



Certification Case Study – InterfaceNZ Ltd
Climbing 'Mt Sustainability': a Kiwi Journey

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EXECUTIVE SUMMARY

InterfaceNZ Ltd was the first building materials company to be carboNZeroCert™ certified. It is an independent, New Zealand owned company providing floor covering systems. Many of its products are imported from Interface Inc under an exclusive distribution arrangement. Interface Inc is an unrelated supplier, but one with which the New Zealand company shares a common philosophy and commitment to a sustainable future.

The significant annual cost savings achieved as a direct result of its carboNZero certification easily justify InterfaceNZ's investment in the programme. The company looked for carbon and it found dollars. The efficiencies identified led to reductions in both costs and emissions. The investment has paid itself off many times over as a result, and will continue to do so.

It has also enabled InterfaceNZ to build its brand and demonstrate a point of difference in the market, with some positive, tangible results. This advantage will grow as the demand for greener buildings grows.

But even greater benefits have been identified. Its carboNZero certification has enabled the company to demonstrate integrity and commitment in its journey towards a truly sustainable future. This has helped to show its alignment with ambitious 'zero footprint' goals set and publicised by Interface Inc. More importantly, this has helped the company to demonstrate leadership in the building industry in New Zealand, and to encourage and enthuse its staff in this ground-breaking, vital journey.

CASE STUDY

Background

The building industry has major environmental impacts. Building materials affect the environment in their extraction, their production, their embodied energy, their use, and their disposal. In their construction and use, buildings account for 33% of (human generated) carbon dioxide emissions worldwide.

Floor coverings represent a significant part of most New Zealand buildings. The synthetic carpet industry is a highly petroleum-intensive one, and is closely linked with the building industry. Together these industries make a considerable contribution to our carbon emissions.

Ray Anderson, the chairman and founder of Interface Inc, announced the beginning of an ambitious journey in 1994. The destination was the summit of 'Mount Sustainability'. The company, the world's largest modular carpet manufacturer, would have a 'zero footprint' by 2020.

In 1996, InterfaceNZ Ltd joined that journey.



About InterfaceNZ Ltd

InterfaceNZ Ltd (INZ) is an independent, privately owned New Zealand company. It has 15 employees and two full-time local directors: Robb Donzè, Managing Director and Steve Aschebrock, National Sales & Marketing Director.

INZ provides floor covering systems, principally carpet tiles, vinyl, and melded fabrics. The company's purpose is to 'provide sustainable design-led flooring solutions'. It also provides support services such as design, leasing and consultancy. Its products are sold throughout New Zealand and the Pacific Islands.

Principal imports are InterfaceFLOR carpet tiles and Lonseal vinyl. In partnering with overseas supplier Interface Inc, INZ has chosen to embed that company's sustainability culture in its own business here.

And it has not just embraced this, but has added its own 'kiwi can-do' components. Becoming a carboNZero certified organisation is a good example of this.

INZ and Interface Inc work closely together with the aim of supplying excellent products, services and sustainability outcomes. INZ collects carpet tile products at the end of their useful life, sending them back to USA for recycling. The Interface carpet tiles sold in New Zealand have a typical recycled content of 50% by weight.

INZ has made a strong commitment to Interface Inc's goals and philosophy, but most of its initiatives are local ones driven by its local owners.

NZ Green Building Council presentation 'Dollars and Sense of Green Buildings – NZICA', February 2011

About Interface Inc.

'The economy', according to Ray Anderson 'is a wholly-owned subsidiary of the environment... Business is the largest, most powerful and most pervasive, institution on earth. It's incumbent on business to take the leadership on sustainability.' Interface Inc's sustainability journey involves pursuing three paths: 'Innovative solutions for reducing our footprint; new ways to design and make products; and an inspired and engaged culture'.

Anderson has led Interface Inc to embrace whole systems design. He has provided an inspiring example of a re-imagined business that also makes sound economic sense. The company has reinvented its business model with the intent of attaining 'closed loop recycling' and has set a definite time limit through its Mission Zero goal: a zero footprint by the year 2020.

Interface Inc pioneered the use of carpet tiles, noting that 20% of a carpet typically suffers 80% of the wear, so by rotating the tiles the carpet's life can be greatly increased. This fact alone, given that worn broadloom carpet would be removed and dumped, provides a significant climate change advantage.

About carboNZero certification

carboNZero certification offers robust tools for organisations, individuals, products, services and events to measure, manage and mitigate their GHG emissions (carbon footprint) with the highest level of credibility and integrity. It was developed in 2001 from over 15 years of expert scientific research on greenhouse emissions measurement, management and reporting at Landcare Research New Zealand Limited, one of New Zealand's leading Crown Research Institutes.

It is the first GHG certification scheme in the world to be internationally accredited to ISO 14065 through the Joint Accreditation System of Australia and New Zealand. The programme is recognised in over fifty economies and can be applied as a best practice standard across businesses operations, by ensuring consistency of emissions measurement, credibility of reduction and offsetting activity, and independent verification of carbon neutral claims.

carboNZero certification is now offered in Australia, Chile, New Zealand, United Arab Emirates and the United Kingdom.

Why certify? Why carboNZero certification?

INZ wanted to become certified as a carbon-neutral organisation for four key reasons:

1. To gain independent verification of the company's commitment to becoming a truly sustainable enterprise.
2. To support the carboNZero certification programme and join the growing network of certified businesses; INZ wants to see more sustainability-focused companies in New Zealand.
3. To align INZ with Interface Inc goals of having a zero footprint by 2020.
4. To cut costs. Steve Aschebrock explains: 'We know that if you can cut carbon you will cut costs.'

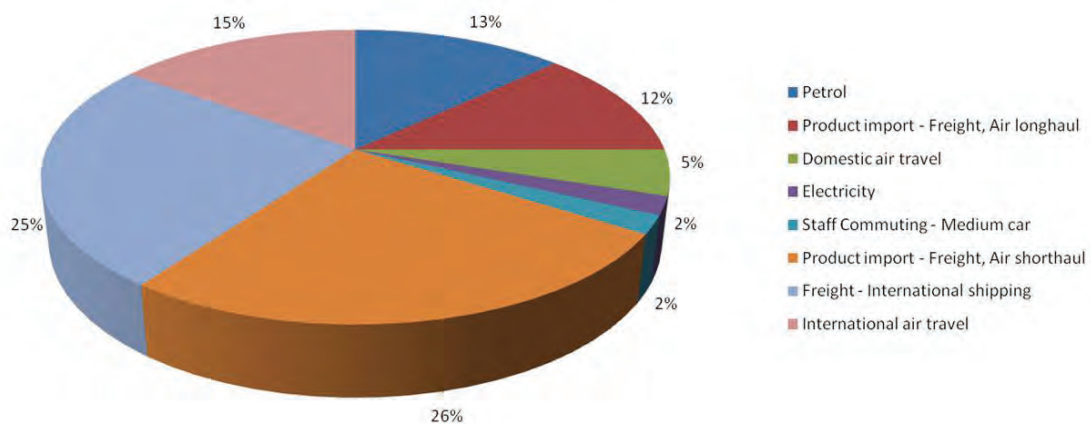
Having decided to seek certification for their organisation's carbon footprint, the decision to achieve carboNZero certification was an easy one for the company. The directors determined that the brand had high credibility, was local and well known, and was one they would be proud to be associated with.

What is covered?

An organisation's impacts include emissions from 'Scope 1' (direct emissions from sources it owns or controls) and 'Scope 2' sources (emissions from off-site generation of electricity or other energy used), and some from 'Scope 3' sources (emissions that occur as a consequence of its activities, but from sources it does not own or control). For certification, an entity must measure emissions from all Scope 1 and 2 sources, and mandatory Scope 3 sources.

INZ's carboNZero certification covers the whole of its New Zealand organisation, including freight, warehousing, distribution, offices and travel, as well as public transport and employees' travel between home and office. Some minor items such as travel accommodation and waste, less than 5% of total emissions, are excluded. About 89% of INZ's emissions in 2009/10 are from Scope 3 sources, principally air travel and freight. Full details are included in the Disclosure Statement (see Note 3). The company has been carboNZero certified since 2008.

The operational GHG emissions for Interface NZ by emissions source 2010/11



Costs and Challenges

Fees are charged for certification, and the company is committed to managing and reducing its emissions, and to paying for the related offsets. INZ had been tracking its carbon footprint previously, but measurements had to be more sophisticated under the carboNZero certification standards.

In 2009/2010 a total of 285 tonnes of carbon dioxide equivalents (CO₂e) was required to be offset. At \$25 per tonne, these offsets would cost the company about \$7,000 for that year. As it happens, all of its costs were quickly recouped through just one change, their 'Port of Project' initiative (see Cost Savings, below).

Marketing Benefits

Demand for INZ products has remained strong, and has shown good growth, even in the economic downturn. The starting point is a great product; the company continues to focus on high quality InterfaceFLOR carpet tiles despite pricing pressure to source product from China.

INZ's brand is a key to its success, and environmental leadership has helped to build the brand. This leadership is obvious in the non-residential market, its culture being well respected by the business community.

In the 20 months from May 2009 to December 2010, non-residential building consents declined in floorplate area nationwide by 19%, but the company's own volumes increased by 24%. And since the start of its carboNZero certification 'base year' in April 2007, a period in which nationwide consents had dropped substantially, the company's volumes had increased by almost 90%.

Robb Donzè says, 'Our growth is basically due to our customers who, by our actions, are becoming more and more trusting that we are doing the right things, so they keep coming back to us.'

One way that INZ's leadership can produce tangible results is through the tendering process. Increasingly, tender documents are probing for environmental credentials and providing tenderers with opportunities to present these. (See Box)

Aschebrock says, 'Our brand definitely has benefited – we purposely show a number of third party verification credentials in our advertising. It is all about transparency and trust and raising the bar. carboNZero certification has helped us do this. We definitely see ourselves as leaders in the flooring industry, and the carboNZero programme as a leader in verifying and certifying carbon-neutral footprints – the two complement each other brilliantly from a brand alignment perspective.'

Example - Tender Process

Matters relating to environmental stewardship, and at least indirectly to carbon issues, are increasingly being considered in tender processes. The following items were included in tender documents recently received by INZ from major corporates or government agencies:

Provide evidence or confirmation that:

- *The company has met its own specified environment, OH&S and workplace practice performance targets (e.g. energy, waste, greenhouse gases, resource efficiency, water, OH&S etc.)*
- *The company adopts a life-cycle or similar approach to the assessment of environmental and social impacts in the design of its products/services, and in how it manages its operations and its supply chain.*
- *Formal management plans, performance targets, systems, accountabilities and KPIs are established for all environment and social aspects at the Executive level in line with international best practice and standards, and are externally verified audited (if applicable).*

Also: Please advise with regard to your product:

- *How you recommend this is disposed of at the end of its life;*
- *What if any of the of the components can be recycled; and*
- *How you would recycle these components.*

INZ notes that while these questions might not focus specifically on GHG emissions, in order to answer these adequately it is necessary to have credible third party verification to support claims made; carboNZero certification provides this.



Green Building Preferences

INZ has a range of 'green' credentials (see Note 5) which may have boosted demand for its products and services, particularly from corporates. It is hard to be certain which of these credentials contributes most in any one situation – they each help to build a total package. However, the company's carboNZero certification is featured prominently in advertising material and is listed first, for example, under 'New Zealand Initiatives and Achievements' on INZ's Sustainability web page.

Aschebrock says, 'No architect or corporate customer will say that they chose our carpet tile because of our green positioning and we don't ask them to – we see ourselves as a full service provider that does well financially by doing good environmentally. However, we know on the emotional level that we connect with our customers by doing good. In the depth of recession and falling commercial consents we grew our business, and grew it substantially. And we did this by adding cost in the form of Toyota Prius cars and carboNZero certification and offsets. We committed to cost in a recession and grew our business as a result.'

It seems likely that memberships of the NZ Green Building Council, NZ Business Council for Sustainable Development, and Sustainable Business Network, for example, have boosted knowledge of INZ's credentials, and therefore demand for its products, amongst corporates.

Demand for green buildings seems certain to grow. An international survey found that 98% of 'Generation Y' workers aspired to work in a greener workplace.

Cost Savings

INZ was able to recoup its initial carboNZero certification costs several times over in its first year, from just one project. The 'Port of Project' savings, of emissions and of dollars, grew directly out of its certification. These savings, \$80,000 in 2010, are annual and on-going, so the investment will continue paying big dividends. (See Box)

INZ actively discourages the use of airfreight for delivery of its products, favouring coastal shipping and rail instead, a direct result of its certification. Aschebrock says, 'We were staggered by the quantity of air carbon. We actively dissuade airfreight now, based on carbon emissions.'

While the decision to invest in hybrid vehicles was made earlier, the company's certification has helped to lock this in. All vehicles are now Prius, purchased from carboNZero certified Toyota NZ. INZ is committed to reducing its footprint each year so hybrids or electric vehicles are part of the equation; going back to just petrol or diesel is now not an option.

Aschebrock says that INZ costs have been down, not up, 'dispelling the myth that going green costs more. By significantly reducing our waste, energy usage, road freight and petrol consumption, InterfaceNZ has become more efficient and reduced its overall costs.'

² *Generation Y and the workplace, Annual Report 2010', Johnson Controls, quoted by NZ Green Building Council.*

Example – Carbon consciousness in action: 'Port of Project'

Prior to its carboNZero certification, imports of carpet and vinyl had been delivered to INZ's Auckland warehouse, and then shipped to other centres around NZ as needed. The aim had been to ensure full container loads to optimise freight economies.

The requirement to manage, reduce and offset carbon emissions challenged and ultimately changed this thinking. INZ now requires imports to be shipped directly, for example from Thailand or Australia, to the port nearest their end-use. This means that sometimes the company only partly fills a container, with marginally higher freight costs by volume of product; however this saves carbon previously lost as a result of everything being shipped via Auckland. And the new arrangements also save freight and storage costs by going directly to their final destination – an annual saving at 2010 rates of \$80,000.

Other Benefits to the company

Certification appears to have contributed to staff commitment and morale. Donzè says that a company with a goal, such as carbon-neutrality, gives everyone a focus. 'Staff members have their own momentum now,' he said. 'I couldn't stop them even if I wanted to.'

In fact, the directors don't have to tell new employees about their sustainability goals any more: 'These people are seeking us out!' Aschebrock says, 'Our employees are definitely enthused – but they are too with our Hauraki Gulf island clean-up days. It's just in our DNA, our culture.'

INZ considers that its involvement in Interface Inc's 'stewardship loop' is working really well. While this predates its carboNZero certification, the two initiatives are mutually reinforcing; returning products overseas at the end of its useful life saves landfill here, and cuts the cost of energy and materials overseas, cutting emissions in both places.

A staff bonus scheme encourages increased levels of recycling. The company has calculated that a carpet tile sold in New Zealand, returned to the USA for recycling back into new product, then resold here in New Zealand as carpet tile, saves 95% of the embodied energy of that second-life product, in comparison to one made from virgin materials.



Wider Benefits

The quest to cut emissions has led to some changes elsewhere in the supply chain. INZ tendered out their logistics contract, for example, requiring the successful applicant to track carbon and proactively seek to use more coastal and rail shipping, with monthly feedback on the modes of transport used. This cut carbon and costs, and sent positive messages to those freight companies.

Donzè says, 'Suppliers are asked three main questions: what goes into a product, how long does it last, and are you going to take it back when I've finished with it?'

INZ's offsets have also contributed to socially and environmentally beneficial projects elsewhere: Te Apiti windpower and native forest regeneration (administered by EBEX21).

With hindsight, what would InterfaceNZ do differently?

Aschebrock says, 'In hindsight we timed it well. The certification coincided with a ramp up in volumes and a new proactive logistics company coming on board. Hence involving ourselves in the logistics chain where many of our carbon savings came from is unlikely to have happened earlier. We would certainly advise all companies involved in construction with a logistics chain to carbon certify, as substantial savings are available – cut the carbon and you cut the cost.'

The advantages of certification have exceeded early expectations. 'We decided to certify because it's the right thing to do,' says Donzè. 'But what we've found is we can also make a load of money out of it.'

And the directors are certain that the carboNZero programme has been the right choice: 'Their 'best in class' knowledge and systems are invaluable in helping us reach this goal.'

Plans

The company's plans include continuing with present policies, including increasing rail, coastal and direct to Port of Project shipping; being explicit with customers about the carbon impact of air-freight; on-going bonuses for increasing recycling volumes; and continuing staff competitions related to vehicle fuel efficiency. It will also investigate opening a South Island warehouse, an opportunity highlighted through its shipping changes.

Donzè says the really big push will be to 'close the loop'; to find cost-effective, local solutions to keep product out of landfill at the end of its (previous) useful life, to give it another life, and to preserve the energy embodied in it. 'And as energy and landfill prices increase, this will become more and more valuable.'

He thought there was scope for INZ to market its carbon-neutral certification credentials more in future; these were good for the customer, the building industry and the country, and it would be useful for people to know more about them.

What is carboNZero certification really worth to INZ?

The following are the real benefits that the company has gained and are listed (in the writer's view, at least) in the order of their importance:

1. Integrity of the Brand

INZ has demonstrated its commitment to Interface Inc's global philosophy, but with commitment, flair and a can do attitude which is totally 'kiwi'. It is a relatively small company 'punching above its weight', helping it to gain the respect of customers, key suppliers and other companies, and to boost the self-belief of its directors and staff.

2. Staff Commitment

It is clear that staff members were already strongly committed to sustainability, and to the goal of a zero footprint. Certification has helped to provide focus, and to inspire staff in the quest for specific, effective, local solutions. It has also provided some useful markers and targets in this ambitious and important journey.

3. Market Leadership and a Point of Difference

As New Zealand's first certified carbon-neutral building supply company, INZ has created a useful competitive edge. It seems likely that this has raised its profile in the business community and assisted it in tendering, with the ability to provide third party evidence of its commitment to reduce its footprint. This boost has almost certainly contributed to its significant growth in non-residential business in times of recession and falling commercial consents. There is every chance that this advantage will grow in future, as corporates, government agencies and individuals become more aware of carbon issues and of constructive steps they can take to cut emissions.

4. Cost savings

In the process of looking for carbon savings, INZ has found some real bottom-line dollar savings which exceed its costs to certify. Even if there had been no other advantages, these alone would have justified the investment.

NOTES

1. Key sources
INZ website www.interfacenz.com
carboNZero website www.carbonzero.co.nz
Interface Inc website www.interfaceinc.com
2. Key personnel consulted
Robb Donzè, Managing Director
Steve Aschebrock, National Sales & Marketing Director
3. carboNZero certification - basis
carboNZero certified "organisation" including freight associated with importation and distribution of products. The company's Disclosure Statement can be found at: www.carbonzero.co.nz/documents/disclosure_interface_0910.pdf
4. Abbreviations:
CO₂e = Carbon dioxide equivalent (in relation to potential climate change effects)
EBEX21 = Emissions Biodiversity Exchange in the 21st Century
GHG = Greenhouse gas
INZ = InterfaceNZ Ltd
5. INZ sustainability credentials and memberships
 - 1) carboNZero certification (since 2008)
 - 2) NZ Green Building Council (member since 2006)
 - 3) Environmental Choice (for listed products)
 - 4) NZ Business Council for Sustainable Development (member since 2002)
 - 5) Sustainable Business Network (member since 2001)

Writer's Bio:

Bruce Gilkison is a Chartered Accountant and Sustainable Business Consultant, and is a frequently published writer on business and environmental issues. He has served on several NZ Institute of Chartered Accountants committees on sustainability reporting, and was appointed Life Member of the Institute's Sustainability Working Group in 2006. He was appointed International Associate of the Scotland-based Centre for Social and Environmental Accounting Research, from 1992.
