

Sustainability and the Bottom Line

USING SUSTAINABLE PRODUCTS HELPS COMPANIES BRING IN THE GREEN

After an extended economic downturn, keeping the bottom line black is a challenge that more facilities executives are confronting. What can be done? A growing number of companies are discovering the advantage of greening facilities with sustainable products. Going green today makes excellent economic sense.

According to Denis Darragh, chairman of the Institute for Market Transformation to Sustainability (MTS), profitability and a clean environment are complementary. Producing products with an eye on the needs of the planet is a win-win proposition. "Sustainable products increase corporate profits," says Darragh, CEO of Forbo Linoleum. Why? Many reasons: lower cost, fewer or no regulatory constraints, less liability and quicker introduction into the marketplace. What's more, they're preferred by many customers.

MTS is a coalition of leading sustainable product manufacturers, environmental groups and state and local governments. Together, they use conventional market mechanisms to increase sales and market share of sustainable products. The mission is to accelerate the global free market transformation to sustainability.

Over their full commercial cycle — from extraction of raw materials to final disposition — sustainable products provide environmental, social and economic benefits and at the same time protect the needs of future generations, public health and welfare, and the environment.

Forbo, which is based in the Netherlands, has long been focused on sustainability. "Sustainability has always been a core value because it is good for our business," says Darragh. "In the Netherlands, where full environmental impact is a major concern, we are a

self-regulated company, because of our corporate mindset. You have to want to be green not because it is popular in the marketplace today, but rather because it makes you more competitive."

That concept is playing in the United States. A window manufacturer changed its silicone window sealant at a cost of \$10 million, which included a life-cycle assessment, studies on health effects and filing for an U.S. Environmental Protection Agency exemption. EPA granted the exemption because the improved product had no adverse environmental impact. Distributors began requesting the sealant because it eliminated the liability of dealing with a hazardous substance. Within three years, profits from the new sealant increased tenfold.

And if facility executives continue using less environmentally safe alternatives, what will happen? The answer is that it'll cost more to do business. Landfills already charge additional fees on hazardous materials, such as roofing and lamps. Hazardous materials from used computers and monitors are being pulled before they are discarded. Traditional fluorescent lamps must be disposed of separately. Even floor finishes and cleaners are starting to be considered hazardous waste.

MEASURING SUSTAINABILITY

To respond positively to this issue, MTS has identified 11 consensus Sustainable Products Standards. Currently, it is finalizing the Economic Benefits Standard, which provides tools to assess sustainable product and green building economic benefits using common accounting practices. "The point of sustainability is really focusing on value," says Don Reed, consultant for Ecos Corporation. "That sounds simple. But it actually can be quite a challenge."

Reed says that measuring and quantifying sustainability will be the way of the near future. "For instance, 10 years ago having a smart building or flooring for extensive wiring were fairly new ideas," he says. "Suddenly, the marketplace has decided that a building is not Class A unless it is wired. I think the same thing will happen in a few years with green buildings." In fact, according to Mike Italiano, MTS president and CEO and a founder and director of the U.S. Green Building Council (USGBC), "USGBC's commercial green building rating system has captured 1 percent of the U.S. market in just three years."

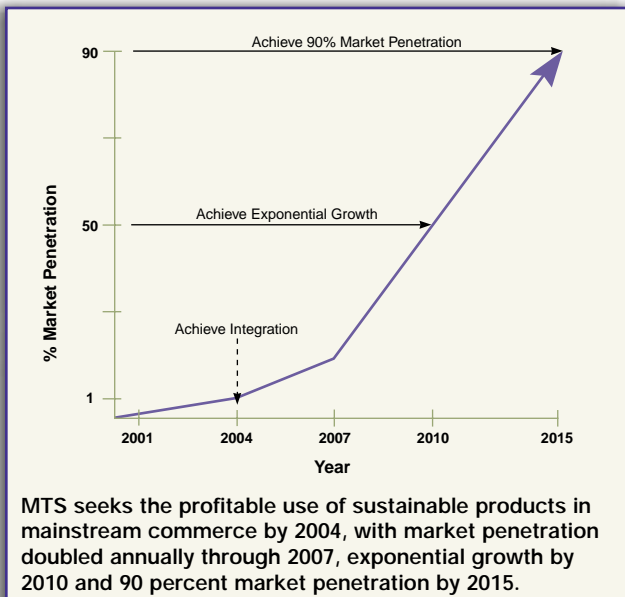
Using standard corporate profitability benchmarks, the Economic Benefits Standard helps to show how sustainable products and buildings are more profitable than conventional ones, for the following reasons:

- Reduced liability.
- Fewer regulatory constraints.
- Faster product development to market time.
- Added good will, brand and competitive advantage.
- Documented public demand.
- Reduced raw materials and manufacturing costs.

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- Added value for customers.
- Improved employee health and safety.
- Increased worker productivity.
- Increased sales margins.

Such benchmarks are sound business practices for today's progressive companies. So it's not surprising that some big players like Philips Lighting are embracing the concept wholeheartedly. In its Alto lamp line,



the company combines energy efficiency with a mercury content so low that EPA does not require the Alto fluorescent to be considered a hazardous waste, as it does with other fluorescent lamps.

The company also had an ecoVision program reducing energy use by 25 percent, water use by 35 percent, packaging by 15 percent and waste by 25 percent. Now that the company has achieved those goals, it is planning to launch ecoVision II. "We're really just taking out cost items by using less power, producing less waste and requiring less water and landfill space," says Paul Walitsky, manager of environmental affairs.

PRODUCTIVITY BENEFITS

Being conscious of the total environmental picture yields indoor environmental benefits, including better air quality and light quality "That means occupants are likely to be more productive," says Reed.

According to MTS data, sustainable buildings increase productivity on average by 5 percent. Increased daylighting and energy efficiency are major components in sustainable buildings. Matt Petersen, president and CEO of Global Green, says a commitment to sustainability "saves money and increases value for tenant-occupied buildings by lowering operating costs."

The Rocky Mountain Institute/USGBC report,

"Greening the Building and the Bottom Line," shows that energy-efficient design can pay for itself in reduced energy costs while providing higher worker productivity, lower absenteeism, fewer errors, better quality and increased retail sales. In the report, case studies record productivity gains from green design as high as 16 percent. But even modest productivity gains can exceed the total capital and operating costs of the building over its design life.

"The number one cost in a building today is the people who work in it," Petersen says. Because it can help increase productivity, "sustainability provides a huge payback."

And it doesn't cost more to go green, as NMV Bank in the Netherlands found out for its new green building headquarters. The new bank incorporates many green building features, including operable windows, energy efficiency and daylighting down to the floors below ground. The building also features moving water throughout the building, increasing aesthetics and humidity for the occupants.

"Several months after the building began operating, energy loads spiked, prompting a bank audit," says Italiano. "The results concluded that employees were spending vastly increased time in the building, including during the evening and on weekends, increasing energy loads." A better working environment did help keep employees working longer; perhaps the building contributed to the bank's jump from the seventh largest in the country to the second.

A financial perspective on building sustainability can help get the message to management. "Sustainability needs to be in a language that any company would know," says Joe Rinkevich of MBDC, a product and process design firm.

The bottom-line value of sustainability is evident in the Herman Miller headquarters building, referred to as the "Greenhouse." That facility earned the U.S. Green Building Council's LEED (Leadership in Energy and Environmental Design) rating. It combines manufacturing operations with office space for 750 people.

The building increased fresh air, daylighting and energy efficiency, and included water and wastewater conservation strategies that led to a 65 percent energy savings. Worker productivity increased by 1.5 percent, as calculated in a four-year long U.S. Department of Energy study. A 1 percent gain in service productivity is now worth 3.5 times as much as the same percentage gain in manufacturing, according to data from the Human Environment Research Organization.

David Ford, MTS vice chairman and CEO of the Certified Forest Products Council, puts it best: "MTS believes these monetary benefits are so strong that increased profitability is the engine driving us to global sustainability." ■