

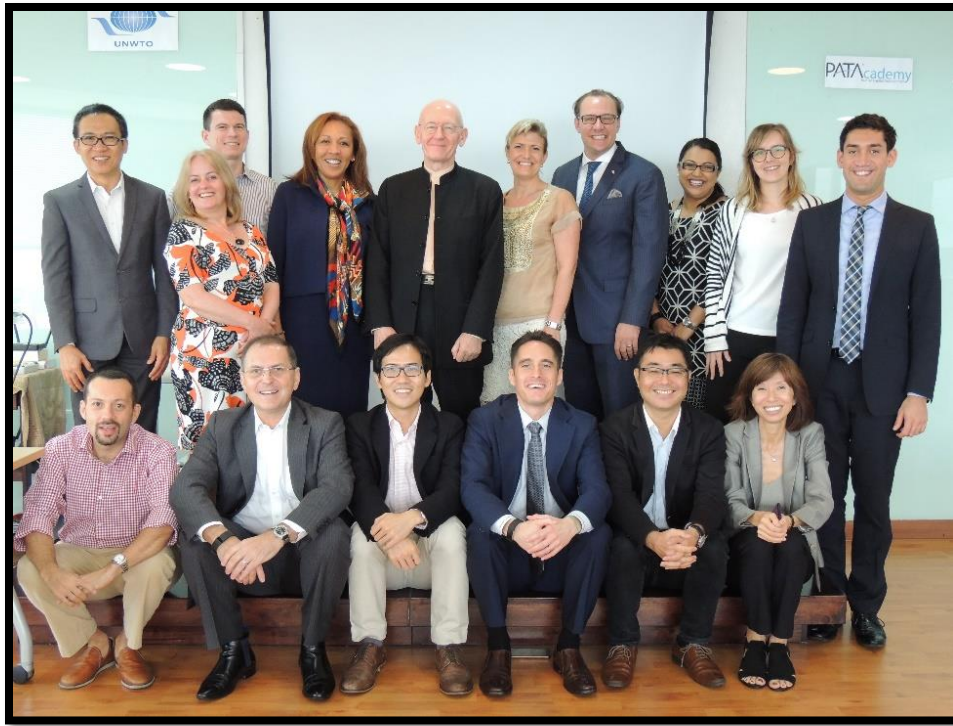
HOTEL OWNERS FOR TOMORROW



Roundtable Series - Bangkok

28 April 2017

Hosted by the Pacific Asia Travel Association



Hotel Owners for Tomorrow is a coalition rallying thousands of owners across the world to demonstrate their commitment to helping the planet and its people.

PARTICIPANTS

- **Franck Droin**, Hotel Manager, Mandarin Oriental, Bangkok
- **Gordon Fuller**, Area Vice President, General Manager, Hyatt Hotels
- **Raini Hamdi**, Senior Editor, TTG Asia
- **Fran Hughes**, Director, International Tourism Partnership
- **Inge Huijbrechts**, Vice President Responsible Business, Carlson Rezidor Hotel Group (observer)
- **Nikhom Jensiratanakorn**, Director, Horwath HTL Asia Pacific - Bangkok
- **Andrew Jones**, Chairman, PATA and Sanctuary Resorts
- **Hélène Marre**, Program Assistant, IUCN, Mangroves for the Future
- **Rei Matsuda**, CEO, Kokotel
- **Halona Padiachy**, Director, International Partnerships, PATA
- **Eric Ricaurte**, Founder, Greenview
- **Omar Romero**, Vice President of Development, Six Senses Hotel Resorts Spas
- **Jeff Smith**, Director of Sustainability, Six Senses Hotel Resorts Spas
- **Faith Taylor**, Senior Vice President Corporate Social Responsibility, Wyndham Worldwide
- **Xuwat Wongchotewattana**, Area Director of Human Resources, Hyatt Hotels

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THE 5 ACTIONS FOR BUILDING A SUSTAINABLE FUTURE

To take sustainability to the next level in our industry, hotel owners will make the difference. HOT is simple: hotel owners commit to 5 basic actions. There is no cost to join, and the 5 actions do not require a financial commitment. To support HOT, a coalition is being built of hotel brands, management companies, industry bodies, and other supporters in hotel development to help owners carry out the actions.



1 Incorporate sustainability from the beginning of investment decisions

- Discuss sustainability at the onset of developing a project or acquiring a property to explore opportunities to improve.
- Talk about sustainability, its challenges, and its opportunities with capital advisors, developers, managers, and brands.
- Talk about energy, water, waste and carbon footprint of the building as well as external factors such as climate risk, water stress and protecting nature to identify risks and opportunities to get more value out of your investment.



2 Evaluate one renewable energy project efficiency project per property per year

- Review and consider at least one renewable energy-related project and at least one project relating to reducing energy, water, or waste for each property in the portfolio per year, either onsite or offsite.
- Encourage partners to develop good projects for you to review.
- If you have a portfolio, you can consider one project and see how it may apply across your properties



3 Routinely monitor and benchmark sustainability performance

- Track each property's energy, water, waste, carbon emissions, and community impact for the entire portfolio.
- Review at least once a quarter.
- Benchmark these results among your portfolio, among peers, or through industry benchmarking.



4 Support brand efforts

- Encourage your property teams to actively participate in brand- and management company-led initiatives.
- No-cost options include participating in surveys, using their sustainability software, communicating their initiatives, keeping related signage updated, and participating in global volunteer or community events.
- For independent hotels, demonstrate how you support the branding of sustainability.



5 Share your best practices

- Help spread awareness and best practices that demonstrate solutions that are working to create value for the owner with the investment community.
- Communication methods include case studies, articles, and reports.

ROUNDTABLE SUMMARY

Industry leaders with global, regional, and local representation convened on 28 April to kick off the initial series of roundtables during the pilot year of the Hotel Owners for Tomorrow (HOT) Coalition. The half-day event divided sessions into thematic topics, with participants taking turns facilitating the topic and the moderator engaging the 15 participants toward a productive discussion on the overarching topic of the pilot roundtables: *how to get hotel owners engaged and build a successful coalition to support them.*

ENGAGING THE OWNER FROM THE BEGINNING

For hotel chains, maintaining a healthy development pipeline is key to the business. Development teams seek opportunities where investor interest matches market feasibility and other conditions. While the financial benefits of embedding sustainability are more and more visible once a property is operating, participants indicated that the owner is often unaware of the context and opportunities relating to sustainability. These issues traditionally are not as important to the development and project management teams whose primary concerns are signing the deal and getting the hotel opened. Furthermore, they can have inverse interests if additional embedding sustainability for additional study, design, equipment, or FF&E are seen as barriers to a deal or risk opening delays.

Jeff Smith, Director of Sustainability, and Omar Romero, Vice President of Development at Six Senses Hotels Resorts Spas led the discussion of HOT Action #1 with the practices that Six Senses have put in place to address these challenges, summarized below.



Preliminary Engagement	Design & Construction	Management Contracting
<ul style="list-style-type: none"> •Discussing how environmental and social consciousness is tied to the brand in which they are investing, including soft wording at the MOU/LOI stage •Actively seeking to confirm the investor's own commitments or genuineness as relating to sustainability in their own due diligence 	<ul style="list-style-type: none"> •Taking into account sustainability issues in the construction and development of the property •Including a development cost line item of hiring a local environmental consultant 	<ul style="list-style-type: none"> •Requiring a reserve fund of 0.5% of revenue set aside for supporting local socio-economic issues •Including an operational budget line item of a dedicated sustainability position on property staff •Routine operational review of equipment, seeking opportunities to improve efficiency and pursue renewable energy

Management contract stipulations are embedded as a supplementary exhibit into the Six Senses operating agreement. According to Smith and Romero, however, the management contract exhibit is really the final stage and not a surprise to the owner, who has been engaged in the discussion from the beginning. In their experience, these components are well received at the time of signing as long as the owner has been made aware from the earliest stages and the development team has articulated them.

Though development teams are critical to guiding owners on sustainability, engagement and awareness building can happen at earlier stages. Nikhom Jensiratanakorn, Director at Horwath HTL Asia Pacific, noted that an opportune time to discuss sustainability would be when the owner and other key stakeholders first convene to discuss the project, so that all players are made aware. Most importantly, environmental and social issues will always be present at some level in the hotel's concept, even if the hotel is not branded "eco" or seeking nature-based leisure travelers.



ITEMIZED OPPORTUNITIES

Rei Matsuda, CEO of Bangkok-based Kokotel, observed how environmental regulations in Thailand already affect a hotel's design and development. Properties of certain sizes or room counts are subjected to more stringent regulations, which affects investment, design, and scale decisions that have long-term effects.

Matsuda also offered anecdotes of how design discussions are weighed heavily with up-front costs, while the long-term benefits need to be better understood. Decisions are also often case-by-case, with some aspects such as efficient lighting more accepted, while others such as air conditioning equipment may be more difficult. Recurring throughout the roundtable was a need for good case studies and resources, tailored effectively to the investor and developer audience to help them make informed decisions. Though a plethora of examples and resources exist on the web in media articles and through coalition member resources such as [Green Hotelier](#), [Sustain.PATA.org](#), and hotel company corporate responsibility reports such as [Hyatt's 2015-2016 Corporate Responsibility Issue Reports](#), efforts are needed to curate and streamline information so that it reaches the correct players in an easily-digestible format.



When discussing examples of current trends in operational efficiencies in HOT Action #2, onsite water filtration systems emerged as the most salient of the day. Requiring little space and equipment and with a clear payback under two years, offering filtered water instead of purchasing bottled water is already present in many hotels among the participants in Thailand (yet present in less than 35% of hotels in Asia Pacific according to the [2016 Green Lodging Trends Report](#)). This example can be disseminated across HOT as an example of providing case studies to improve efficiency. This type of initiative also demonstrates the opportunity to communicate multiple benefits of a project, since reducing plastic bottles will also help tackle the major regional issue of waste, as well as reduce the impact from transporting bottled water.



INVESTMENT DECISIONS

Opportunities such as onsite water filtration and other smaller equipment or operational upgrades are easier for property operators to pursue. Gordon Fuller, Area Vice President of Hyatt Hotels, explained how hotels already running well with a healthy GOP % are expected by asset management to continue performing steadily. Efforts that the property can make to improve environmental footprints and positive social impact are feasible, as long as the hotel continues managing its bottom line and GOP doesn't slip. This enables operators to engage proactively and their success stories can be told along with good performance reporting.



Franck Droin, Hotel Manager at Mandarin Oriental, Bangkok explained the long view that property operations take to sustainability, balancing the opportunities for increasing efficiency with maintaining current programs and standards. In the case of Mandarin Oriental, Bangkok, the same hotel group is the owner-operator, enabling chances to present larger projects for approval. Though an owner-operator, however, proposals must still be submitted to a board in similar approach for funding approval.

Larger investments, whether as aspects of new developments or retrofitting existing buildings, may face additional challenges even when the payback is solid. Some of the larger chains discussed opportunities where operators themselves could invest in equipment or provide financing models. In terms of renewable or low-carbon energy, Purchase Power Agreements (PPAs) can make the transition to renewable energy viable when the owner is averse to up-front investment.

Other challenges also exist, for example that some investors are turned off by the idea of solar energy altogether. This aversion may stem from several reasons including not wanting to be an early mover on solar energy, or even the connotation that it may carry as being a “tree-hugger” investment rather than for sound financing. Such aversions are also pain points for sustainability executives where more awareness needs to be built within the owner community.

In terms of renewable energy, perhaps the most tangible place to build awareness is for private island developments. With tens of thousands of islands in Southeast Asia, more and more private or small-island developments are being considered. Currently going “off-grid” for energy generation is making more sense, from both cost and operational standpoints since the project doesn't need to ship in diesel fuel and can use the infrastructure costs on its own installations rather than in connecting to far-away grids.

OWNERS TALKING TO OWNERS

As a pilot initiative, Hotel Owners for Tomorrow is bringing together the industry to support hotel owners in their efforts to sustainability and the five HOT actions. Yet for this to happen, participants agreed that the owner community needs to begin getting more involved, and sharing their own best practices in peer-to-peer format. New, fresh approaches are needed to ensure that the HOTA coalition exceeds the “preaching to the choir” mentality and truly engages owners in their terms and their own language.

The hotel owner profile in Thailand and Southeast Asia is diverse, ranging from established investment funds to small entrepreneurs to large family-owned conglomerates. However, a formidable amount of hotel development is being funded by first-time owners.

Raini Hamdi, Senior Editor at TTG Asia posed the question to the group: “Why does someone want to invest in a hotel?” The group acknowledged the prestige factor of owning a hotel often mixes with the sound investment in real estate, which can be built upon as sustainability is part of the legacy and prestige of ownership where sustainability also makes more business sense every day. Particularly among young hotel owners of the Millennial generation, opportunity exists for them to champion the cause to be the true Hotel Owners for Tomorrow.



Raini Hamdi,
Senior
Editor, TTG

“PATA is grateful to have had the opportunity to participate in the stimulating and fruitful discussions during the Hotel Owners Initiative of Tomorrow (HOT) roundtable. PATA works in partnership with our private and public sector members to enhance the growth, value and quality of travel and tourism in the region. Therefore, in order for travel and tourism industry to thrive for generations, all activities

should be conducted in the most socially responsible and holistically sustainable way possible. This HOTA Roundtable Discussion held in Bangkok is the perfect example of how industry stakeholders must work together, share best practices, and take action on creating a more sustainable future. We look forward to seeing the recommendations that come out of these discussions and to our continued work with Greenview and the rest of the Coalition supporters.” – Halona Padiachy, Director, International Partnerships & Membership, PATA.



Halona Padiachy,
Director,
International
Partnerships &
Membership, PATA

STRENGTHENING THE COALITION

Participants offered numerous suggestions for improving the HOT coalition and spreading the word. Some of these observations are listed below; look for the HOT coalition to pursue these and grow the community for hotel owners to join the movement in building a sustainable future.



Provide better case studies specific to the moments in which they are most apt, and in the best format for the most relevant stakeholders.



Tell compelling stories for each type of owner to showcase how hotel owners engage in sustainability in practice, but with hard data and tangible benefits.



Use *profitability from sustainability as a lens* for communications and discussions, as profitability from sustainability actions will gather the most attention and make the immediate case.



Map and engage the various players in hotel deal cycles and bring leaders and champions from each respective group, including developers, project managers, owners, lenders, architects, key local sustainability champions, and others.



Incorporate banks and lending institutions into the coalition to help them incorporate ESG and other sustainability and risk screening into hotel lending, and enable owners to hear from them regarding how they view environmental and social issues in lending.



Seek ways to incentivize owners to join through peer networking and resources.



Engage journalists for routine media coverage within the trade to highlight initiatives and owners, promoting the “good news” factor of the efforts.



Champion the influential owners, particularly younger owners and those who want to do good and leave their legacy to give them HOT as the best platform to groom the face of leading hotel ownership.



“Everyone bring an owner” for the subsequent roundtables to that each participant brings.



Keep the discussion focused on the key issues for owners, and away from the more common soft side of sustainability that does not speak to the audience.

COALITION MEMBERS

As of 30 April, 2017

OWNER SIGNATORIES

Akaryn Hotel Group
Cempedak Private Island
Crystal Creek Meadows
Hong Kong Cyberport
Intermass Engineering & Contractors
ITC Hotels
Nikoi Island
Pt Dua Cahaya Anugrah
Pt Anugrah Karya Bangsa
Swire Hotels
Taj Hotels Resorts and Palaces

INDUSTRY PARTNERS

Marriott International
Meritus Hotels & Resorts
Hyatt Hotels
Kokotel Bed & Café
Six Senses Hotels, Resorts, Spas
Wyndham Worldwide

NETWORK PARTNERS

International Tourism Partnership
GreenOtels
Pacific Asia Travel Association

SUPPORTERS

Horwath HTL
Greenview
TTG Publishing Travel Trade

Hotel Owners for Tomorrow is a grass-roots initiative of the hotel industry, launched in late 2016 and currently under pilot in Asia for bringing hotel owners to the global discussion of sustainability with financial acumen. There is no cost for owners to join, as this is a voluntary pledge, and the 5 actions do not require a financial commitment.

For more information and to join the coalition, visit www.hotelsfortomorrow.org.

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FOR TOMORROW