

More buildings are adopting 'green building' index

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by Tan Jee Yee

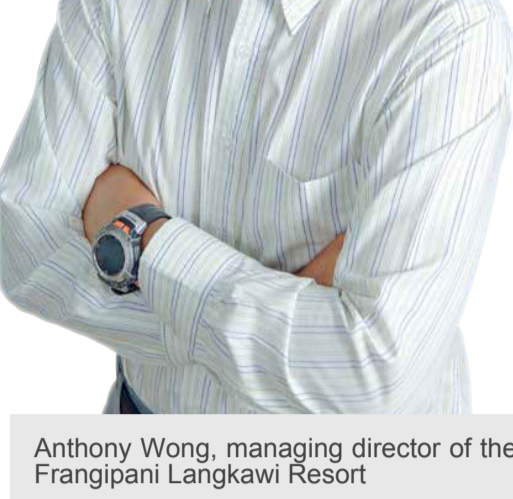
Economic trends globally and locally are placing strong pressures on the environment and society. It's vital that organisations begin to re-think the idea of corporate sustainability

We are in the midst of a period of economic uncertainty, as oil revenue slumps and growth slows, against the backdrop of a decline in the value of the ringgit and the price of commodities. As an entity, our economy is still evolving and shifting, resulting in changes to the nation.

Any change in the economy has a cascading effect on other aspects of society. Economy has most impact on two things: natural environment and social environment.

Economic pressures usually accelerate the consumption of natural resources and increase carbon emissions. Society's stability is also affected, usually by way of unemployment (especially among the youth), as well as social inequality.

In the face of all these changes and uncertainty, corporate sustainability is all the more important. Most would define the term as a business approach towards long-term consumer and employee value via strategies aimed towards the natural environment, while also considering how it operates within the social, cultural and economic worlds.



Anthony Wong, managing director of the Frangipani Langkawi Resort

The business world is aware of this concept, but it is not embracing it enough. A survey of 2,000 companies by the MIT Sloan Management Review and the Boston Consulting Group found that two-thirds of business people understood social and environmental matters as significant things to look into. Yet, only 10% thought they themselves are doing enough about it.

In a way, something like corporate sustainability would sound like the antithesis of the capitalistic system in which we largely operate. It calls for us to do more for others at the cost of our own profits, but is there truth to the statement? Besides environmental and societal benefits, corporate sustainability might actually benefit the corporation most.

Responsible development

The need to keep up with corporate sustainability is something that can be felt in various industries.

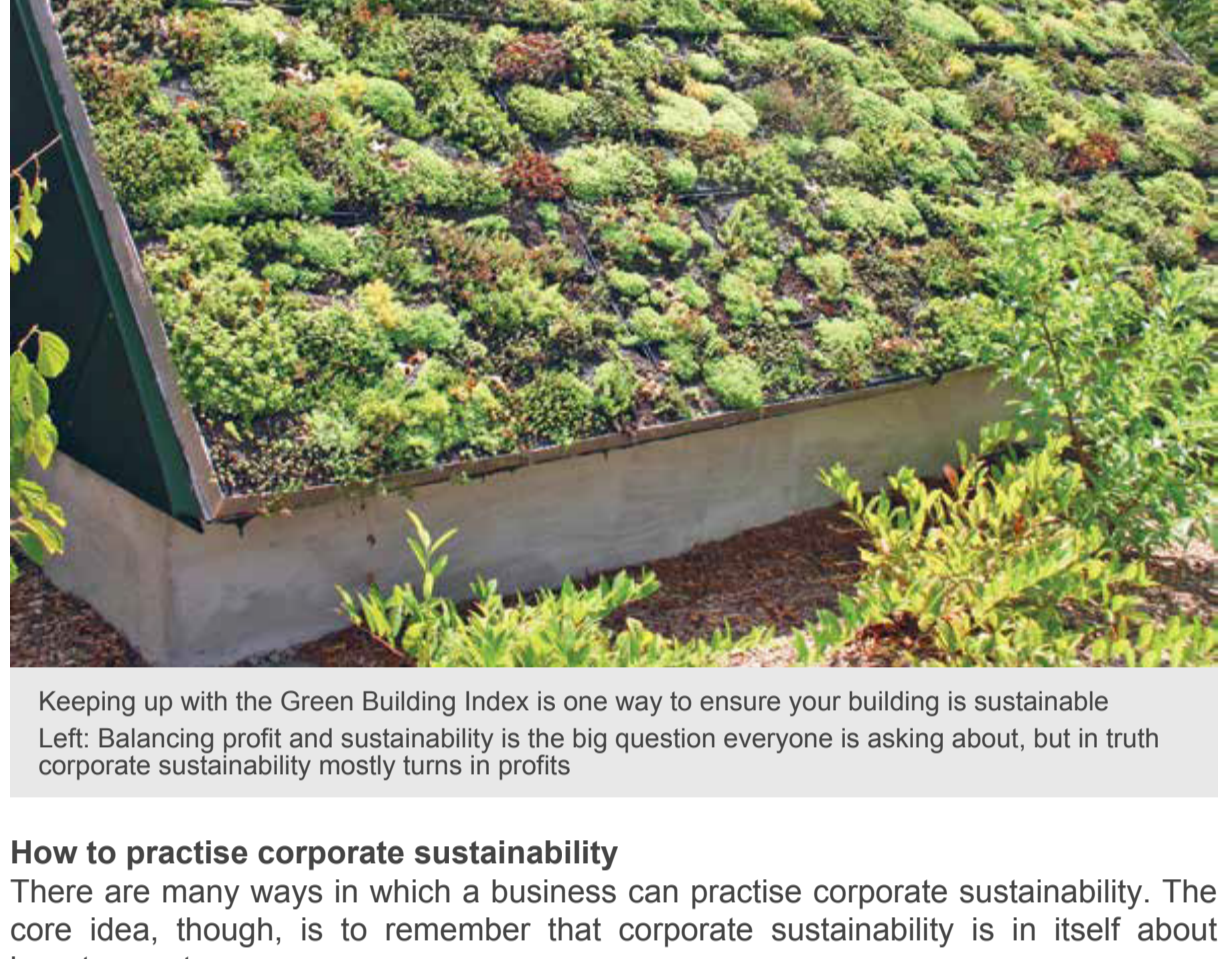
"The building and construction industry is seeing a rapid change in priorities, with sustainability and the issue of resource conservation quickly becoming higher priority subjects across governments and businesses around the world," says Thirukumaran Jallendran, sustainability director of Lendlease, a property group specialising in project management and consultancy.

"Additionally, we noticed that there is growing expectations in the community with regards to responsible development, mostly fuelled by the increasing number of people moving to urban areas in Asia. There is an urgency to create liveable, sustainable cities that are climate positive to leave a positive legacy for generations to come," he adds.

This is good news, as more people in different segments are starting to see the importance of sustainability. Thirukumaran notes that investors are also placing more focus on sustainability in their real estate investments.

According to a 2011 Ernst and Young survey, conducted with GreenBiz Group, 76% of its 272 sustainability executives in 24 industry sectors are anticipating that natural resource shortages will affect their core business operations over the next three to five years.

At the same time, 65% of respondents say that their chief financial officers have become involved in making policies for corporate sustainability. In addition, 74% of them cited cost reductions as a key driving factor, while 61% list managing risk as the other.



Keeping up with the Green Building Index is one way to ensure your building is sustainable

Left: Balancing profit and sustainability is the big question everyone is asking about, but in truth corporate sustainability mostly turns in profits

How to practise corporate sustainability

There are many ways in which a business can practise corporate sustainability. The core idea, though, is to remember that corporate sustainability is in itself about long-term returns.

"Corporate sustainability is a new term. In the old days, we call it 'planning for the future'," says Anthony Wong, managing director of the Frangipani Langkawi Resort. "You cannot think of planning for just three or five years. You have to plan for 20 or 30 years. When you take a long-term view, you don't mind investing in the right things."

Frangipani Langkawi is a winner of multiple environmental awards. Wong's inspiration for the hotel was to create a responsible resort by implementing a sustainable tourism programme. He will be speaking at a forum on Sustainability: Going Beyond Just Ideas, to be held by environmental NGO EcoKnights on April 21.

For Wong, one of the most important aspects to corporate sustainability is to keep in touch with the latest technology, and invest wisely in it. "Technology and research are part and parcel of what's going to happen," he says.

Sometimes it's also about investing in the future. According to Wong, corporate sustainability also requires companies to "create workers for the future". That means getting involved in academia and associations, in order to have a hand in the development of the future. With all these bodies, Wong says, you can play a hand at advising the government on sustainability.

"Because it [the government] is not in the business, you have to go and inform it," he says.

"Now, with climate change, it's even more important that companies be more aware of the environment and be greener, because we are all affected," adds Wong. To him, corporate sustainability also means supporting and gaining the support of the entities around us.

"You have to share with everybody because you cannot stand alone – you have to stand as a community. Share your best practice with the community in an open source manner, help the weaker ones grow," he elaborates.

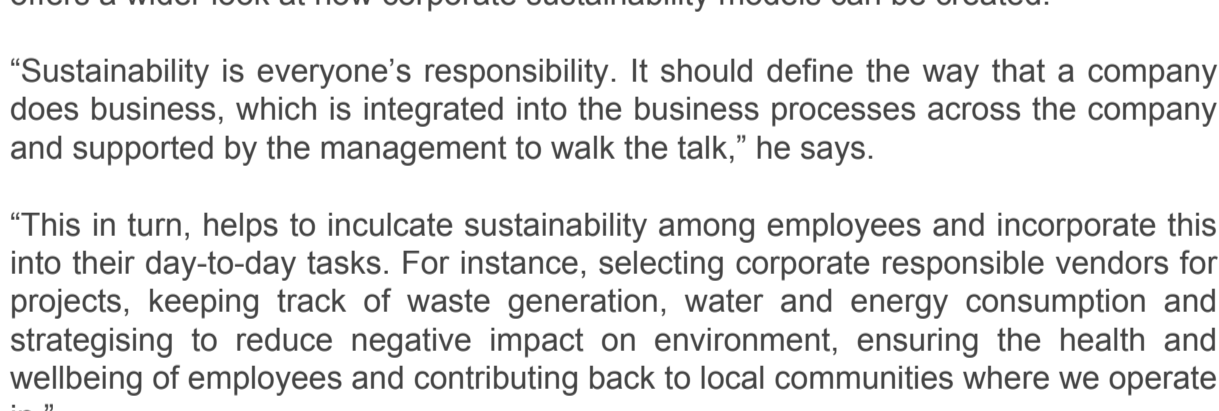
Corporate sustainability doesn't have to involve huge, sweeping gestures and huge investments. Sometimes making the right decisions in designs and administration can make all the difference. For instance, corporations can do their best to keep up with the Green Building Index (GBI), and design their offices to get more natural daylight and utilise energy-saving technology like LED lights. Other methods include using solar electricity and harvesting rainwater. The government is even giving incentives to encourage the use of such methods.

Wong has also practised other small yet effective sustainable methods like harvesting air-conditioning water for toilet flushes and urinals. He also advises against having carpeting at the office. "It's going to cost (a lot) in maintenance, and it's not healthy. Because of germs and bacteria in the carpets, more people can fall sick regularly," he explains.

Employees, according to Wong, would be the next important aspect. Taking care of your staff and building staff loyalty even during difficult times means that when the business returns, your best staff would be there to manage it.

It's also about being creative, says Wong. "Sustainability should always be creative. That means spending time on research and development. A lot of companies do not spend enough money on R&D."

Ultimately, it must start from the top. "For corporate sustainability to happen, the boss must go down to the ground. You cannot be like a remote control: you must be involved, you must have your finger on the pulse. Then you can make smart decisions," he says.



Rapid urbanisation, alongside with social and economic changes, means that we have to start thinking about running our businesses sustainably

A sustainable model

Thirukumaran, who will also be speaking at the forum on sustainability this month, offers a wider look at how corporate sustainability models can be created.

"Sustainability is everyone's responsibility. It should define the way that a company does business, which is integrated into the business processes across the company and supported by the management to walk the talk," he says.

"This in turn, helps to inculcate sustainability among employees and incorporate this into their day-to-day tasks. For instance, selecting corporate responsible vendors for projects, keeping track of waste generation, water and energy consumption and strategising to reduce negative impact on environment, ensuring the health and wellbeing of employees and contributing back to local communities where we operate in."

Lendlease has also worked through partnerships with the government and stakeholders to advocate for policies and standards that help improve sustainability for both its business and the industry.

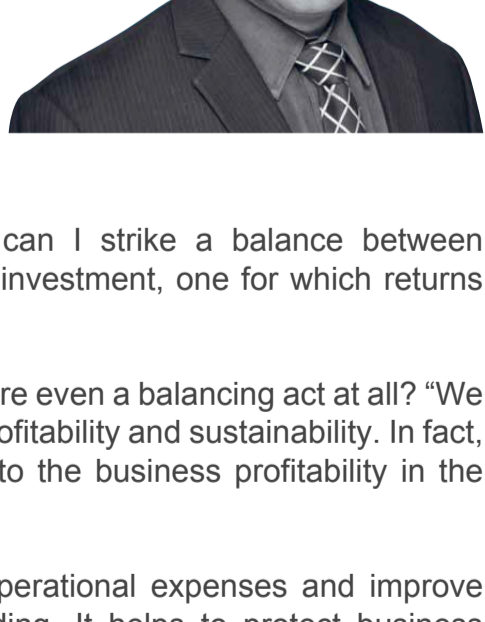
The group has initiated programmes such as the Green Lease programme at Setia City Mall in Shah Alam, where it engages its tenants and encourages them to join in the sustainability journey by adopting energy-efficient fittings and materials. It's worth noting that Setia City Mall has bagged multiple green awards.

For its sustainability efforts, Lendlease has created a sustainability framework that Thirukumaran says has 12 elements where efforts will be focused on.

"The framework has long-term aspirations, with specific near-term goals for three elements – energy, water, and waste – where we want to lead performance. Each of the long-term goals is linked with a clear target, allowing us to measure progress and performance over time," he says.

"We do not see a conflict between achieving business profitability and sustainability. In fact, we believe sustainability will contribute positively to the business profitability in the long term."

– Thirukumaran Jallendran, sustainability director, Lendlease



The balancing act

In the end, a business owner might ask: how can I strike a balance between profitability and sustainability? Sustainability is an investment, one for which returns may not be immediate, or even happen at all.

To get this balancing act right will be tricky. Or is there even a balancing act at all? "We do not see a conflict between achieving business profitability and sustainability. In fact, we believe sustainability will contribute positively to the business profitability in the long term," says Thirukumaran.

"For instance, 'greening' a building can reduce operational expenses and improve capital asset value better than a non-green building. It helps to protect business operations against future rising energy costs. The conservation of energy with the latest technological and management tools restrains costs in an ever inflating cost environment. This applies to both the landlord and the tenant," he adds.

Wong offers a similar view. For a comparably smaller business than GLCs and public listed companies, Wong says that such long-term thinking has more benefits as your business continues. "This is often a difficult choice. For business owners like ourselves, coming to 40 years as a company, we have seen its ups and downs.

"Companies that will go for the long term are the ones that grow regionally and globally. For this, you have to have those practices."

Wong says that this is because it enables businesses to adapt quicker in countries and regions that practise and welcome such policies. And then there's the loyalty aspect.

"You get respect from the community and industry players. You become a respectable organisation, and you'll get good staff coming to you. You get involved in academia, and all the students will come to you. With good reputation, your business becomes easier to operate."

These are not all talk, either. Sustainability efforts have been found to increase profits and not reduce them. A study by Robert Eccles and George Serafeim of the Harvard Business School found that, between 1992 and 2010, companies that adopted what they termed "high-sustainability policies" were more profitable and improved their stock market valuation more than those which did not.

Getting it right

When working on corporate sustainability, it's important to note that making such efforts in the name of sustainability isn't enough. While we've shown you how companies of different sizes can practise it, there's also an emphasis on practising it "right".

Simply applying modest sustainability plans, like focusing on saving energy, reducing waste and streamlining logistics may help the business cut costs and increase profits, but they might not be enough to significantly help the natural and social environment. There's a fine line between "sustainable" policies and simply "efficient" ones.

Thankfully, companies like Wong's and Thirukumaran's, as well as some others across the world, are helping change the landscape. SABMiller, the world's largest brewer, is another example. The organisation is trying its hand at programmes that go as far as teaching basic business skills to 500,000 small entrepreneurs (mostly owners of shops that sell its beer) and helping farmers use water more efficiently.

All of these help the company, but they also bring change to the natural, social and economic environment which it operates in. That would be the true definition of corporate sustainability.

The idea, ultimately, is to do all we can. It might seem utopic to wish that all corporations are striving for the same goal of sustaining the natural and social world, all the while still being profitable. But we're all in this world together. Isn't it better for us to dream for the best of us?