

HOTEL OWNERS FOR TOMORROW



Roundtable Series – Singapore

30 July 2018

Hosted by Greenview at the Straits Clan



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

2018 SINGAPORE ROUNDTABLE PARTICIPANTS

- **Murray Aitken**, General Manager, Six Senses Singapore
- **Michael Blanding**, Director, Corporate Responsibility, EMEA & APAC, InterContinental Hotels Group
- **Siew Moon Chew**, Sustainability Manager, Six Senses Singapore
- **Andrew Dixon**, Owner, Nikoi Island & Cempedak Private Island
- **Ramzy Fenianos**, Chief Development Officer Asia Pacific, Radisson Hotel Group
- **Ian Hally**, Chief Executive Officer, GreenPlace Assets
- **Robert Hecker**, Managing Director Pacific Asia, Horwath HTL
- **Ren Yung Ho**, VP, Head of Brand HQ, Banyan Tree Holdings
- **Paul Kitamura**, Head Asset Management, CDL Hospitality Trusts
- **Eric J. Levy**, Managing Director, Tourism Solutions International
- **Teymoor Nabili**, Broadcast Journalist and Speaker
- **Stephane Regnault**, Managing Director Asset Management, Hotelivate
- **Eric Ricaurte**, Founder & CEO, Greenview
- **Wouter Schalken**, Senior Tourism Specialist, World Bank
- **Cyndy Tan Jarabata**, CEO/Founder, Tajara Leisure & Hospitality Group
- **Alexandra Yao**, Vice President of Development, Mandarin Oriental Hotel Group

www.hotelsfortomorrow.org



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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 from the Hotel Owners for Tomorrow (HOT) Coalition across Asia convened in Singapore in a closed-door session of distinguished hotel owners, operators, hotel development professionals, and experts. The two-hour event divided sessions into thematic topics, with participants taking turns facilitating the topic and the facilitators engaging the 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.***

“TREE-HUGGER” OR NOT, SUSTAINABILITY HAS AN ROI

We cannot deny that at the end of the day, most owners are looking at the dollars and cents of a hotel investment. More and more, the financial returns on investments relating to sustainability are being proven and need to be communicated in their full financial context to match owner expectations. Eric J. Levy, Managing Director of Tourism Solutions International, opened the first topic in a “confession” of his newfound interest in sustainability because it is increasingly on people’s minds, but also because the technical solutions are more easily available and proven, and opportunities to monetize resource efficiency are clear. As Levy highlighted, “In pretty much any market we look at, the range of energy and water intensity among hotels is at least double from the top quartile to the bottom quartile. If you have an asset with \$50 million in revenue and you can save 1% of that just from utility expenses, then put it into financial context, the multiple on that savings means you’ve generated \$5 million in value for the investor.” Many developers in the Philippines are becoming interested and starting to ask about LEED certification, as pointed out by Cyndy Tan Jarabata, CEO and Founder of Tajara Leisure and Hospitality Group. Utility costs can be higher, upwards of 11 or 12% of revenue in the Philippines and has spurred an interest in green building discussions. Translating the themes and issues of sustainability are needed, and Tajara Leisure & Hospitality Group has started working on sustainability briefs in project proposals to address this more tangibly.



Ramzy Fenianos, Chief Development Officer Asia Pacific of Radisson Hotel Group, added the importance understanding the profile of each specific owner when sustainability comes into development costs and CAPEX. “Some efficiency investments may have a payback of five years, but for example if the owner is a private equity firm looking to flip the asset, they may not be looking at anything beyond two years,” Fenianos said. Understanding owner profiles first can help with the strategy on engaging for sustainability. Ian Hally, CEO of GreenPlace Assets, indicated that they are able to embed the financial returns of sustainability into the underwriting process, as part of an investment strategy that that doesn’t seek short-term holds on the other hand. For sustainability to be embedded across a wider range of

owners that do seek short-term returns, opportunity exists to bridge the gap through communicating future cash flows and EBITDA. When looking to sell an asset, suggested Levy, it is common to dress up the tangible and intangible value. Sustainability-related investments, even late-term, can help strengthen the transaction value if they are brought to the attention of the owner or asset manager in time and properly thought out. Being realistic about the nature of hotel investment, however, Levy explained that there are instances where sustainability should not be added to the discussion. In particular, a distressed asset running thin on margin to meet its debt service will not want to use any cash buffer in the immediate term even if it has future payback or asset value, when cash flows are front and center.

RESPONSIBLE OPERATIONS CAN ADVANCE THE DISCUSSION



Andrew Dixon,
Owner, Nikoi
Island &
Cempedak Private
Island

CAPEX and reduced utility spend are easy entry points for a broader lens of sustainability, as Andrew Dixon, owner of Nikoi Island and Cempedak Private Island, pointed out. “We we strive to offer a similar or better product than their competitors at the same levels of return, but with a more environmentally friendly and socially responsible focus.” Conservation measures in operations often cost little or nothing to implement. Sometimes the specific value is difficult to quantify, and not all guests are interested in the topic. But the clear level of interest is there among many travelers, the pulse of which they are able to sense better as an owner/operator.

Consumer awareness and its drivers help further the actions hotels can take from operations, even though the concerns don’t always match the actual impacts. “Plastic is a big issue right now, and we all hear about eliminating plastic straws. We know that if we really wanted to make the biggest impact in reducing ocean plastic, we would focus first on sustainable seafood,” said Michael Blanding, Director of Corporate Responsibility for Europe, Middle East, Africa, Asia, and Greater China for InterContinental Hotels Group. “So the straw issue is a symbolic first step, then we can address single use in guestroom amenities and then move to kitchens.” When major incidents or issues become mainstream, they help build the case, and in some instances even sound alarm bells.

BORACAY AND ITS IMPLICATIONS FOR OWNERS

An alarm has been sounded on the risks of unsustainable growth and not following environmental regulation or considering sustainability – now representing an investment risk – with the temporary closing of Boracay. Though the island’s closure for environmental degradation and unsustainable growth is front and center in the region, but not isolated. “The issue is present all over; no Southeast Asian is not at risk of similar pressures and impacts,” said Robert Hecker, Managing Director Pacific Asia of Horwath HTL, as part of the second discussion topic’s opening. Hecker however focused on

the instance of Boracay as the single destination to focus discussions, inviting Jarabata to give her perspective from her ten years of work on the island and holding a resident card enabling her to see first-hand. “You literally see shaved buildings to the line where there were violations, from the road easement or the beach level. The local government is equally to blame for its failure to implement zoning regulations,” said Jarabata. “Up to its closure, people were still in disbelief as there were no laid out plans on rehabilitation. 36 thousand workers don’t know what’s going to happen. I feel for the people of Boracay who are struggling to make a living, as they are really the ones affected.” Just like Boracay, Jarabata offered, there are a handful of other destinations in the Philippines affected with over tourism. On a positive note, however, the Boracay story has started to shape up other destinations while the island is improving its infrastructure for its reopening late October in 2018.

The region’s historical lack of attention to regulation is one barrier to embracing sustainability that can happen in local context. Another is when cost is not at parity with the risk. As Blanding pointed out, in many locations water costs are very low, and in the case of the Middle East and in particular Dubai, Fenianos indicated that fuel is inexpensive and difficult to discuss in terms of cost reduction. Yet Boracay and its potential for similar examples has added a new level of complexity and layers to the sustainability discussion for hoteliers, who cannot think of the issues in isolation only within the building’s four walls or line-item cost analysis. Participants outlined the issues of how weak local governance, pre-existing agreements and structures, and the reality of growth make masterplanning of destinations challenging. Often masterplans and supporting regulation may be well thought out during one specific instance of the destination’s development, but do not address the dynamic and rapid growth of the private sector. Participants discussed opportunities and ways to engage further with local governments, associations, and departments of tourism. Along with this and other areas pointed out by participants, there is opportunity for owners to understand the wider interrelation of their investment.

Six Senses and Banyan Tree, two hotel companies known for an environmental and social consciousness as part of the brand strategy, provided some insight on how this plays out in their engagement. Both have stipulations for allocating a percentage of top-line revenue from a property for projects of community benefit. Murray Aitken, General Manager of Six Senses Singapore, related the relationship this creates directly with the owner. Though the percentage of revenue is set aside, they need to discuss at least annually and approve the specific community projects. The context of implementing sustainability will be different for each hotel and location, which in Six Senses’ case is why they designate a role at each property, as demonstrated by Chew Siew Moon, Sustainability Manager for Six Senses Singapore.

Though equipment and operational efficiency specifications are more easily understood, it can be challenging to work with some owner profiles on agreeing to fund community projects. Ren Yung Ho, VP, Head of Brand HQ at Banyan Tree Holdings, explained that since sustainability is a broad, interrelated subject, breaking down it down into digestible components is best for audiences such as owners. It is not only owners that need to be educated and engaged, but also internal audiences on

property. As such, Ho offered that one of their most important approaches is embedding KPIs to the hotel's general manager as a concrete, quantitative method to engage leadership in the field on bringing sustainability into daily management practice.

GETTING THE WORD OUT TO ALL AUDIENCES

"Where are we going to end up?" Teymoor Nabili, journalist and speaker, lent a hand to the Coalition roundtable as moderator for the third session to flesh out pathways for moving the HOTA Coalition forward. Having been to many conferences and discussions around sustainability in various sectors, one recurring gap is the continuity of the discussion afterward.

Education is key and awareness is still the most important next step, as resounded across participants at the table who offered perspectives on various audiences. Similarly recurring as a motif of the roundtable, educating guests opens doors to owners and wider awareness. Fenianos expanded on that possibility, with just the example of Radisson Hotel Group having over 600 million overnight guests globally across the portfolio, each instance being a touch point. Employees need to be aware, and more importantly need to care, which is why selecting passionate employees from the beginning is paramount, as Aitken and Ho reiterated.

Shareholders are one particular audience already advancing the discussion. "Shareholders care in this day and age," followed Kitamura. "You have to address sustainability with that audience as that's today's expectation." Even though parent company CDL also had a longstanding culture of corporate responsibility with proven leadership in the ESG community, public disclosure requirements from SGX have helped subsidiary CDL Hospitality Trusts address the issue since they now have a framework to work with and set goals, and ultimately compare programs and performance among peers.



In a roundabout discussion path toward the usual focal points of the HOTA Coalition, participants identified needs within the project life cycle where the issue needs to be discussed. Specific case studies, focused on projects and relevant to the owner audience, are still lacking in sustainability. Stephane Regnault, Managing Director of Asset Management for Hotelivate, explained the need to work better with the chosen consultants and professionals of the owner. In particular, the owner's appointed architect will play a critical role in the hotel's design and even operations. While more and more architects will have solutions for the issue either proactively or when asked, some will need to be convinced and engaged in the discussion at the right moment. In corporate hotel chains, even though robust sustainability departments and programs may be developed, they exist within operational or communications departments and not pre-opening or development. Levy pointed out that in hotel development the discussion and its solutions need to be tailored to the project. Many

times when selecting a brand and an operator, they will arrive to the project with a one-size-fits-all package which may not resonate or fit within the owner or destination's context. Jarabata furthered this point, indicating a brief that they were working on embedding sustainability more in project briefs and due diligence.

Alexandra Yao, Vice President of Development at Mandarin Oriental Hotel Group, admitted that in previous roles at other companies she did not have the chance to meet the teams from the sustainability department. And even in cases such as Mandarin Oriental where sustainability will be discussed once technical services is engaged, the development team still represents that initial conversation and opportunity for awareness with owners. To look at the topic holistically within a company, the awareness and mandate needs to be top-down, and Yao explained how Mandarin Oriental's CEO has taken sustainability up as a priority for the group specifically.

Within the region, an example of more awareness to convene around the issue was identified with the upcoming [Phuket Hotels for Islands Sustaining Tourism \(PHIST\) 2018 Conference](#), seeking to bring hotel owner, developer, sustainability, and operational audiences together for regional-level discussions in Phuket on 24 September 2018.

What is missing, as Nabili suggested to the group, is a narrative to tie the discussion from awareness and education, to action and collaboration. Hally offered the experiences from Europe, indicating that stakeholders in that region were in a similar situation a decade ago. The current terminology that has become prevalent, according to Hally is in "futureproofing and resilience" to help understand the reality of climate risks as well as give specific context for enabling benchmarking, along the lines of Kitamura's earlier points. Futureproofing and resilience can be contextualized for owners in Southeast Asia. "When dealing with owners, a lot of them love their land and their country," added Yao. The narrative will help tap into the impetus for discussion and carry it though. Finally, as Hecker concluded, "what's important is the imperative, not the narrative."



Robert Hecker,
Managing
Director Pacific
Asia, Horwath
HTL

"Sustainability is a critical issue and no market in Southeast Asia is spared. Initiatives such as the HOT Coalition and the HICAP Sustainable Hotel Awards bring the topic to owners, investors, and developers at an important time for the region." – Robert Hecker, Managing Director Pacific Asia, Horwath HTL.

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JOIN THE COALITION

HOT is a true a coalition, with limited overhead or administrative structure, intended to advance peer-to-peer sustainability discussion among owners and investors. Ongoing roll-out is undertaken by the coalition's constituents through their various roles, channels and initiatives including roundtables, internal presentations, and a resource library. Types of entities that may join the Coalition:



Signatories – owners of hotel real estate who commit to the principles and follow them. Some entities may play a dual role for both owning hotels and managing hotels for other owners.



Industry Partners - entities with a direct relationship with owners and whose performance directly benefit from owner commitments (e.g. hotel brands and management companies).



Network Partners - entities that benefit indirectly from the initiative's success because it is also aligned with their mission, purpose, or complementary initiatives (e.g. industry associations and initiatives).



Supporters – entities that help hotel owners make investment decisions, or media that helps promote them. ***Not vendors of green products or services.***

HOW TO JOIN THE HOT COALITION



The entity or a significant portion of its parent ownership of the entity is **headquartered in an Asian country** and owns a controlling interest in at least one property classified as a hotel/resort.



All four types of Coalition members, including Signatories, Industry Partners, Network Partners, and Supporters can **join by signing a commitment form** found here: <http://www.hotelsfortomorrow.org/jointhecoalition/>, subject to approval for meeting the criteria for each membership type.



The Owner Signatory **carries out its commitments** and **promotes becoming a signatory** to other entities who become interested.



The Industry Partner and Development Supporter roles are to **engage owners to become signatories**, and **support signatories in implementing the principles**.



The Network Partner and Media Supporter roles are to **provide external credibility to the initiative** and **help disseminate it throughout their networks**, further enabling signatories to be recognized.

COALITION MEMBERS

As of 15 July 2018

OWNER SIGNATORIES

Akaryn Hotel Group
Brightland Hotel Pvt Ltd
Cempedak Private Island
Crystal Creek Meadows
GreenPlace Assets
Harilela Hotels
The Hongkong & Shanghai Hotels
Hong Kong Cyberport
Intermass Engineering & Contractors
ITC Hotels
Jasminn by Mango Hotels
Nikoi Island
Pt Dua Cahaya Anugrah
Pt Anugrah Karya Bangsa
Swire Hotels
Taj Hotels Resorts and Palaces

INDUSTRY PARTNERS

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

NETWORK PARTNERS

GreenOtels
International Tourism Partnership
Pacific Asia Travel Association

SUPPORTERS

C9 Hotelworks
Horwath HTL
Greenview
Northside Consulting
Tajara Leisure & Hospitality Group
Tourism Solutions International
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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