

Q&A with Mindy S. Lubber



“Coastal communities need to be part of our national conversation on climate change. We need strong policies and market-based solutions to reduce their exposure. That means promoting infrastructure investment to adapt to the rise in sea levels. It may also mean limiting or prohibiting development in the most sensitive areas.”

Mindy S. Lubber is president of Ceres, a Boston-based coalition of investors and environmental organizations whose goal is strengthening the environmental, social, and governance practices of corporations. An attorney who holds a master's degree in business administration, Lubber is also director of the Investor Network on Climate Risk, whose 70-plus members hold more than \$7 trillion in assets.

How real are most companies' commitments to sustainability? Have those commitments become more genuine, more comprehensive in the past year or two? Companies' commitments vary. More often than not today, we're seeing far more interest in, focus on, and execution of sustainability practices. That said, most companies aren't consistent.

That doesn't make them bad. Some companies, for example, are doing well on sustainability as it relates to their packaging, but their fleets might be unsustainable or their buildings might be wasting energy and water. So, we're seeing piecemeal efforts, and our goal is to move companies to a more comprehensive, systemic sustainability program where they're addressing sustainability from

the boardroom to the copy room, and they're holding their CEOs accountable.

That said, over the last two years, there's been a sea change. Sustainability is now more popular, more sensible. Shareholders, employees, customers, and executives want their companies to be more sustainable. Companies [that emphasize sustainability] find it's easier to hire the best and brightest from top business schools. They're seeing employees who are more excited about going to work and who are more productive.

How can companies best deal with inconsistencies about sustainability that exist internally?

Sustainability has to be systematically imbedded in every business unit of a firm. It can't be seen as a niche issue done at the whim of a CEO. It has to be seen as a core business issue that impacts the bottom line and is analyzed and imbedded in strategic planning. The board has to discuss it, and the CEO must be held accountable through metrics. That's when things happen.

For companies to be more internally consistent on these issues, they have to be systematic and transparent, and they have to measure their sustainability impact. Ceres launched the Global Reporting Initiative [GRI]—now the de facto standard for reporting environmental and social performance used by 1,300 companies worldwide—which asks companies to publicly state their values and goals on sustainability issues and lay out plans for moving sustainability forward, and measures progress against a defined set of metrics.

If you use GRI, you have to look at where you're having a negative impact, such as in your buildings and workplaces, your products, customers, and supply chains. You have to document your negative impact, document your sustainability actions, and make them transparent. The sheer process of going through the GRI starts changing behaviors.

How is Ceres focusing on real estate as a leading cause of energy consumption and climate change pollution?

Over the years, we've addressed real estate issues as part of our ongoing work with companies and investors. We're now launching

a more aggressive program focusing on investors as owners of real estate and of companies. We're working with a variety of investors, including CalPERS [the California Public Employees' Retirement System, the largest U.S. pension fund], on reducing energy consumption in their own real estate portfolios by 20 percent within three years.

We're engaging with our companies to promote best practices in their real estate management and forward thinking about how buildings are designed and constructed. We're educating our companies and investors to take leadership on greening their existing buildings.

We're looking at other investment vehicles, like REITs [real estate investment trusts], and moving them to be more focused on investing in real estate that is environmentally sound and to change their company practices on what they build or how they operate existing buildings. We're helping companies in the financial sector focus on what properties they are willing to invest in.

How would you evaluate the performance of the real estate industry in the United States in terms of sustainability? Who are the leaders? Who are the laggards?

The real estate industry is very broad, with many subsectors. Because of that, it provides a wide variety of opportunities to make our built environment more sustainable. Like any other industry, there are companies that have decided to wait to take action until they are forced to—either by their customers or by policy makers—and there are forward-thinking companies that early on decided to take the lead in transforming their market.

Bank of America has made a ten-year, \$20 billion commitment to promote sustainability in its investments, lending practices, and internal operations, as well as through the creation of new products and services geared to promote sustainability. The company is committing \$1.4 billion to achieve LEED [Leadership in Energy and Environmental Design] certification in all new construction of office facilities and banking centers. It is donating \$50 million from the Bank of America Charitable Foundation to support nonprofit organizations focused on

energy conservation, green affordable housing, and other environmentally progressive activities. And it is offering new products including the Green Mortgage Program, in which homebuyers will receive a reduced interest rate or \$1,000 back for each home-purchase mortgage that meets Energy Star specifications.

Earlier this year, Jones Lang LaSalle [JLL] released its first sustainability report—a relative rarity in the real estate industry. JLL made a global sustainability commitment that includes adopting best practices for new building construction, improving building energy consumption, increasing employee sustainability training and education, leveraging supply-chain power procurement, and measuring carbon emissions.

Jones Lang LaSalle is also establishing the first sustainability university in the real estate services industry, where employees and clients are learning sustainable strategies, studying for professional accreditation such as LEED, and gaining specific skills to drive the development, management, and leasing of sustainable and energy-efficient commercial buildings.

How can companies and investors in the real estate community start adapting to the long-term implications of climate change?

Already, we are starting to experience impacts like more frequent and intense storms. Because of this, we're seeing insurance companies all over the world *not* insuring coastal homes and communities. Climate change is having a physical and business impact.

How do we deal right now with coastal communities? Do we just abandon them? Many people in Florida can only get insurance through the government. Insurance companies won't touch them.

Ceres is bringing together insurers, government, investors, real estate developers, and environmental organizations in our Resilient Coasts Initiative to address climate adaptation using public policy and private market solutions to better protect our coastal communities.

Coastal communities—those areas within 40 miles [64 km] of the coast, where over half of all Americans live—need to be part of our national conversation on climate change. We need strong

policies and market-based solutions to reduce their exposure. That means promoting infrastructure investment to adapt to the rise in sea levels. It may also mean limiting or prohibiting development in the most sensitive areas.

Closing our ears won't work. We have to act. How do you make sure that coastal cities have the right building codes and government codes, and the right extra-reinforced windows or other protections? Ceres is convening a group of people to do just that.

What are the best first steps for companies that are new to embracing the benefits of sustainability?

First, they must choose a few sustainability issues that are the most near and dear to the business they run. It could be supply chain issues, worker safety, water shortages, or any of the hundreds of other challenges. Companies have to take a look at what their impact is on those issues and, conversely, at how those issues impact the company. What happens if there are more violent storms? What happens if the regulatory context changes? What happens if there's a price on carbon?

Next, they must assess their footprint and their vulnerabilities, set goals and benchmarks, and determine how to accomplish those goals. Again, sustainability has got to be dealt with at the highest level. It needs the leadership of the CEO. Sustainability needs a board committee to address it. It needs the entire firm to address it.

Then companies must pick their opportunity and start addressing sustainability issues one by one. Make corporate real estate more energy efficient, healthier. Reduce use of paper. Find alternatives to toxic chemicals. Change the lighting system. There are unlimited places to get started. The key is to get started.

Who are going to be the winners and losers in our age of increasingly limited resources and global climate change?

The winners will be the ones who get in front of the curve first—the companies developing and designing the technologies that produce clean water, green buildings, and next-generation hybrid vehicles—the infrastructure for a 21st-century green economy with millions

of new jobs. There is no doubt that Congress is going to pass a limit and a cost on carbon dioxide emissions. That will impact everyone, including property owners. Reducing your carbon usage and emissions makes sense now. Companies already doing so are gaining more profits, greater market share, and happier employees.

How are investors addressing climate change? What is their role in moving both companies and government to address this and other sustainability challenges?

Investors aren't in business to be environmentalists. Their legal duty is to address risk. Because climate, in particular, and water scarcity create substantial financial risk, we are seeing more and more investors, both large and small, weighing in. They are incorporating stronger valuation practices on climate in their portfolios. They are starting to invest in clean and green technologies. They are telling their money managers not only to do their traditional evaluation of companies when building their portfolios, but also to start including climate risk in their analyses.

What do you consider Ceres's greatest successes in the past three years?

First, imbedding climate change in \$7 trillion worth of investments. When the largest U.S. pension fund CalPERS says its investment practice is being affected by climate change, sustainability is no longer a niche consideration.

Second, redefining what constitutes good corporate governance. It used to be that good corporate governance only meant having an audit committee at the board level or separating the positions of the board chair and the CEO. Today, we have redefined good corporate governance to include sustainability.

Third, making transparency and sustainability reporting common practice for over 150 large companies in the United States and helping them produce strong and comprehensive sustainability reports. **UL**

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