interdependent with the health of people, society, and the economy.

— Esther An, chief sustainability officer, City Developments Limited (CDL)

has to be meaningful to their organization.

However, for those organizations that have not yet fully implemented their sustainability strategy and disclosure, putting it into action can be daunting. Esther An is sympathetic. “Sustainability reporting and disclosure are becoming more complex, given the higher expectation of investors and stakeholders,” she says. “So you need to look closely at your own business. What are your particular strengths and weaknesses? Where are the gaps? Should we look at energy, waste management, or the supply chain? What is material to real estate developers will not be the same for manufacturers. Conducting an annual materiality study has helped us align the expectation of our stakeholders with the focus of our strategy and disclosure.”

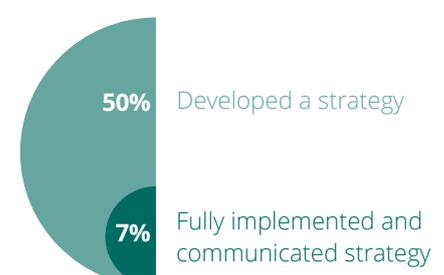
For CDL, whose philosophy since 1995 has been “conserving as we construct,” this means taking an integrated approach

to sustainability strategy and reporting, setting stretch goals and targets for green buildings, carbon reduction and energy efficiency, and embracing green finance. It has been ranked as the leading real estate company on the [Global 100 Most Sustainable Corporations](#) in 2020 and 2021.

Adopting a holistic strategy, CDL applies and measures ESG through business and financial lenses, assessing the impact of natural capital on the overall financial bottom line.

Encouragingly, half of respondents say they have a natural capital strategy; however, only a small minority of them (7%) are at the implementation stage.

Natural capital maturity



Those natural capital strategies will only succeed, says Robert Spencer, director of sustainable development at AECOM Europe, with a collective effort across the organization. “You need to be able to figure out how your business depends on natural assets,” he says. “Then how do you integrate that into your decision-making – on capital investment, operations, and asset maintenance?”

In practical terms, businesses are focusing on using sustainable materials, minimizing plastic waste, and reducing emissions. Other areas – such as depletion of water resources and deforestation – are currently less of a focus, but they will need to be considered seriously.

Bring in the impact assessors

Organizations’ ability to make headway in these critical areas will depend, in part, on access to data and greater resources.

According to the research, it is these factors that are slowing down progress on low-carbon strategies.

And that is likely to be exacerbated by the ongoing impact of the pandemic. About two-thirds (68%) of respondents agree that the impact of Covid-19 has limited their progress on identifying and assessing climate-related risk.

This is where external partners – consultants and insurers – can play an important role. Two-thirds of respondents say they are working more closely with insurers to proactively identify climate-related risks.

“Our job is to identify risk and inform our customers about risk preparedness,” says Tetsuji Higuchi, representative director, senior executive officer at MS&AD. “Then when events do happen, we want to help reduce the economic burden and ensure a swift recovery.”

Part of that preparedness means consulting with clients to understand the impact of their business on natural capital, and the risks associated with depletion of water, floods, deforestation, and the management of supply chains.

It is a dialogue and collaboration that will be critical to understanding the serious impact that business has on nature and how nature-loss affects business.

“Some people say, ‘You can’t possibly understand all the complexities in a natural system, and try to put a value on that,’” says Spencer. “The thing is, if we don’t try, then what isn’t valued is typically ignored, and we end up with a continuous degrading of the natural systems that we all ultimately depend on.”

“ You need to be able to figure out how your business depends on natural assets. Then how do you integrate that into your decision-making – on capital investment, operations, and asset maintenance? ”

— Robert Spencer, director of sustainable development at AECOM Europe

Section 2

From ambition to actions



From ambition to actions

Managing climate risks is a work in progress across Asia. Companies know they need a cohesive approach to sustainability, but can they put that knowledge into practice?

Asia's political leaders have set a clear course toward mitigating climate change risk, with tough targets for carbon neutrality. But new research suggests that while companies in the region recognize the role they need to play, many are not yet ready to play it.

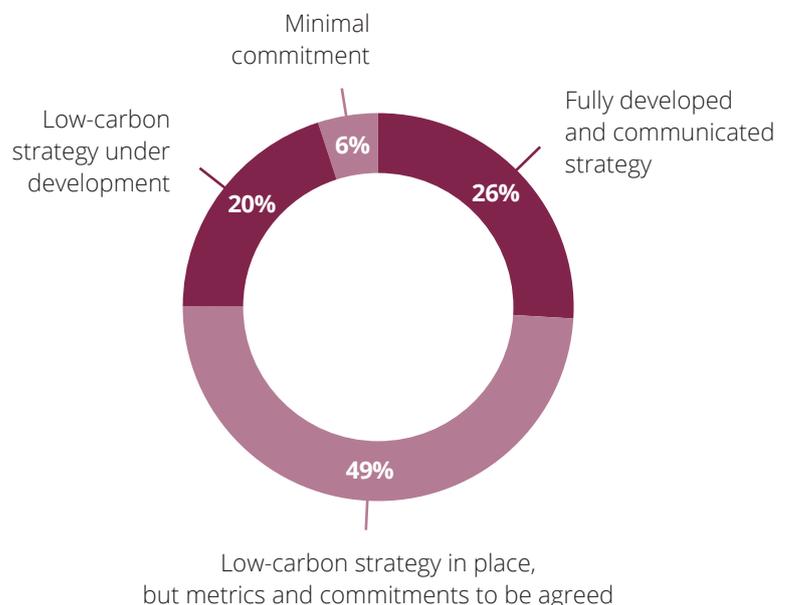
Policymakers' ambition is striking. In Japan, the new prime minister, Yoshihide Suga, used his [first speech](#) to the National Diet to promise that the country would become carbon neutral by 2050; South Korea [matched that pledge](#) within weeks. And China has vowed to reach net zero by 2060, with President Xi Jinping [setting out plans](#) in December 2020 to triple the country's wind and solar energy capacity over the next decade. These pronouncements follow earlier pledges from the UK and the EU.

A critical management issue

Corporate leaders appear to be on board with these moves. As we have seen, the research shows that 86% of organizations agree that sustainability is now a critical management issue. And the C-suite is getting a grip

on it, with 39% of companies saying that their CEO or MD is responsible for developing and executing the company's sustainability strategy. A quarter of organizations have a fully developed strategy to reducing carbon emissions.

Which of the following best describes your organization's commitment to reducing carbon emissions?



In some ways, corporates' appetites for action on sustainability are bigger than the policymakers'. While governments worldwide are criticized by the United Nations' environment program for failing to embed 'green recovery' measures into their Covid-19 stimulus packages, 85% of organizations support the idea of green recovery plans to accelerate the move to a low-carbon society in the wake of the pandemic.

"We're speaking to thousands of organizations all the time," says Rosie Dunscombe, technical director of the Capitals Coalition. "This year has really pushed the agenda of looking at broader business risks and opportunities in terms of climate and biodiversity loss, [although] we may not see the full impact for a few years."

Firms fall short on strategy

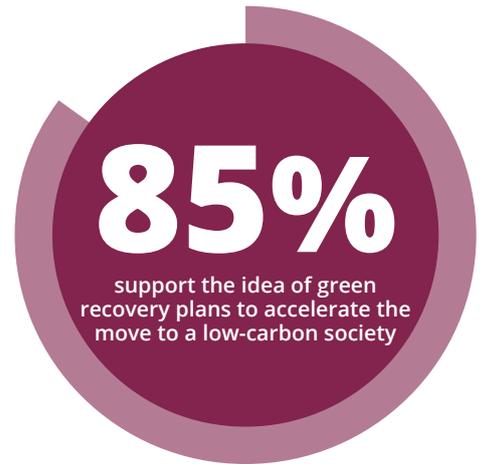
Setting strategy and targets is achievable, but translating ambition into practical strategies to achieve those goals is much tougher. For many organizations, it is very much a work in progress: a quarter of the companies in the research are confident that they have put in place a sustainability strategy that has been fully implemented and communicated to key stakeholders.

What is standing in the way of greater action? One problem is a shortage of resources: many organizations lack the

expertise they need to move forward. Other concerns are a lack of investment in low-carbon technologies and a broader lack of awareness, business wide, of low-carbon strategies.

Clear and present dangers

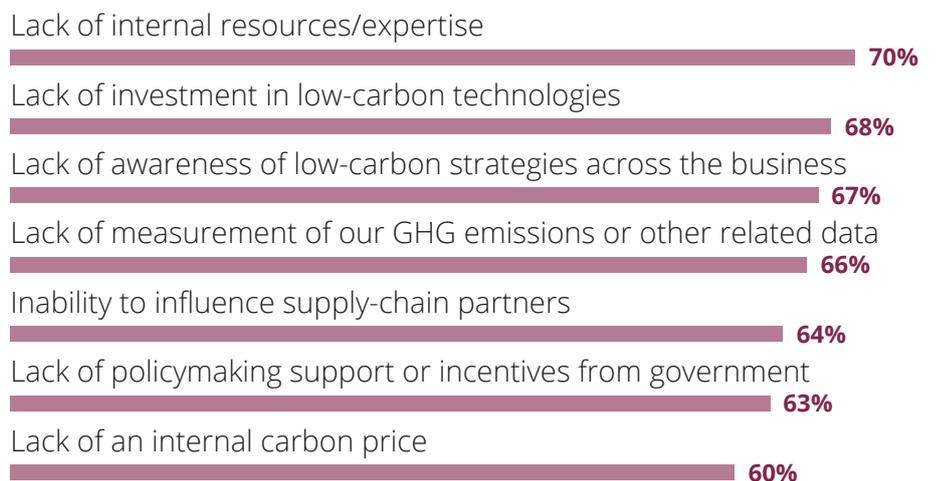
One major issue for organizations is that while they plan for future sustainability, they also have to remember that many parts of the region are particularly vulnerable to the effects of climate change – now. So a key part of the challenge, says Robert Spencer, director of sustainable development at AECOM Europe, is: "How do you become more resilient to the impacts of climate change that are already happening? You've got so many vulnerable cities in the Asia-Pacific region, vulnerable to tidal storms, surges, monsoons, cyclones, bushfires as well."



These considerations now need to be incorporated into cohesive sustainability strategies, according to research from McKinsey & Co. It points out that while parts of Asia face severe climate change impacts, they also have an advantage, because "infrastructure and urban areas are still being built out in many parts". That creates an opportunity to make developments resilient right from the start.

How much impact do the following factors have on slowing down progress on low-carbon strategies?

Chart shows some impact + significant impact



Sustainable success

This is an important idea, says Lars Svensson, head of sustainability at IKEA Southeast Asia & Mexico. IKEA has long incorporated basic sustainability principles into its practices – because doing so makes commercial sense. “IKEA has always had an internal driving force to become more efficient and use fewer materials and reuse materials,” he says. “And to find ways to save money that can be passed on to customers in the form of lower prices.”

This has now become a guiding principle. “Our approach is that [sustainability initiatives] need to be business-positive as well as people- and planet-positive,” says Svensson. “We have to secure the long-term survival of the business, and that includes ensuring that we will have access to sufficient, affordable, and

sustainable resources 50 years from now.”

So IKEA became the first retailer in Singapore to remove plastic bags from its stores, asking customers to buy reusable bags instead. And it used the savings this generated for a project in Indonesia designed to tackle deforestation linked to palm oil demand. Similarly, IKEA’s sale of the waste it recycles in Southeast Asia adds to the bottom line and finances the costs of incinerating non-recyclable waste to generate power, rather than it ending up in landfills.

Working out how to turn policy into practice is critical, suggests AECOM’s Robert Spencer. “Helping our clients understand what the solutions are to net zero is one of our biggest challenges at the moment, given the very big commitments they have made to their markets and

to their investors,” he says. “We need to get really pragmatic.”

The research suggests that many organizations are now beginning to do exactly that. At the strategic level, they have started to build climate-related risk into risk management frameworks and to think about the data they now need in order to set policy and monitor performance. They are also starting to invest in environmentally friendly technologies.

This is positive news, but these efforts have to be led by the top of the organization. And with three-quarters of companies yet to fully implement their overall strategies, businesses have a lot to do to meet the targets set at the national level. Can their actions live up to the policymakers’ ambitions?

“ We have to secure the long-term survival of the business, and that includes ensuring that we will have access to sufficient, affordable, and sustainable resources 50 years from now.

— Lars Svensson, head of sustainability, IKEA Southeast Asia & Mexico

Case study

Before disaster strikes

Before disaster strikes

Can closer private-public collaboration alleviate the impact of extreme weather events?

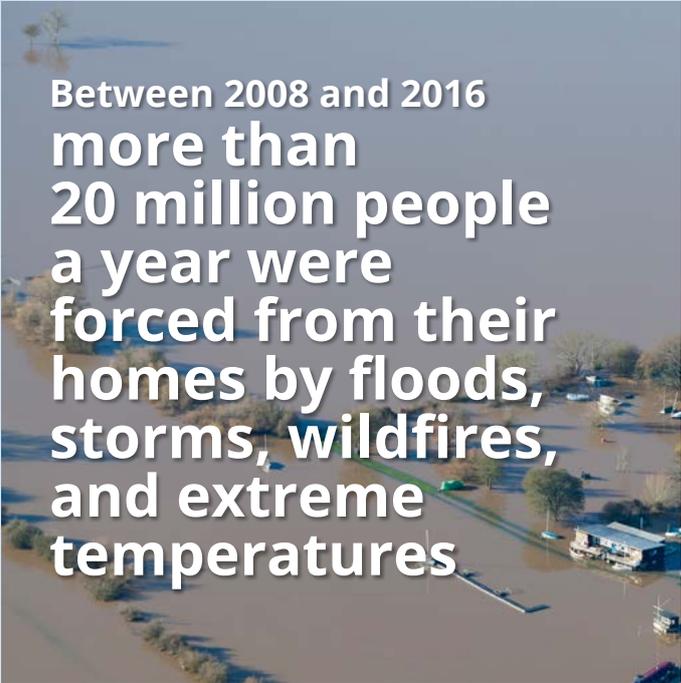
Extreme natural events are becoming more frequent and more intense. According to [the UN](#), more than 7,000 disasters have been recorded since 2000. The comparison with the previous two decades, which saw closer to 4,000 reported disasters from natural hazards, is stark. Between 2008 and 2016, more than 20 million people a year were forced from their homes by floods, storms, wildfires, and extreme temperatures.

And when disaster strikes, there is often no insurance mechanism in place to help with the catastrophic economic impact. [Only a third](#) of economic losses caused by natural disasters have been covered by insurance; the remaining two-thirds fall into a protection gap that is difficult to plug with public relief – especially when there are added problems such as lack of infrastructure and poverty.

Funding gap

Across Asia Pacific, the impact of these losses is often uneven. “Small island countries that are prone to natural disasters also have small economic output,” says Ms Hori, general manager, Reinsurance Dept., Mitsui Sumitomo Insurance (MSI). “Governments that have less financial resilience are not able to provide the help required.”

Hori says that in the event of a disaster there is a need to close the gap using public-private partnerships (PPPs), whereby private and public sector bodies collaborate to provide relief.



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“PPPs are becoming increasingly important in helping to mitigate the impact of natural disasters,” she says. “We can provide coverage and offer expertise to governments in this area. We can also provide risk consultancy services, helping to minimize losses by offering loss mitigation measures.”

Disaster finance schemes

Inhabitants of the Pacific Islands recognize the benefit of these collaborations. Since 1950, tropical cyclones and earthquakes are estimated to have caused more than [US\\$3bn](#) in damage and losses in Pacific Island countries.

Disaster risk finance is now in place under a scheme launched by the World Bank as part of the Pacific Catastrophe Risk Assessment and Financing Initiative. Financial assistance comes from donor countries, including Japan, Germany and the UK, to the Pacific Catastrophe Risk Insurance Company (PCRIC), an entity owned by Pacific island countries that provides earthquake and cyclone coverage to its member countries. And MSI is supporting the PCRIC as one of its reinsurers.

The scheme works well for two reasons. First, because of the way payment is distributed. “Insurance payments are made to the government rather than individuals,” says Hori. “Because the government knows where it can be used most efficiently in order to promote the recovery phase.” Second, it is parametric insurance cover, which means that payments are made based on the parameters related to a predefined event, such as an earthquake, rather than for actual loss incurred, and pays out according to a predefined scheme. Since there is no need for a damage survey, funds can be provided almost immediately.

The World Bank has launched a similar regional platform for ASEAN countries, the Southeast Asia Disaster Risk Insurance Facility (SEADRIF), and established SEADRIF Insurance Company in Singapore in 2019 with the cooperation of the governments of Japan and Singapore. Its first

financial product, flood risk insurance for Lao PDR and Myanmar, is to be launched soon. As insurance companies domiciled in Asia, MSI and its sister company Aioi Nissay Dowa Insurance – two of the major non-life insurance companies within MS&AD Insurance Group (MS&AD) – are looking to act as reinsurers under this new scheme.

The emphasis is on collaboration. “We operate in Singapore and across Asia, and have local subsidiaries who have established good relationships with government agencies,” says Hori. “But this would not be enough to set up a facility like SEADRIF. We need funding – a sponsor to make contributions. We are engaged in PPP activities as part of our business, and that is key to us operating in a sustainable manner.”

Continuing education

Informing developing countries about the function and benefits of insurance is an ongoing process, and the need for education spreads wider.

“Even in developed countries – including Japan – insurance is not something that is always fully appreciated or understood,” says Hori. “When people suffer loss, they are not clear on the type of coverage they had. We want to extend a helping hand to those people. As part of our literacy enhancement initiative, we are helping customers to understand their claims.”

“ Even in developed countries – including Japan – insurance is not something that is always fully appreciated or understood. When people suffer loss, they are not clear on the type of coverage they had.

— Ms Hori, general manager, Reinsurance Dept., Mitsui Sumitomo Insurance (MSI)

MS&AD is also putting emphasis on digitalization. It has opened digital hubs in Tokyo and Singapore that aim to enhance the customer experience and promote open innovation. The Singaporean hub will support the ASEAN market, where digital business is developing rapidly.

At an academic level, the University of Tokyo and Shibaura Institute of Technology are collaborating on research into global flood risks caused by climate change. And at a national level, lessons learned in Japan could be shared globally.

Japanese lessons

The country's aging population poses particular challenges for the government, which is collaborating with the insurance sector to find ways to deal with them. [One scheme](#), established in Kobe, combines a dementia diagnosis finance support facility and a dementia-related accident relief facility consisting of a benefit system and liability insurance. MSI acts as the sole insurer for the city's citizens in a scheme that is financed by municipal tax.

"We can use our experiences and successes in Japan in other markets," says Hori. "We operate in 42 countries. The challenges posed by an ageing society are not exclusive to Japan."

Other global events are under discussion within the industry – pandemics, for instance. One issue is speed of response. With a natural disaster there are ways, through parametric cover, of creating almost 'automated' pay-outs. But that becomes harder in the case of a pandemic, because of the wide-ranging social effects.

"The spread and impact of Covid-19 shows us how important it is to build a resilient and sustainable society," says Tetsuji Higuchi, representative director, senior executive officer, MS&AD. "That's why we're working with universities and the start-up community to find new, innovate ways to solve social challenges."

Ultimately, MS&AD's aim is to minimize or mitigate the impact of natural disasters and other dangers facing the world. PPPs, collaboration, and continuous education will all play a part in making an unpredictable world more secure.



Section 3

Nature: the most important stakeholder



Nature: the most important stakeholder

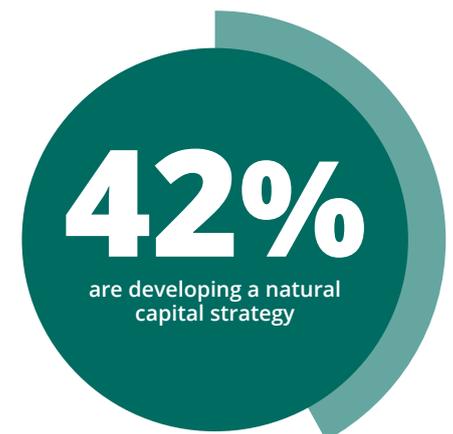
Our research suggests that as the climate crisis intensifies, natural capital is rising up the agenda for organizations in Asia. But are they equipped to measure their impact on the environment, and how can they make progress on the neglected subject of biodiversity?

“Nature underpins our ability to thrive and exist as economies and as individuals,” says Niki Mardas, executive director of Global Canopy, a not-for-profit think tank that focuses on nature-positive investments.

Businesses and economies around the world may finally be waking up to this dependency on the natural world. Organizations are starting to develop natural capital and biodiversity strategies in order to reduce their damage to the environment and natural habitats – and to protect their business from emerging risks.

But while there may be good intentions, there are many barriers to making them a reality. Half of the organizations we surveyed say they have developed a natural capital strategy, and 42% are working on one. But as we saw in Section 1, just 7% have a fully scoped and implemented strategy.

“There is a perception that natural capital thinking is a very complex technical area, which can put organizations off,” says Rosie Dunscombe, technical director of the Capitals Coalition. “It gets labeled as too hard, and



the conclusion is often that it is easier not to do it. But it is better to do something than nothing. Organizations who proactively make the investment before their hands are forced will realize broad benefits.”



The picture is bigger

Global Canopy's Mardas says that at the forefront of natural capital strategy is the bigger picture, and a longer-term view of the importance of protecting nature – not just to society, but also to a company's bottom line.

"Markets drive the majority of impacts on nature worldwide, but businesses depend on nature for, frankly, everything – clean air, clean water," he says. "A key starting point for businesses is to understand those connections and their impacts – that is the first big area where there is a very serious problem."

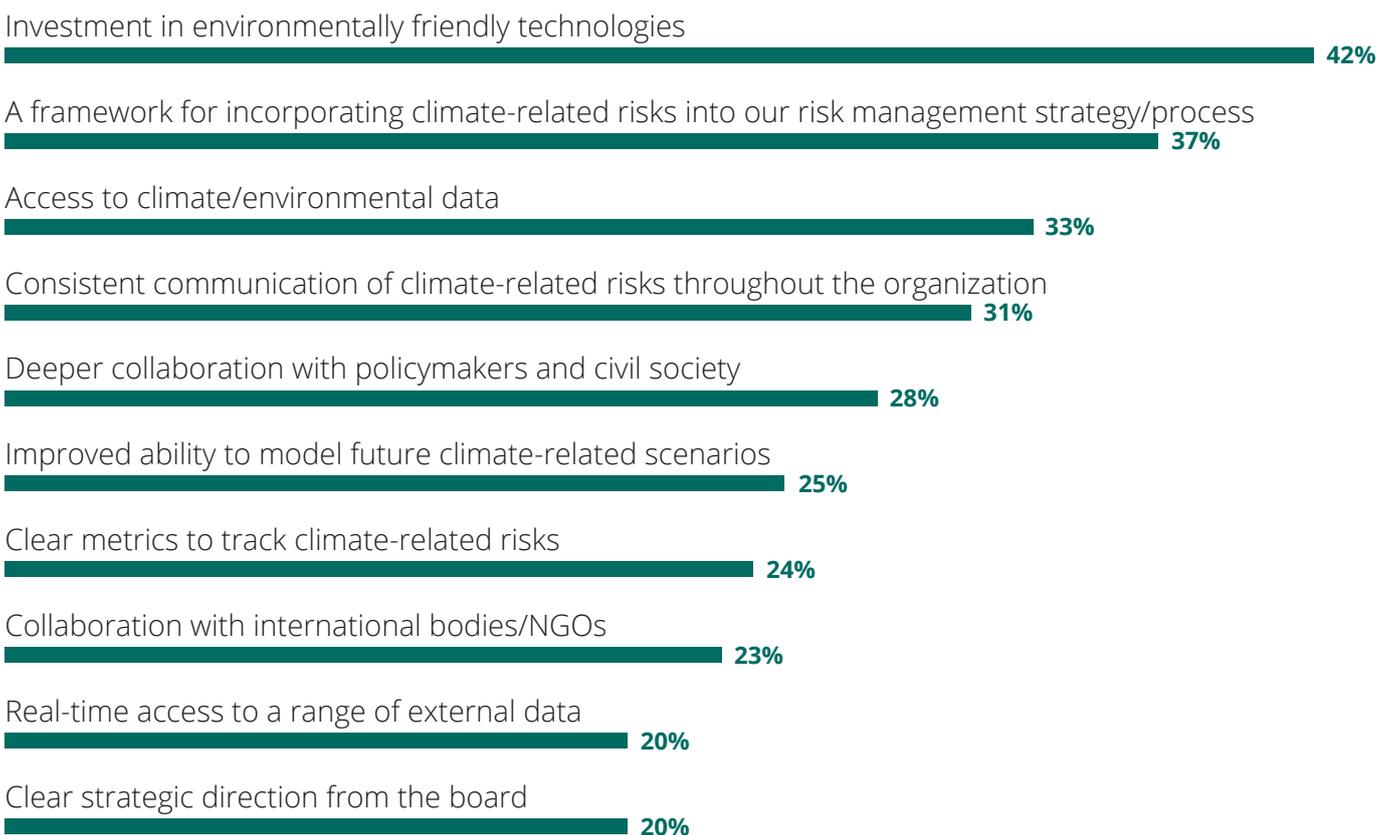
As we saw in Section 1, air pollution (61%), water quantity and quality (54%) and extreme weather events (46%) are perceived as material risks to companies. But although there is awareness of the risks to future business, the link to causes of environmental damage is not always reflected in company policies.

Businesses have focused on certain key areas – the use of sustainable materials, reducing plastic waste, and reducing carbon emissions – while overlooking others that are arguably more significant to Asia's climate vulnerabilities.

These include deforestation and depletion of water resources.

Even when deforestation is taken into account, businesses' action does not always go far enough. "Companies often say the right things," says Mardas. "But then they are not embedding it strategically within their business. When it comes to deforestation, you have companies with the strongest policies on palm oil because that is the issue that gets the most campaigning and media attention – whereas cattle, which they so often overlook, is the biggest single driver of deforestation worldwide."

Which of the following factors are most important to your organization in managing/mitigating risks related to climate change?



Collaboration will make the difference

The research finds that although business leaders' understanding of natural capital is relatively good, less than a fifth say that awareness among employees (19%) and suppliers/partners (19%) is very strong.

One of the things that Global Canopy looks at is implementing tracking strategies so that organizations can be held accountable for the natural capital complications of their supply chain. "We see that consumer-facing brands have very strong policies," says Mardas. "But upstream companies that are not exposed to consumer pressure do not."



I think we have learned that no one company, no one actor, no one government can do this alone or make a difference.

— Niki Mardas, executive director of Global Canopy

But Mardas does concede that without true collaboration and joined-up strategic thinking across industries and regions, companies can find it hard to make a difference.

"I think we have learned that no one company, no one actor, no one government can do this

alone or make a difference," he says. "When one company cleans up its own supply chain, other companies will come into the space. We need collaboration and sector-wide change: these problems are too big, they are too systemic to be changed by a small number of players."



Biodiversity: no time to lose

There is one area that appears to be getting less attention from companies: biodiversity – the protection of life and ecosystems. Only a tiny minority (3%) of businesses have a fully developed and implemented strategy for biodiversity and environmental impact assessment.

Companies say that the areas of business most at risk from a loss of biodiversity are access to raw materials, the health of workforce and local communities, and supply-chain performance. But four in 10 respondents say that their business does not have a good track record of taking biodiversity into account when making strategic decisions. And about half (49%) say there is a lack of incentives to embed biodiversity principles and practices into their organization – although a vast majority (82%) agree that they need to increase awareness of the potential impact of biodiversity risks.

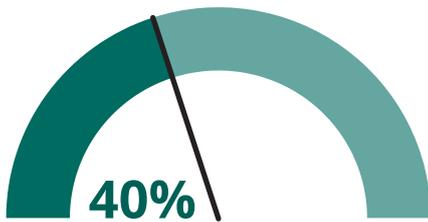
It is a problem that Rosie Dunscombe is familiar with. “Biodiversity is much more complicated to quantify [than natural capital],” she says. “It is a bit of an unknown risk to corporates. But the link between Covid and biodiversity loss is now drawing it into sharp focus.

“A lot of businesses are saying they are worried about biodiversity, and need guidance on it,” she adds. “While it is important to have a technically

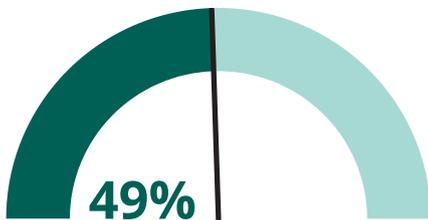
accurate definition, what does this mean to a business? Many do not know how to relate biodiversity to natural capital and ecosystem services, and how to go about assessing it. The Capitals Coalition has tried to address these needs through its recently launched [Biodiversity Guidance](#).”

Robert Spencer, director of sustainable development at AECOM Europe, agrees. “Essentially, 20th-century models for conserving nature and looking after natural systems have largely failed,” he says. “Otherwise, we would not be in the biodiversity crisis that we are in. So we need a way of integrating natural systems into the parts of human understanding and calculations that we do take note of, which is largely financial models. The more we work with natural systems and understand them, the more we understand how to use natural systems to do some of the work that makes our infrastructure safer and more resilient.”

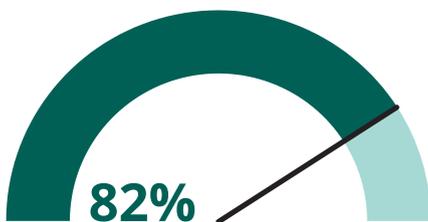
The quicker, the better, according to Mardas. “This is a material issue to your business,” he says. “And it is a material issue to the planet.”



Our business does not have a good track record of taking biodiversity into account when making strategic decisions



There is a lack of incentives to embed biodiversity principles and practices in our organization



Our organization needs to increase awareness of the potential impact of biodiversity risks



Section 4

Healthy dependency

Healthy dependency

Organizations are looking for new ways to reduce their impact on the planet. The innovators are getting all their stakeholders – employees, supply-chain partners, customers, investors – involved in the process.

“Covid-19 has made the unthinkable, thinkable,” says Lars Svensson, head of sustainability IKEA Southeast Asia and Mexico. “If all this could happen with a pandemic, what about all those warnings about the impact of climate change? There is now heightened awareness of what could become reality and an even stronger commitment to action.”

In our research, the majority of respondents (83%) say that since Covid-19 they are more aware of the risk that environmental degradation makes pandemics more likely. And a similar number (81%) acknowledge

“ Covid-19 has made the unthinkable, thinkable. If all this could happen with a pandemic, what about all those warnings about the impact of climate change?”

— Lars Svensson, head of sustainability, IKEA Southeast Asia and Mexico

that they will need new skills to improve their tracking of potential risks.

If this crisis has increased our understanding of the link

between the destruction of habitats and infectious disease, it can also be the start of solving wider problems, says Niki Mardas of Global Canopy.

83%

say they are more aware that environmental degradation makes pandemics more likely

81%

agree they need to recruit new skills/expertise to enhance their risk impact reporting

44%

say their organization was not prepared for the extent of the impact of Covid-19

First, make the connection

“The first thing we need to do is to understand market impacts on nature,” says Mardas. “Transparency is not the be-all and end-all, but without understanding how we are connected to these impacts, we cannot begin to have accountability for them, and we cannot begin to solve them.”

Global Canopy has developed a number of tools and platforms to understand these connections. The [trase.earth](#) platform, which it created in partnership with the Stockholm Environment Institute, uses big data, including shipping records, to help organizations understand their exposure to deforestation risk in their supply chains.

Its [ENCORE](#) tool, meanwhile, which it developed with the UN Environment Programme (UNEP) Finance Initiative and UNEP’s World Conservation Monitoring Centre, helps financial institutions, including insurers, to identify different economic sectors’ impacts and dependencies on nature.

“In the past, the data was not good enough, but it is getting much, much better, and now it is open source and on the web,” says Mardas. “Now you can find out, for example, where soybeans are produced and whether they originate from an area of environmental concern.”

A target-based approach

Interrogation of supply chains and better knowledge of dependencies is integral to IKEA’s approach to sustainability. When it measures carbon footprint, for example, IKEA takes the whole value chain into account, including how customers have traveled to and from a store. “We look at what happens to our products after we have sold them,” says Svensson. “And how they are being utilized, how we can extend their lifetime or if we can reduce waste, repair, readapt or resell them.”

That kind of activity is part of IKEA’s ambition for all of its products in the supply chain to be circular by 2030, using renewable or recycled materials. “Becoming circular

means you can regenerate resources in the system, and thereby protect ecosystems,” says Svensson. “And by involving and enabling consumers in the circular journey, they can see how they contribute indirectly to improving biodiversity through behavior and consumption choices.”

Setting ambitious targets helps to focus minds, agrees Esther An, chief sustainability officer at City Developments Limited (CDL). CDL is aiming for all of its new and existing wholly-owned assets and developments under its direct operational and management control to be net zero by 2030, and advocates for all buildings to be net zero by 2050.

To sustain its focus on those goals and others, CDL has conducted a materiality study each year since 2014 – among regulators, customers, investors, and tenants – to understand in which areas it can have the greatest impact in terms of ESG. Innovation has been ranked the top material ESG issue for the past four years.



Innovation: the crucial partner

“Singapore does not have an abundance of natural resources, so we need to be creative and efficient in how we approach the design of cities and buildings. As a developer, we have applied digital and building technologies extensively throughout the lifecycle from design to construction to reduce heat gain and increase productivity,” says Esther An.

“Singapore is already one of the greenest cities in the world,” she adds. “Now, it is aspiring to becoming a [City in Nature](#) – where infrastructure and communities are in harmony with nature.”

Smart use of data and technology can have a transformative effect on how we use natural and man-made resources. The ability to predict and pre-empt threats is one of the reasons why MS&AD, through MS&AD Ventures, has invested in 40 technology start-ups over the past two years and encourages open innovation

“ The risks we face are becoming bigger, more significant, and more complex.

— **Tetsuji Higuchi, representative director, senior executive officer, MS&AD**

between industry, government, and academia.

“The risks we face are becoming bigger, more significant, and more complex,” says Tetsuji Higuchi, representative director, senior executive officer at MS&AD. “We combine the data and experience we have in the insurance industry with expertise in AI, analytics, and IoT [the Internet of Things] to come up with new ways to address social challenges.”

Putting heads together

One of the most effective ways to embed innovative ideas is through the day-to-day actions of employees. To encourage new thinking within the organization, MS&AD holds an annual worldwide sustainability contest

among its workforce, which last year attracted more than 300 entrants. Employees’ ideas have included developing advanced climate risk assessments and supporting communities with digital technology training.

As organizations look for new ways to limit their impact on the environment, this kind of creativity could make all the difference.

“We are waking up to how serious impacts on nature can be in terms of climate change, biodiversity loss, and the damaging effects on local people,” says Mardas. “We are starting to see change, but there is a huge distance to travel. We need genuine collaboration that we can see.”

“ As a developer, we have applied digital and building technologies extensively throughout the lifecycle from design to construction to reduce heat gain and increase productivity.

— **Esther An, chief sustainability officer, City Developments Limited (CDL)**

About the research

The data in this report comes from a survey of 541 senior executives conducted in 2020.

Sectors

- Industrial products/manufacturing
- Government/public sector
- Retail
- Health, life sciences/pharmaceuticals
- Food/beverages
- Construction/infrastructure
- Diversified industrial products
- Transportation/logistics
- Automotive/automotive parts
- Agriculture, forestry/fishing
- Power/utilities
- Oil/gas
- Tourism
- Real estate
- Apparel
- Mining/minerals

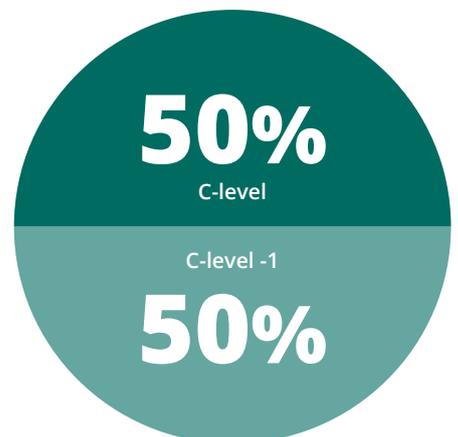
Country



Company size



Role



All respondents had some involvement in the development of their organization's risk management policies and sustainability initiatives. All respondents work in organizations that are either developing a sustainability strategy, or have developed and implemented a sustainability strategy. (Those where there is no strategy were not included.)

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