

HOTEL OWNERS FOR TOMORROW



HOT ROUNDTABLE SERIES - HONG KONG

25 April 2019

Hosted by: The Hongkong and Shanghai Hotels

Hotel Owners for Tomorrow is a grass-roots initiative of the hotel industry, launched in late 2016 in Asia for bringing the hotel ownership, investment, and development community 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; they likely will save hotels money.

www.hotelsfortomorrow.org

HOTEL OWNERS FOR TOMORROW



HONG KONG 2019 PARTICIPANTS OF HOT. HOT (HOTEL OWNERS FOR TOMORROW) IS A COALITION RALLYING OWNERS ACROSS THE WORLD TO DEMONSTRATE THEIR COMMITMENT TO HELPING THE PLANET AND ITS PEOPLE.

2019 Hong Kong Roundtable Participants

<ul style="list-style-type: none"> • Janice Lao, Director, Group Corporate Responsibility and Sustainability, The Hongkong & Shanghai Hotels 	<ul style="list-style-type: none"> • Daphne Tan, Vice President, Development Planning / Feasibility and Owner Relations, Asia Pacific, Marriott International, Inc.
<ul style="list-style-type: none"> • Carmen Ng, Director of Sustainability, Langham Hospitality Group 	<ul style="list-style-type: none"> • Shi' Ai Liang, Director – Hotel Development Asia-Pacific, Marriott International, Inc.
<ul style="list-style-type: none"> • P T Wong, Senior Vice President – Design for Technical Services, Langham Hospitality Group 	<ul style="list-style-type: none"> • Lucy Christie, Senior Manager, Owner Relations, Asia Pacific, Marriott International, Inc.
<ul style="list-style-type: none"> • Dean Winter, Group Director of Operations, Swire Hotels 	<ul style="list-style-type: none"> • Jeannie Kwok, Director of Corporate Responsibility, Hilton
<ul style="list-style-type: none"> • Vishal Daga, Senior Corporate Director of Development, Asia Pacific, Rosewood Hotel Group 	<ul style="list-style-type: none"> • Jolanda Van Zeeland, Project Leader – Asia, Mandarin Oriental Hotel Group
<ul style="list-style-type: none"> • Hakan Akgün, Head of Engineering and Sustainability, Rosewood Hotel Group 	<ul style="list-style-type: none"> • Gert Noordzy, Managing Director, Northside Consulting
<ul style="list-style-type: none"> • Ray Qin, Director of Engineering (M&E), Wyndham Worldwide 	<ul style="list-style-type: none"> • Suzanna Chu, Senior Manager, Galaxy Entertainment Group
<ul style="list-style-type: none"> • Laurie Mias, Co-Founder and CEO, REVIVŌ wellness resorts 	<ul style="list-style-type: none"> • Michael Blanding, Director, Corporate Responsibility, Europe, Asia, Middle East, Africa & Greater China, InterContinental Hotels Group
<ul style="list-style-type: none"> • Eric Ricaurte, Founder & CEO, Greenview 	<ul style="list-style-type: none"> • Angela Cheng Matsuzawa, Secretary, Eco-Drive
<ul style="list-style-type: none"> • Irin Ng, Manager, Greenview 	<ul style="list-style-type: none"> • Jessica Yau, Senior Manager, Greenview

HOTEL OWNERS FOR TOMORROW

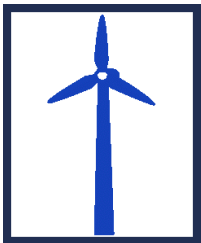
THE FIVE ACTIONS FOR BUILDING A SUSTAINABLE FUTURE

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.



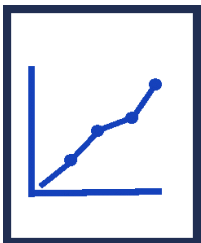
1
Incorporate sustainability from the beginning of investment decisions

- 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.



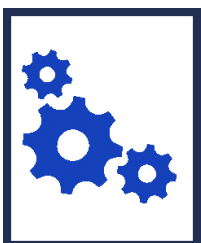
2
Evaluate one renewable energy project efficiency project per property per year

- 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.

HOTEL OWNERS FOR TOMORROW

Roundtable Summary

Industry leaders from the Hotel Owners for Tomorrow (HOT) Coalition convened for the third time on 25 April 2019 in Hong Kong. The event was divided sessions into 3 thematic topics, with participants taking turns facilitating moderated discussions on the overarching topic of the roundtables: how to get hotel owners and hotel development professionals to be more engaged in sustainability.

Engaging the Hotel Development Team



Vishal Daga, Senior Corporate Director of Development, Asia Pacific, Rosewood Hotel Group, started the roundtable with a perspective of three ways hotel development teams can view sustainability in their work bridging the owner and the operator:

1. **Hotel business development professionals are the first touch point for potential hotel owners:** It is important for business development professionals to be equipped with sustainability knowledge and talking points. This will spark a conversation between them and the owners, get owners to start thinking about sustainability and learn about the advantages and considerations of building a sustainable hotel or investing in sustainability.

2. **Understand the vision of the owners:** It is important to understand who are the owners you are engaging with and what they are trying to achieve. Conversation on sustainability should still help the owners to achieve their goals.
3. **Bringing sustainability onto the table in the beginning:** Sustainability should be brought right up at the beginning of a conversation with a potential hotel owner. It is important to understand the local market and issues, and if funding and incentives are available. The location, climate and the scale of the project also have an important bearing on the opportunities for different sustainable options for a project which can be discussed right in the beginning.

Janice Lao, Director, Group Corporate Responsibility and Sustainability, The Hongkong & Shanghai Hotels, also highlighted the importance of educating the team in a language that they understand and care about. Therefore, for hotel owners and especially for asset management, providing a strong back-up of estimated savings through sustainability is important. Hakan Akgün, Head of Engineering and Sustainability, Rosewood Hotel Group mentioned that there are some owners today who are sustainability-savvy and coming up with many ideas related to sustainability. It is the role of ours to steer and guide them through the process.

Four profiles of owners were brought up during the afternoon's discussion, as participants offered perspectives that some owners are definitely interested in the sustainability aspect of a brand, apart from the financial aspect. With different hotel owners, some are more interested in sustainability than the others:

1. **Institutional Investment:** Asset owners and real estate companies. These investors come with a strong trajectory for the pipeline of new hotels and focus more on financial targets and profits.
2. **Private Owners: Crazy Reach Asians - Affluent Younger Generations:** Well-educated and exposed to sustainability and global environmental issues at a young age. Tend to be activists in their own ways and would build a hotel based on their personal beliefs.
3. **Wellness-Oriented Owners:** Strong belief in personal wellbeing that carries forth to investment in wellness-themed resorts and spas, and wish to advocate the concept of healthy holistic living in mind, body, and soul.
4. **Private Owners:** Families that may also be from generations of wealth, and who might have strong programs in philanthropy but tend to be disinterested the concept of sustainability when thinking strictly about investing in new hotels as a business venture.

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With the different owner-types, at what point would the business development person say no to a potential owner of a hotel management company? According to Laurie Mias, Co-Founder and CEO, REVĪVŌ wellness resorts, 20% of proposals are rejected by the management based on the lack of fit of the owner's profile with the brand, but for bigger brands like the Hilton and Marriott, there is often a targeted projection for company growth and saying "no" is almost never heard of.

How are Hotel Development Teams being supported at this stage to include sustainability and facilitate such a conversation? At InterContinental Hotels Group (IHG), Michael Blanding, Director, Corporate Responsibility, does this by providing talking points, supporting the team in the pitch and creating an information deck with supporting data. Blanding also stressed the importance of making owners aware of the customer interest as part of the business case. Corporate customers are increasingly screening hotels for sustainability as part of their procurement process. Some of the more common RFP questions include information on carbon emissions and sustainability practices, to see company alignment with their own programs. For example, corporate companies like LVMH and Kerring would not consider hotel companies should the hotel show no information about their sustainability efforts.

Carmen Ng, Director of Sustainability, Langham Hospitality Group, suggested having a responsible hotel charter so that the sustainability performance of hotels in different brands are aligned to achieve a certain level which fund managers or other institutional investors may identify and recognize. This would be like the [Equator Principle](#) or [Global Compact](#) which hotels can align themselves to.

The Parallel Profit & Loss Scenarios

To further provide support towards business development professionals of hotel companies, a tool, "Energy and Water Calculator" was presented by Eric Ricaurte, Founder & CEO, Greenview for feedback among participants and shared with participants. This calculator is derived from the [Cornell Hotel Sustainability Benchmarking \(CHSB\) Index](#), an annual industrywide benchmarking study which includes over 11,000 hotels in the data set across two dozen companies, segmented by geographies and market segment. The calculator presents a practical case for an efficient vs inefficient hotel using the upper and lower quartile benchmarks in markets or climate zones with actual data. This result indicates that the business case for building and operating an efficient hotel can be monetized in any market.



Daphne Tan, Vice President, Development Planning / Feasibility and Owner Relations, Asia Pacific, Marriott International, Inc. commented, "To show payback in investment is always a challenge". As Tan pointed out, "Money talks", and this tool will support the saying and will bring benefit to sustainability and business development team when presenting a case for a more efficient hotel.

Ray Qin, Director of Engineering (M&E), Wyndham Worldwide, shared that in many markets within China, the government currently frowns upon the luxury hotel industry. At the same time, utility costs are extremely high. As such, he often stresses that if hotels owners do not cut down on utility costs in design and operations, it is difficult for the hotel to turn a profit.

Sustainability Makes Business Sense

"In IHG, there is an average of 30% of conversion of total RFPs, should there be elements of sustainability in the RFPs, IHG's conversion rate is 76%."

Michael Blanding, Director,
Corporate Responsibility, Europe,
Asia, Middle East, Africa & Greater
China, InterContinental Hotels
Group

HOTEL OWNERS FOR TOMORROW

Sharing of case studies are important to the hotel industry and for presentation to build strong business cases for owners. Currently, case studies are shared internally within the same hotel group such as Marriott International and Wyndham Group, but more sharing across hotel would be beneficial. Many including Shi’Ai Liang, Director – Hotel Development Asia-Pacific, Marriott International, Inc., Lucy Christie, Senior Manager, Owner Relations, Asia Pacific, Marriott International, Inc., Gert Noordzy, Managing Director, Northside Consulting and Akgün echoed this thought and look forward to contributing to the cross-sharing library.

Renovations – Lessons Learned



This latest Hong Kong roundtable tested a new session format of having a hotel owner present a case study. Janice Lao, Director of Sustainability, Hongkong & Shanghai Hotels (HSH) presented the case of the Peninsula Beijing renovation to become the first BREEAM-certified hotel in Beijing. Lao described that the renovation included low VOC wallpaper, paints and carpets, energy efficient fan coils, sustainable wood, and environmentally made leather. These materials are not only environmentally friendly, long lasting and energy and water efficient. More importantly, they also bring good health and wellbeing to guests staying with HSH.

Guests might not be able to tell the difference between a certified and non-certified hotel but according to Lao, 50% of guests at the Peninsula Hotels are pleasantly surprised when they found out about their sustainability efforts, and another 50% of guests are expecting a luxury hotel to be already doing so.

To have the management agree to implement the sustainable design standard BREEAM, it is important to build management understanding of sustainability and get buy-in for the process. Some of the key points to take note were:

1. Speaking and educating in **language** management understands, in commercial terms.
2. Having a good building design will **increase the value of assets** for owners (this is a good sell for owners who are asset manager). [Green Real Estate Index](#) recently launched by Dow Jones and other Sustainability Indexes can be a push to owners to embrace sustainability.
3. **Potential Revenue uplift**, even if the plan is to sell the hotel after 3 years of owning it.

Other considerations were:

1. Local **government funding** and incentives for sustainable building or initiatives. (e.g. in Singapore there had been funding from government on green building and waste management).
2. **Responsible investment** to Owner as a company policy.
3. Building **sustainability standards** in buildings and designs.

Speaking the Language; Challenging the Mindset

“Sustainability needs to be put into the context of finance. For example, we can explain to potential owners that when developing new hotels how will the valuation be impacted in the future if we are not considering impacts such as climate change, rising sea levels, etc. The asset’s valuation is so critical as it impacts loaning capability, ROI etc. No one wants to build a development that devalues as time goes by, you want to achieve the opposite and that can only be done with a sustainable mindset.”

Janice Lao, Director of Sustainability, Hongkong & Shanghai Hotels

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Communication is Key

“At the launch of a project, it is important to get internal consensus with every single department, communicated by the project lead at the very beginning of the project.”

Hakan Akgün, VP – Engineering,
Sustainability and Security

On the topic of certification, Liang challenged the HOT group on benefits of the certification and if this should be a requirement by the Government rather than the Operator. Is sustainability only for the luxury hotel market?

Both Lao and Akgün pointed out that certification brings about a framework which supports a hotel’s sustainability efforts. The two main certifications brought up in the discussion were [LEED](#) and [BREEAM](#).

All phases in the project management are managed independently, as Gert Noordzy, Managing Director, Northside Consulting pointed out. Should sustainability be of interest and an area where owners want to have more emphasis on, communication would be key in delivering a sustainable hotel ultimately. There needs to be a process in place

where buy-in is sought with every single department internally, with communication handled by the project lead from the very beginning of the project phase as this would set the right tone and understanding of the requirement, said Akgün. Should the processes be managed well, there would be a much higher chance of building a sustainable hotel.

Advancing the Coalition

Participants agreed that the hotel industry came a long way since the linen and towel program was first launched 20 years ago. Today, the conversation that we need to have is no longer “*is sustainability important*” but to “*yes, it’s definitely important and HOW are we going to do it*”?

Participants offered numerous suggestions for improving the HOT coalition and spreading the word.

1. **More case studies.** Case studies need to be tailored, brief, and concise across brands in order to engage owners.
2. Building sustainability **talking points** for owners and operators.
3. Make owners more aware of the **business case from customers**, particularly corporate customers and being part of the RFP process.
4. Bringing more **owners into the discussion for HOT** will allow better understanding by the owners themselves.

HOTEL OWNERS FOR TOMORROW

JOIN THE COALITION

Hotels for Owners of Tomorrow (HOT) is a true 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, channel, and initiatives including roundtables, internal presentations, and a resource library. Types of entities that may



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.

HOTEL OWNERS FOR TOMORROW

COALITION MEMBERS (as of 12 March 2019)

OWNER SIGNATORIES

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

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
Greenview
Horwath HTL
Northside Consulting
Tajara Leisure & Hospitality Group
Tourism Solutions International
TTG Publishing Travel Trade